

PURCHASE MANUAL



MATERIALS DEPARTMENT

OIL INDIA LIMITED

DULIAJAN-786602, ASSAM, INDIA

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**NOTE : FOR STANDARD TERMS & CONDITIONS OF TENDERS,
PLEASE REFER TO THE SEPARATE BOOKLET ON THE
SUBJECT.**

CHAPTER 1

INTRODUCTION

1.0 In Oil India Limited (OIL), all the activities concerned with requirement Planning / inventory control, purchase, warehousing, delivery / disposal of Materials are carried out in a centralized integrated manner through its centralized Materials Department. While the centralized Materials Department situated at Company's Field headquarters in Duliajan caters for the requirements of Fields, the requirements of the Projects, Pipeline and other offices are met by the local Materials Department of the respective spheres.

2.0 MAIN OBJECTIVES OF MATERIALS MANAGEMENT IN OIL :

- To arrange for steady flow of materials to ensure uninterrupted operations.
- To procure right quality of materials in right quantity at the right price from the right source at the right time.
- To reduce blocking of working capital through scientific inventory control.
- To preserve/conserve materials kept in stock so that losses due to deterioration /obsolescence are minimised.

3.0 MATERIALS DEPARTMENT AT DULIAJAN

All the requirements (imported as well as indigenous) of the Company for its operation at Fields are met by the Materials Department situated at Duliajan. In addition, requirement of other Project offices are also met from this office from time to time as and when required.

The Materials Department situated at Duliajan is headed by Chief Materials Manager. The principal activities of the Department are carried out by the following four sections:-

- a. Planning and Inventory Control
- b. Purchase (Foreign & Indigenous)
- c. Receiving & Depot
- d. Indigenization, Spot Purchase & General Administration

4.0 CALCUTTA BRANCH

Purchases from indigenous sources are also made by the Calcutta Branch situated at Kolkata. This Branch makes procurement of the materials (from indigenous sources only) against indents raised by Duliajan Materials Department and other Spheres / Projects and their transportation to respective places. Further, the Calcutta Branch arranges opening of Letter of Credit, Wire Transfer, Sight Draft payment etc. to the foreign suppliers and also to the Indian Agents for their commission, Shipment of goods (by sea, Air, Courier etc.), Customs clearance of the goods and transportation of the same to Duliajan and other Spheres/Projects of the Company.

5.0 PROJECTS AND PIPELINE

All the Project offices and the Pipeline Headquarters at Guwahati are having a Materials set up primarily to cater for their needs. While the basic policy as regards to procurement is same for all the Projects and the Pipeline, suitable modifications in procedural aspects are made by the respective offices to suit their requirement locally under the D.O.P. In addition to the local requirements, Pipeline Headquarters at Guwahati makes purchases against specific indents forwarded to them from Duliajan.

6.0 CONTRACT & PURCHASE DEPARTMENT AT DELHI OFFICE

Various requirements of Delhi offices including hiring of services are processed by Contract & Purchase Department locally. In addition, this department also deals with the following:

- Processing and obtaining approval of the CBC Notes received from Fields / Projects.
- **Liasioning with DGH(for Essentiality Certificates), various Govt. Offices and other PSUs, Railways etc. in connection with procurement and Import & Export Policies as well as for other related requirements of Fields/Projects as and when called for.**

7.0 THIS MANUAL IS DESIGNED TO :

- Outline the principles, practices and procedures to be followed normally in the performance of the materials procurement.
- Provide the personnel of Materials department with an understanding of their responsibilities, objectives and duties within the framework of Company's overall policy towards purchase of materials.

(Note : This manual has been made keeping the procedures, etc. of Field Headquarters in mind. For Projects and other offices this can be used as a general guideline and procurement actions have to be initiated as per the guidelines and procedures being approved and followed locally)

8.0 AMENDMENT TO THE MANUAL

Due to change in Government as well as Company's policies, organisation structure, procurement functions/practices and also to improve the existing system, it may be necessary to amend and update the Manual from time to time. Such amendments, as and when necessary, shall be issued by Chief Materials Manager with the approval of Local Management wherever considered necessary.

CHAPTER 2

INDENTING PROCEDURE

1.0 FUNCTION:

Materials Department is responsible for procurement of materials for various departments of OIL at Duliajan & Pipeline Headquarter, Guwahati to ensure smooth and uninterrupted operations. **There are two category of items dealt by Materials Department:**

- i) **Stock items**
- ii) **Direct Charge**

1.1 DIRECT CHARGE ITEMS : Direct charge items are those which are to be purchased against specific requirements of the indenting departments against departmental job nos. **and Budget Heads.**

1.2 STOCK ITEMS : Regularly required items and spares required for regular repairs/maintenance and periodical overhaul of machinery and equipment are procured against stock account and are called 'Stock items'.

2.0 PROCEDURE FOR RAISING INDENT:

2.1 DIRECT CHARGE ITEMS

All Direct Charge Indents must be having the following details:

i) Indent quantity :

Indents shall be formulated by user departments carefully after proper scrutiny and based on latest approved plan. Indents for procurement of machinery/equipment/stores/spares shall be sent to Materials Department on prescribed format.

ii) Equipment/OEM-wise indents for stores & spares :

Indents for procurement of stores and spares shall be raised Equipment/OEM-wise.

iii) Indication of source of supply in indent :

The indentors, while sending indent to Materials Department shall indicate probable names of parties who are likely to quote for the items as per requisite specifications.

iv) **Expenditure Sanction :**

The indent must indicate Budget head, chargeable job Nos. with percentage break-up whenever applicable. It shall be ensured that total expenditure sanction as well as unit-wise/group-wise expenditure sanction is indicated in the indent.

v) **Specifications :**

a) The indent must indicate clear and detailed specifications, drawings and Samples, wherever necessary, so that there is no ambiguity left for the tenderers to quote for correct materials. The specifications should be drawn in such a way that it is generic in nature. While drawing the specification of capital goods, proper care should be taken to avoid over specification, such as capacity etc. leading to high cost. Indentor shall critically examine the requirement before raising indent so as to ensure avoidance of idling/over stocking and also to ensure proper utilization, economy in the operations and to avoid obsolescence.

b) The Indentors should not ask for proprietary materials or draw up specification that would result in proprietary procurement, except in cases, where Proprietary procurement is unavoidable. Specifications should normally be drawn in such a manner that adequate competition gets generated against the resultant tender. Drawing of specification to suit any particular trade/make must be avoided.

vi) **“Required at Site” Date(s):**

The indent must specify the time by which the material is required. While indicating “Required at Site” date, the normal lead time for indented items should be kept in mind.

In the event the materials are urgently required for any specific purpose /project or repair/maintenance of costly beak-down of equipment, the same should be explicitly mentioned in the Indent.

vii) **Assessment of Requirement:**

The indentor will be responsible to assess the requirement and to ensure that there is no over provisioning.

viii) **Item-wise Estimated Cost in Indent:**

The indentor should give the estimated cost, item-wise in the indent. If the cost of the item at the time of placing the order is more than the estimated cost, a reference to the indentor will be necessary to confirm that there is sufficient budget provision and that full quantity of material is still required. **In the event sufficient budget provision is not available, the Indentor should be asked to take necessary action for obtaining supplementary**

budget sanction for the additional amount or to review the quantity to be procured.

ix) **Last Purchase Reference** :

The last procurement made by the Indentor for the item must be indicated in the Indent. In case the item is going to be procured for the first time, the same should be indicated in the Indent.

x) **Specialised / Standardised Items List** :

The Indentor should clearly mention the Srl. No. of Specialised/Standardised Items List must in the event items proposed to be procured fall under this list.

xi) **Limited/Single Tender Approval** :

Indent must be supported by necessary approval from Competent Authority for the purchase of the items under Limited tender from some selected parties or on Single Tender basis from one single party.

xii) **Bid Rejection Criteria(BRC)/Bid Evaluation Criteria(BEC) and Check List** :

All Indents having value above Rs. 50.00 lakhs must be supported by Bid Rejection Criteria(BRC) / Bid Evaluation Criteria(BEC) and Technical Check List.

xiii) **Indication of PEL/ML areas** :

As per present import policy, certain goods (as given in the schedule to the Govt. of India Notification No.16/2000-Cus dated 01.03.00, Sl.No.221) imported in connection with petroleum operation undertaken under PEL/MEL issued or renewed after 01.04.99 on nomination basis are entitled for NIL Customs duty. The facility is also available to contractors of OIL for the specific goods. Similarly, concession is applicable to areas falling under the NELP (under Notification No.16/2000-Cus dated 01.03.00, Sl.No.223).

Since substantial Customs Duty concession is involved, it is essential that the items required for use in such PEL / MEL areas are properly identified and suitable actions are taken to avail the benefit of NIL Customs duty. The indenting departments should clearly highlight in the indents itself **the PEL/ML areas** in respect of the items meant for such areas in a conspicuous manner so that necessary actions can be taken by the Materials / Contract department in this regard.

xiv) **Requirement of Samples/Drawings :**

In the event, samples/Drawings are required from the parties while calling for quotation, the same should be clearly mentioned in the Indent. Moreover if any drawings are required to be enclosed with the tender for the bidders to submit offer as per the drawings, the Indentor must enclose sufficient nos. of drawings along with the Indent.

xv) **Piece-meal Purchases for Direct Charge items:**

Repetitive purchase of direct charge items **particularly spares** must be avoided. Direct charge items, for which there are occasional requirement, must be procured against special revenue account and not against revenue account. **However spares for preventive maintenance of the equipment can be purchased against revenue account. Any newly introduced items of consumable nature and spares for general maintenance of the equipment are found to be required regularly, should be brought under stock items.**

xvi) **Separate indent for items of independent in nature:**

Indents should be raised in such a manner so that only similar items are included in the indent. **Separate Indents for different items should be raised.**

xvii) **Installation/Commissioning, Training Pre-Dispatch/ Shipment Inspection & Annual Maintenance Contract :**

In the indents for Direct charge Capital items, involving installation/commissioning, **Pre-Shipment / Dispatch Inspection, Training, Annual Maintenance Maintenance(AMC)**, the time frame for installation / commissioning **and Training** of the items to be procured need to be mentioned in the indent. Wherever advance action (such as site preparation) is required, the department also has to give an activity chart and action plan along with the indent. **The periodicity of the Annual Maintenance Contract(AMC) and its detailed scope should also be provided with the Indent.**

2.2 **STOCK ITEMS**

The Planning Section of Materials Department shall raise Stock Indents for replenishment of all stock items after its review and put up for signature to the concerned authority as per DOP.

3.0 **PROPRIETARY ITEMS/SPARES**

- (a) Proprietary items are those which are manufactured by **one single manufacturer** and there is no other known substitute available.

- (b) Spares having OEM part numbers are also classified as proprietary spares.

In case of the Direct Charge items for Proprietary items, Indentor must enclose with the Indent the Proprietary Article Certificate(PAC) approved by the concerned General Manager.

4.0 INDENT SIGNING AUTHORITY(FOR STOCK/DIRECT CHARGE ITEMS)

4.1 The following are the Approving authorities for signing indents:

- a) HOD - Upto Rs. 5.00 lakhs for Capital / Special Revenue items.
Upto Rs. 2.00 lakhs for Revenue items.
- b) SMM(Plg.&IC) – Upto Rs. 25.00 lakhs in each case in respect of stock items.
- c) CMM - Upto Rs.50.00 lakhs in each case in respect of stock items.
- d) DGM - Upto Rs. 75.00 lakhs.
- e) GM - Above Rs. 75.00 lakhs.

4.2 Besides above, following approvals are also required :

- a) For procurement of proprietary items as defined in Para 3.0, concerned GM's approval in the form of Proprietary Article Certificate (PAC) is required. However, for the stock item of proprietary nature, no PAC is required.
- b) In case enquiry is required to be restricted to specified parties (where otherwise open tender should have been issued),SBU Head/ GM(F&A)'s approval through concerned GM /Head of the Project's is required.
- c) Trial indents to be approved by concerned GM/SBU Head.
- d) For emergency procurement, SBU Head's approval is required.

5.0 PROCESSING OF INDENTS :

The Planning & Inventory Control Section of the Materials Department will scrutinize the Direct Charge Indents received from the user departments for the above. If the above points are not complied with by the indentor, the Planning & Inventory Control Section will seek necessary clarifications from the Indentor. In case the clarifications provided by the indentor are incomplete / non-satisfactory, Materials dept. may return the indent for rectification of the same.

6.0 DATE OF INDENT :

On the date when all the points or deficiencies in the Indent are resolved, a four figure serial number will be assigned to the Indent. The Indent then will be put up for signature to the concerned Executives up to CMM(wherever required) in the Materials Department for signature.

7.0 DESPATCH OF INDENTS TO PURCHASE SECTION :

Once the Direct Charge Indents are signed by concerned Executives in the Materials Department, the same as well as the Stock Indents whenever ready after signature of the appropriate authority, are forwarded to the concerned Purchase Sections at Duliajan, Kolkata and Guwahati under a Despatch Note generated from Computer for initiating necessary procurement action at the respective Purchase Section.

CHAPTER 3

TENDERING PROCEDURE

1.0 APPROVING AUTHORITY FOR BEC/BRC

- 1.1 BEC/BRC for procurement of items having value above Rs. 45.00 crores where BEC/ BRC has not been standardised shall be referred for consideration and approval of Board of Directors. Board will also consider cases where a departure from approved BEC/BRC is considered necessary on account of special circumstances.
- 1.2 In respect of purchases of value above Rs. 5.00 crore and less than Rs. 45.00 crore, BEC/BRC of a tender will be required to be approved by Corporate Business Committee(CBC).
- 1.3 For purchases estimated at value less than Rs. 5 Crores, General BEC/BRC included as a part of the standard terms and conditions of tender shall apply unless BEC/BRC are specifically formulated for the tender considering complex nature of procurement involved.
- 1.4 Approval of Competent Authority as mentioned in 1.1 and 1.2 above will not be necessary in cases where there is no deviation from standardised BRC/BEC duly approved by Competent Authority in earlier cases **even if the value is more than Rs. 5.00 Crores.**
- 2.0 Depending on nature of items to be procured, bids are invited under any one of the following two systems :

- TWO BID SYSTEM (Single stage or Double stage)
- SINGLE (COMPOSITE) BID SYSTEM

2.1 TWO BID SYSTEM (SINGLE STAGE OR DOUBLE STAGE) :

- 2.1.1 Purchase of high value / capital items of complex nature where the detailed and or accurate/standardised specifications are not available and which may lead to various clarifications after receipt of tenders **are to be processed under TWO BID SYSTEM(Single Stage or Double Stage) irrespective of whether it is Limited or Open Tenders. However, for the items like API Class 'G' Cement, Line Pipe, Casing, Tubing, Barytes, Bentonites etc., Two Bid System need not be followed even though the estimated value of these items would be very high.**

- 2.1.2 Under Single Stage Two Bid System, the bid should comprise of “Technical Bid” and “Priced Bid” separately, sealed in separate envelopes. The first inner sealed cover will contain technical bids having all details but with price column blanked out. This cover will clearly be superscribed with “Technical Bid” along with party’s name, tender number, closing date and item description. The second sealed inner cover will contain only the price schedule duly filled in and signed and will be clearly superscribed with “Priced Bid” along with other details as mentioned above. These two covers shall be put into outer cover and sealed. The outer cover should only bear the address of the office where tenders are to be submitted.
- 2.1.3 **The technical bids that include any price details will be summarily rejected.**
- 2.1.4 The technical bids will be opened first and after technical scrutiny, the price bids of only the technically acceptable bidders will be opened after taking due approval as per Para 2.1.6 below at specified date and time. The successful bidders will only be invited for attending the price bid opening. **The Commercial Bids of the technically rejected parties shall be destroyed after finalization of the purchase.**
- 2.1.5 **In case of Two Stage Two Bid System, the Technical Bid shall be submitted first. When all the technical points are clarified and sorted out, the successful bidders shall be asked to submit the Commercial Bids. Under this, the Technical and Commercial Bids are submitted separately. This system is followed for very high value and very complex type of cases where it is practically impossible to draw the specifications of the requirement.**

2.1.6 APPROVING AUTHORITY FOR OPENING OF PRICED BIDS UNDER TWO BID SYSTEM :

Following procedures for opening of Priced Bids of the technically acceptable bidders shall be followed :

- i) **In case there are more than one technically acceptable offer without any deviations/exception to the NIT specifications/requirements, approval of concerned GM shall be required for opening of Priced Bids of the technically acceptable bidders. Financial concurrence is not required for cases complying to all tender conditions without any deviation/exception. If the final technical scrutiny report of the parties is forwarded by the user departments to Materials Department through the concerned GM, then no separate Proposal is required to be put up by Materials Department for approval for opening of the Priced Bids of the parties.**
- ii) **However, in case of commercial deviations and exceptions to NIT condition, approval of the **Appropriate Committee in accordance with DOP** shall be required for opening of the price bid.**

- iii) In the event there is only one technically acceptable bidder, approval of the **Appropriate Committee in accordance with DOP** shall be required to open the Priced Bid of the party.

2.1.7 In Projects, approval has to be obtained from concerned purchase Approving Authority.

2.2 SINGLE (COMPOSITE) BID SYSTEM

All other purchases(both Limited and Open) including the items shown below for example, shall be made through single (composite) Bid system of purchase in which both technical and price bids are submitted together.

- (a) API Class G cement
- (b) Line Pipe
- (c) Casing
- (d) Tubing,
- (e) Barytes
- (f) Bentonites
- (g) Specialised chemicals for drilling wells.
- (h) Any other items of this category where standard, internationally approved specifications by API/BIS etc. are available.

3.0 MODE OF PURCHASE

Purchases will be made through any of the following type of tenders:-

- i) Open tenders
- ii) Limited tenders
- iii) Single tender
- iv) Emergency purchase
- v) Spot purchase of items not costing more than Rs.5,000.00 each(Other than field head quarters the monetary limit varies, subject to a maximum of Rs. 5,000). (Amount may require to be changed after revision of DOP)
- vi) Rate Contracts

4.0 OPEN TENDERS

4.1 When the value of the tender (**item wise capable of placement of order separately**) is more than Rs.15.00 lakhs in case of Indigenous purchase and Rs.40.00 lakhs in case of Foreign purchase, open tenders will be invited through advertisement in Press and advertising the requirement through OIL's web site. Attention of all the probable suppliers **including the last order supplier, if any**, is also to be drawn to our advertisement in order to generate wide response. **In case of Foreign purchase, Global open tenders is to be floated while in case of Indigenous purchase, it should be confined to indigenous parties only.**

The technical scrutiny report of the offers should be prepared and sent to the Material Department by the Indenting department in a tabular form with reference to Bid Rejection Criteria indicating that the bidder has met / not met a particular criterion of the tender. The Technical Check List shall also be forwarded to Materials Department along with the technical suitability report.

- 4.2 For procurement of Specialised / Standardised items, open tenders shall be invited only when the value of the item is above Rs. 1 Crore. **However, for procurement of certain specialized items like VAM Tubing, PDC Bits etc. under the Specialised/Standardised Items List, even if the value is more than Rs. 1.00 Crore, Limited tender is to be floated and Open tender need not be floated.**

5.0 LIMITED TENDERS

- 5.1 Limited tenders are floated in the following cases :-

- i) If the estimated purchase value **of the item capable of placing order separately)** does not exceed Rs.40.00 lakhs (for Foreign purchase) and Rs.15.00 lakhs (for Indigenous purchase).
- ii) Specialised/Standardised items upto Rs. 1.00 Crore. **However, for procurement of certain specialized items like VAM Tubing, PDC/Rock Bits etc. under the Specialised/Standardised Items List even if the value is more than Rs. 1.00 Crore, Limited tender should be floated after obtaining approval of the appropriate authority.**
- iii) In case of urgent requirements or for other reasons, limited tenders may be issued (where otherwise Open tender should have been issued) with special approval from SBU Head / GM(F&A). Proposal for floating limited tender **on the specific parties** shall be jointly put up by Materials and Indenting Departments. **Approval of SBU Head / GM(F&A) shall also be required for floating a limited tender on some specific parties for technical or any other reasons even if the value of the tender otherwise would have called for floating a limited tender as per existing vendor list.**

iv) Proprietary Spares irrespective of value

- 5.2 Limited tenders should be sent to as many parties as possible to ensure competition. **A Commodity Code generated from computer is assigned to each and every item for floating of limited enquiry. List of parties is available against each commodity code.** On receipt of the Indent, the exact Commodity Code is found out and the enquiry through computer is floated. In cases where the number of known/registered parties dealing with the materials under purchase is large, enquiries shall be sent on rotation for ensuring healthy competition and allowing all parties an opportunity to compete. **In case of new item which is not included in the Vendor list or Specialised/Standardised items list, a new list of parties is to be prepared in consultation with the user department and browsing the**

internet, composite catalogue etc. The list so prepared should be approved by Sectional Head in case of Foreign Purchase while in case of Indigenous Purchase, approval should be obtained from Chief Materials Manager. After assigning a Commodity Code to this new item, enquiry is to be floated.

If the item falls under the Standardised item list, limited enquiry should be floated to the manufacturer as well as to the authorized distributors/dealers of the items.

- 5.3 The procedure for preparation and updation of vendors list for General categories and Specialised & Standardised items are furnished in the next Chapter 4.

6.0 PURCHASE ON SINGLE TENDER BASIS

6.1 Purchase of non-Proprietary items :

Purchase of **non-Proprietary items** on single tender basis shall be resorted to only when there is an emergency to tide over or only one party is capable to meet the requirement / requirement schedule for which the competent authority [SBU Head / GM(F&A)]'s approval shall be required. (The reason for doing so shall be recorded).

6.2 Purchase of Proprietary Items :

- 6.2.1 Purchase of Proprietary items as defined in Para 2.3 should be made only when it is absolutely essential. Concerned GM is the authority to declare an item as Proprietary. For purchase of Proprietary items, the indenter must provide the Proprietary Article Certificate(PAC) duly approved by concerned GM along with indent.
- 6.2.2 Stock items and spares for vehicles, machineries, tools, equipments etc. having OEM part number are to be treated as proprietary spares. No PAC would be necessary for procurement of such items. These are to be procured from Original Equipment Manufacturers/Authorised Distributors of Original Equipment Manufacturers.
- 6.2.3 In case of purchase of the Proprietary **spares** from Original Equipment Manufacturers/Authorised Distributors of Original Equipment Manufacturers in different countries, limited enquiry shall be issued to all the equipment divisions of the OEM/ authorised distributors. If, however, the proprietary **spare is** available from a single source, tenders will be invited from this source only. Tender for proprietary **spares** can also be issued to the Reputed Supply Houses if there is no response from the proprietary sources subject to the condition that Supply Houses have either executed such orders in the past or that they can provide authorisation certificate from the manufacturer of these items **with appropriate warranty back-up**.

7.0 EMERGENCY PURCHASES

- 7.1 An emergency may be said to have arisen when owing to break down of a plant or machinery, that may result a monetary loss to OIL or involve loss of human lives or loss of OIL's assets. An emergency may only be declared by the GGM / Head of the Projects.
- 7.2 On declaring a situation as emergency, Materials Department shall procure the item immediately. Emergency procurement shall be made from manufacturers or their authorised dealers or from reputed Supply Houses who can meet the delivery requirement. Quantity to be purchased shall be restricted to the bare minimum to cover the emergency only and the purchase thereafter shall be regularised by processing the proposal to the appropriate approving authority as per Delegation of Power.

8.0 SPOT PURCHASES

Spot purchase of stock and direct charge items are made by Materials Department if the total value of the individual item does not exceed Rs.5,000.00 (*To change if required after approval of DOP*). The purchases are made from parties as per the vendor list maintained by the Spot purchase wing **under the Administration & Indigenisation Section** of Materials Department on rotation basis at the rate fixed for the item by the Materials Department. Wherever the rate is not available, the supplier has to submit Manufacturer's Price list/quotation for justification of price.

9.0 PURCHASE THROUGH ANNUAL RATE CONTRACTS

- 9.1 For items required continuously throughout the year in large quantities **particularly proprietary spares like Cummins Engines Spares, Waukesha Engine Spares, Caterpillar Spares and items like Bearing, Liners etc.**, it may be advantageous to have a rate contract **to ensure continuous operation without any interruption**. Duration of these contracts will not be more than two years and shall be finalised after inviting tenders as per existing policies.
- 9.2 Items for which annual rate contract shall be entered into should be specified and this list will be reviewed and additions / deletions made every year depending upon the past consumption or on anticipated consumption. Annual rate contracts shall not be entered into when the market shows marked downward trend. **A fall clause to pass on the benefit of downward trend of prices to OIL should be entered in the Contract.**

10.0 PROCEDURE FOR OBTAINING DGCA PERMIT AND EXPLOSIVE LICENCE

- 10.1 Requirements of explosives items and Radio-active items of foreign origin for OIL's operation at Duliajan are to be brought by Air up to Kolkata. After clearance of the explosives at Kolkata, these are brought to Duliajan by explosive vans. Steps involved in procurement of explosives are as under:

a) Bidders are to be advised to furnish following additional information in their offer while quoting :

- (i) Name as assigned by IATA
- (ii) IATA class
- (iii) U.N. Code No.
- (iv) Nett weight
- (v) No. of package and nett weight per package
- (vi) Airport of embarkation

Note : The above details to be verified at the time of scrutiny of offers.

10.2 APPLICATION FOR DGCA PERMIT

Application for DGCA(Directorate General of Civil Aviation) permit is prepared as per format specified by DGCA. All entries in the application must be made in block letters.

The particulars of items to be air freighted should be furnished in enclosure to the application providing following information:

- (i) Description
- (ii) IATA Name
- (iii) IATA Class
- (iv) UN No.
- (v) Quantity
- (vi) Nett weight
- (vii) No. of packages
- (viii) Nett weight per package

Note : The covering letter as well as enclosures of the application must be signed and stamped with official seal.

10.3 APPLICATION FOR EXPLOSIVE LICENCE :

a) Application to Chief Controller of Explosives(CCE) is prepared as per format specified by CCE. The following are enclosed with the application:

- (i) Application in Form 10 in duplicate.
- (ii) Crossed Bank Draft for Rs. 350/- drawn in favour of Chief Controller of Explosives payable at Nagpur.
- (iii) A statement in Form 14 in duplicate.
- (iv) List of goods in triplicate duly signed and sealed. (One set in English and the other in Hindi).

b) All pages should be signed and stamped.

10.4 The original applications should be forwarded to the Consultant, engaged by OIL for the purposes. Copies of above applications are also sent to CM (CB),

Kolkata and user departments for information. One set of the applications is kept in Explosive License file for future reference. Regular follow-up for earliest receipt of the Permit and Licenses should be made by the dealing Executive.

10.5 In case of Radio-active items, application for obtaining the No-Objection Certificate from Bhaba Atomic Research Centre(BARC) is put up by the user departments directly and on receipt of the same, the application for the DGCA Permit along with a copy of the “No-objection Certificate” is sent to the Consultant for arranging the DGCA Permit.

10.6 PROCESSING OF DGCA PERMIT & EXPLOSIVE LICENSE :

Immediately after completion of the technical scrutiny when the purchase proposal is put-up, in a parallel action, the application for DGCA Permit and Explosive License(in the prescribed format provided by them) should be prepared by Materials Department and sent to the Consultant who will arrange for DGCA Permit initially. The original DGCA Permit on receipt from the concerned authority shall be forwarded by the consultant to Duliajan which is then forwarded to Kolkata(Shipping) office. With a copy of the DGCA Permit, the consultant then will forward the Explosive License application to Chief Controller of Explosives(CCE) for issue of the Explosive License. The same on receipt will be sent by the consultant to Materials Department at Duliajan who will then forward it to Kolkata(Shipping) office.

CHAPTER 4

VENDORS LIST

1.0 GENERAL VENDORS LIST

Under the Limited Tendering system, tenders are issued to the parties enlisted in the vendors list maintained by Materials Department.

1.1 The commodity-wise vendors list has been prepared alphabetically and comprises of following categories:

- (a) Items required for/used by a single department.
- (b) Item/group of items required for/used by two or more departments.
- (c) Proprietary items.

2.0 SELECTION OF PARTIES FOR INCLUSION IN GENERAL VENDOR LIST

The vendor list is prepared from the composite catalogue of oilfield equipment and services published by the World Oil, USA for each category and type of materials. The list also includes parties who have already successfully supplied same or similar item(s) to OIL in the past and have good track record. Information received from outside sources regarding any additional reputed parties and the parties who participate against Press Tenders from time to time are also considered while preparing/up-dating the vendors list. The list is reviewed and up-dated regularly by Materials Department in consultation with User Departments. Scanning of internet and the feed back coming to OIL's Web site are also looked into for updating the list of parties. **For inclusion/deletion of any new party against any commodity code or for preparation of vendor list for a new item, approval from Sectional Head in case of Foreign Purchase will be sufficient while in case of Indigenous Purchase, approval from Chief Materials Manager is required.**

3.0 VENDORS LIST FOR SPECIALISED ITEMS

There are some specialised oilfield items which are most regularly used by OIL for use in its fields. It has been experienced over the years that only a few parties have exhibited consistency in quality, delivery commitment etc. for such items. These items are included in a separate list called Specialised Items List. This list showing the parties having capability to meet the requirement of these items satisfactorily is prepared with approval of SBU Head /GM(F&A). Tenders up to a value of Rs. 1.00 Crore(**except for few items where limited tender is floated even if the value exceeds Rs. 1.00 Crore**) are floated on a limited tender basis for these specialised items on the approved parties. Any deletion/ inclusion of items / parties in the Specialised list must be with prior approval of SBU Head / GM(F&A).

CHAPTER 5

TRIAL ORDER/VENDOR DEVELOPMENT

1.0 SCOPE AND OBJECTIVE :

1.1 Trial orders are placed to develop/try a new product and/or a new manufacturer. It involves lot of effort both on the part of Oil India Limited as well as the manufacturer in designing, developing, manufacturing and ultimately trying out the product in field. Therefore, a great amount of care/caution is to be exercised while deciding to try a new product/source and it should be undertaken only when vendor development or technological upgradation is considered absolutely essential for overall improvement in techno-commercial efficiency of operations.

1.2 Trial requirements are to be processed normally in the following situations:

- (i) To try new product available in the market which is supposed to improve the techno-commercial efficiency of OIL's operations.
- (ii) Trial for such new products is to be made only on the original Manufacturers. Their authorized agents are not to be considered.
- (iii) To try new items designed and developed by the user department.
- (iv) To add new suppliers to vendors list particularly in cases where number of existing vendors is less than 3 or where the existing vendors have not been giving satisfactory services.
- (v) For import substitution.
- (vi) To try local manufacturing units.
- (vii) Item should have regular consumption.

2.0 PROCEDURE:

2.1 Selection of Source:

2.1.1 While selecting the supplier for placement of trial order a preliminary techno-commercial assessment has to be made by the indenter. The assessment will generally include amongst others, the following points, particularly for costly and highly technical/critical items:

- (i) Checking of financial soundness of party.
- (ii) Suitable plant and machinery and its capacities.

- (iii) Testing facilities and quality control measures.
- (iv) Supply of similar items to OIL and other Public Sectors.
- (v) Technical back up and collaboration.
- (vi) Authorisation from the original manufacturer in case of Supply House/Dealer for standard/branded items.
- (vii) Visit to the factory, if felt necessary.

2.1.2 On the basis of above, the indentor will satisfy themselves that the party on whom the trial order is recommended is prima facie capable of manufacturing the item to OIL's satisfaction before raising the indent.

2.2 Raising of Indents and subsequent monitoring of trial orders:

2.2.1 Trial indents for all direct charge items should be raised by the user department who will also be solely responsible for testing/trying out the items and submitting test report. Once the vendor is established they will advise Materials Department for inclusion of the vendor in the Vendors list or Specialised/Standardised items list.

2.2.2 For stock items, trial indents should be raised by the Materials Department on receipt of such advice from the user departments. Materials Department may also raise trial indents themselves for development of alternate source. In case of trial indents for the stock items raised by Materials Department, necessary technical assistance such as specification, drawings, trial in the fields/laboratory, report on acceptance or rejection etc. will be provided by the user departments concerned. However, Materials Department will be responsible for execution of trial orders and for subsequent enlistment of the vendor in case of successful field trial.

2.3 Points to be taken note of while raising Trial Indent:

- (i) All indents are to be signed by the GM concerned.
- (ii) Name and address of the manufacturer should be indicated in the indent.
- (iii) Normally one trial indent should contain only one manufacturer. However, if the number of existing vendors is considered inadequate, more number of vendors may be indicated in one indent and indentor should specify whether trial order is to be placed on only one party or on all of them.
- (iv) The indent should state in bold letters that the indent is being raised for trial order.

- (v) Reasons for raising trial order are to be indicated in the indent.
- (vi) The trial indent should indicate whether the indent is for a completely new product or to develop a new source.
- (vii) If the trial order is to develop a new source, the trial order should not be placed at a cost higher than last order price.
- (viii) The indent should indicate the last order reference and price of the item (or of the near equivalent item in case of a new product).

2.4 Indent Quantity:

- (i) The quantity of trial indent should be judiciously decided so that to establish credibility of party only & the whole quantity received against the trial order can be tried in the shortest possible time.
- (ii) The quantity against trial indent/order should not be normally taken into account while raising normal indent, however, subject to budget availability.
- (iii) If a second indent/order is considered necessary on a party, it should be for a slightly higher quantity / suggesting improvement in design / specification.
- (iv) Whenever against a press enquiry a new party quotes and if it is felt by the competent authority to place trial order for small quantity on such party, a separate trial indent is to be raised by the indenter without disturbing the original indent quantity. However, in case of inadequate budget or small requirement, original indent quantity can be suitably adjusted.

2.5 Payment:

Payment against trial order is normally to be made only on acceptance of the material after field trial. However, in cases where the material cost is high and it is to be kept for long time for trial and if the party insists on payment, then part/full payment /stage-wise payment against laboratory test/documentary evidence can be considered against bank guarantee. However, in exceptional circumstances, such as trying out an already established product elsewhere, in OIL's operation, payment can be released prior to completion of trial, without bank guarantee with the approval of SBU HEAD / GM (F&A).

2.6 Receipt/Issue:

- 2.6.1 On receipt of the material the user department shall try the material as early as possible so that GRN can be immediately raised on acceptance. This will eliminate the possibility of mix up of material against trial order with those against regular orders.

2.6.2 In cases where immediate field trial/use of the material is not possible for some unavoidable reasons, the material can be taken into stock by raising GRN on the basis of preliminary suitability report and such material will be stocked separately. Issue of the material against the trial order will be made in the first opportunity by the Godown incharges.

2.7 Enlistment of suppliers after successful field trial:

On successful field trial, the Indentor should advise the Materials Department to incorporate the manufacturer's name in the approved vendors list. If indentor feels that the final decision cannot be taken on the basis of one trial order, the second trial indent can be raised.

2.8 Other Points:

- (i) The Performance Bank Guarantee clause should be incorporated in the foreign orders placed on trial basis.
- (ii) No L.D. for delay in supply against trial order will be imposed.

CHAPTER 6

TERMS OF TENDER

This have already been elaborated in Standard Terms and Conditions of the Tender.

CHAPTER 7

GENERAL BID REJECTIKON CRITERIA/GENERAL BID EVALUATION CRITERIA

This have already been elaborated in Standard Terms and Conditions of the Tender.

CHAPTER 8

INVITATION OF TENDERS

1.0 CO-ORDINATION AND BULKING OF INDENTS FOR PURPOSE OF INVITING TENDERS

When dealing with indents, due attention should be paid to the combination and bulking of demands which will result in economy in purchase. Demands for materials received simultaneously from different indentors should be combined as far as possible while inviting tenders. Due attention should however, be paid to delivery instructions given by the indentors. Demands which cannot be suitably combined with others for this or any other reasons should be dealt with separately.

2.0 NOTICE INVITING TENDER

2.1 Open tenders are invited through press advertisement by issuing NIT. The matter for advertisement shall be sent to Administration department (PR Cell) who shall be responsible for the publication of the advertisements. The copies of NIT are to be mailed (preferably after advertisement appears in press) as under for giving wide publicity and for securing good response:

- (a) Prospective bidders.
- (b) To CM (CB), Kolkata and SA (C&P), New Delhi for displaying in their Notice Boards
- (c) To CE (IT) for inserting in OIL's website.

2.2 The NIT shall contain the following information:-

- a) Enquiry Number and date.
- b) Brief description and quantity of material required.
- c) Bid closing date and date of opening of tender.
- d) Addresses from where the tender documents are available for sale.
- e) Amount and mode of payment of tender fee
- f) **Starting and closing date of sale**
- g) Other terms and conditions, if any.
- h) **Any Corrigendum to earlier NIT for extension of Bid closing date, Change in quantity, cancellation of the tender etc.**
- i) **The web site address of Oil India Ltd.**

2.3 MINIMUM QUALIFYING CRITERIA FOR ISSUANCE OF TENDER DOCUMENT AGAINST OPEN TENDER FOR INDIGENOUS PURCHASE:

In addition to the parameters mentioned in Para 2.2 above, the following two special clauses shall also form part of the NIT raised from

Indigenous Purchase Section :

- (a) Successful execution of a single order of value not less than 50% of the estimated tender value for supply of similar items during last 3 years.
- (b) Annual turnover of the firm in any of the last 3 financial years or current financial year should not be less than the estimated value of the tender.

To become eligible for the tender document in case of indigenous purchase, the applicant must meet the above qualifying criteria for which documentary evidence should be enclosed by the applicant with the application without which tender document shall not be issued.

3.0 DESPATCH OF NIT

In case of open tenders, NIT is generally advertised **within** a maximum period of 10 days from the date it is sent from Materials Department to the Public Relations department for advertisement. Therefore, keeping a margin of 10 days suitable bid closing/opening date should be fixed for submission of tenders.

4.0 TENDER DOCUMENTS SETS TO BE KEPT READY AND TENDER INTIMATION TO BE SENT TO PROSPECTIVE BIDDERS

All concerned sections dealing with open tenders, before sending tender invitation to the press for advertisement shall ensure the following :

- a) The tender forms are complete in all respects and are ready for sale. They are also to be serially numbered.
- b) Tender intimations are sent to prospective bidders as soon as the information is received that the tender has been advertised.

5.0 TIME TO BE ALLOWED TO BIDDERS TO QUOTE

5.1 Following period will be allowed normally to bidders for submitting their bids :

For indigenous purchase :

- i) Limited tenders – **30** days
- ii) Open tenders - 45 days

For Global purchase :

- i) Limited tenders – 45 days
- ii) Open tenders - 60 days

5.2 The above periods for open tenders are to be reckoned from the date of publication of NIT in the Newspapers. The guidelines followed by PR department for release of advertisements are as per D(P)'s circular No. OIL/PR/9 of 23.2.98. The advertisement matter shall be sent in batches every fortnight i.e. generally on 1st and 15th of every month combining all the tenders received during the fortnight.

5.3 Tender documents against Open tenders are to be issued to the bidders against application along with the prescribed tender fee. The tender documents will be available for sale from OIL's offices at (a) Duliajan (b) Calcutta and (c) New Delhi. **In case of Indigenous purchases, tender documents will also be available for sale from OIL's Guwahati office.**

6.0 TENDER FEE

Uniform tender fee of US\$ 100.00 or equivalent Indian Rupees (exchange rate taken as per prevailing rate and rounded to nearer hundreds) in case of Global tenders and Rs.1,000.00 in case of indigenous tenders shall be charged for issuance of bid documents against open tenders. The tender fee will be acceptable in the form of crossed "Account payee only" Bank Draft / Banker's Cheque / Cashier's Cheque and valid for 180 days from the date of issue of the same. Tender fee is also accepted in cash deposited with Cash Office of OIL.

7.0 PURCHASE OF TENDER DOCUMENTS BY AGENTS IN INDIA

In respect of Global tenders, the Agents in India duly authorised by their foreign principals will be allowed to purchase tender documents in Indian currency.

8.0 EXEMPTION FROM PAYMENT OF TENDER FEE

Small Scale Units(SSI) registered with NSIC/Directorate of Industries as well as parties registered with DGS&D, having valid certificates will be exempted from payment of tender fee provided the estimated value of the purchase is within the monetary limit for which they are registered. Moreover, they must be registered for the items for which they intend to quote. Govt. Departments & Offices and Public Sector Units (PSU) are also exempted from payment of tender fee.

9.0 MAILING OF TENDER DOCUMENTS :

Tender documents are normally mailed through ordinary posts under certificate of posting. However, when situation does not permit to give 30/45 days time to the bidders from date of mailing of the tender documents, the same should be sent through courier services/Speed Post. In urgent limited tender cases, tender documents may be sent through fax/**e-mail**. However, on rare occasions, in case of extreme urgency only, hand quotations shall be obtained subject to approval of concerned GM.

10.0 SALE OF TENDER DOCUMENTS TO FIRMS WITH WHOM BUSINESS HAS BEEN BANNED/SUSPENDED

No tender document shall be sold to parties dealings with whom have been banned/suspended by any sphere of Oil India Limited. Therefore, all suspension/banning notification of any party should be circulated to all spheres of OIL.

11.0 ISSUE OF TENDER DOCUMENTS FOR SALE AFTER CLOSING DATE & TIME

After the closing date and time for sale of tender documents, no tender documents should be issued.

12.0 BID VALIDITY

The bidders shall be normally asked to keep their offers valid as under :

For indigenous purchase:

- i) Limited tenders – 75 days
- ii) Open tenders -120 days

For Global purchase:

- (i) Limited tenders – 120 days
- (ii) Open tenders - 120 days
- **180 days(for very high value cases)**

13.0 BID SECURITY / BID BOND

13.1 The Bid Security is applicable only in case of open tenders. **However, for very high value tenders with complex specifications floated on a limited tender basis under Single Stage Two Bid System, Bid Security may be applicable. All the bids must be accompanied by Bid Security for the amount as mentioned in the NIT or an equivalent amount in freely convertible currency and shall be in the OIL's prescribed format as Bank Guarantee(BG) enclosed with the NIT or an irrevocable Letter of Credit (L/C) from any of the following Banks -**

- (i) Any scheduled Indian Bank or
- (ii) Any Indian branch of a Foreign Bank or
- (iii) Any reputed Foreign Bank having correspondent bank in India

13.2 The amount of bid security shall be 2.1/2% of the estimated tender value which should be furnished in Indian Rupees or in equivalent amount in freely convertible currency. The upper limit of Bid Security is fixed as Rs. 5.00 lakhs irrespective of the Indent value.

- 13.3 The domestic bidders will have to submit the Bank Guarantee from any of the scheduled banks and on non-judicial stamp paper of requisite value as per the Indian Stamp Act, purchased in the name of the issuing banker.
- 13.4 The foreign bidder will have to submit the Bank Guarantee from Banks of Indian origin situated in their town/city/country. In case no such bank of Indian origin is situated in their town/city/country, the Bank Guarantee may be submitted from the bankers as specified in Clause 13.1(ii) or 13.1(iii) above.
- 13.5 Bank Guarantee issued by a Bank must amongst others must contain the following particulars of such bank :
- a) Full address
 - b) Branch Code
 - c) Code Nos. of the authorized signatory with full name and designation.
 - d) Phone Nos./Fax Nos./E-mail address
- 13.6 In case any such Bank Security in the form of Bank Guarantee is found to be not genuine or issued by a fake banker or issued under the signatories of fake official of the Bank, the bid submitted by the concerned bidder shall be rejected forthwith and the bidder shall be debarred from participating in future tenders.
- 13.7 Any bid not accompanied by a proper Bid Security(in original) in conformity with the above clauses will be rejected outright without any further reference.
- 13.7.1 Normally offers received along with either a copy of Bid Security or Fax Bid Security shall not be considered. However, OIL will consider the offer provided Original Bid Security executed in prescribed proforma and legally operative on or before the Bid Closing Date(Technical Bid Closing Date in case of Two Bid and Two Stage System) is received by tender inviting authority within 15 days of Bid Closing / Opening Date(Technical Bid Closing Date in case of Two Bid & Two Stage Bidding System).
- 13.7.2 If the bidder fails to submit the Original Bid Security with the same content as in copy/Fax Bid Security and in accordance with the bidding document within the time as specified in Para 13.7.1 above, the bid shall be rejected outright as invalid bid.
- 13.8 Unsuccessful bidder's bid security should be returned immediately after releasing the order on the successful bidder(s) against the tender. Successful bidder's Bid Security to be discharged upon the bidder's furnishing requisite Performances Security. **The successful bidder will however, ensure the validity of the Bid Security till such time the Performance**

Security in conformity with Performance Security clauses as per NIT/order is furnished.

13.9 Bidders will extend the validity of the Bid Security as and when advised by OIL at the bidders' cost.

13.10 Bid Security shall not accrue any interest during its period of validity or extended validity.

13.11 The Bid Security shall be forfeited if :

- (a) The bidder withdraws their bid within the period of bid validity or any extension of validity thereof duly agreed by the bidder.
- (b) The successful bidder fails to furnish PBG or does not accept the order within 30 days of placement of order or before expiry of the Bid Security(unless extended), whichever is earlier.

13.12 EXEMPTIONS FROM SUBMISSION OF BID SECURITY:

13.12.1 Small Scale Units registered with NSIC under Single Point Registration Scheme(and not their dealers/distributors) are exempted from submitting Bid Security for the items they are registered with NSIC provided they submit their offer for their own product. Valid registration certificate with NSIC indicating the category of item and the monetary limit for which they are registered must be enclosed along with the bid without which the bidder will not be entitled for the exemption. In the event the monetary limit of the bidder for which they are registered with NSIC is less than the estimated purchase value of the item, they will be required to submit the Bid Security as per NIT.

13.12.2 Bidders registered with DGS&D are exempted from submitting Bid Security for the items they are registered with DGS&D. Valid registration certificate with DGS&D indicating the category of item and the monetary limit for which they are registered must be enclosed along with the bid without which the bidder will not be entitled for the exemption. In the event the monetary limit of the bidder for which they are registered with DGS&D is less than the estimated purchase value of the item, they will be required to submit the Bid Security as per NIT.

13.12.3 Public Sector Undertakings(PSU), Govt. departments & Govt. offices are also exempted from submitting Bid Security.

13.13 VALIDITY OF BID SECURITY :

Validity of Bid Security should be valid for three months more than the bid validity. In case of any extension of bid validity, the validity of the Bid Security should be extended covering the period of three months beyond the extended date of validity.

14.0 NUMBER OF COPIES OF OFFERS TO BE SUBMITTED BY BIDDERS

Global Tenders – in triplicate
Indigenous tenders – in duplicate

In case of discrepancy between original and copies, the original shall prevail.

15.0 PRE-BID CONFERENCE

Pre-bid conference(s) will be organised in case of procurement of high value of items of complex nature/ turnkey projects where the specifications are not very clear/in case of new technology. The NIT should indicate the date and venue wherever Pre-bid conferences are envisaged.

15.1 PROCEDURE FOR PRE-BID CONFERENCE

15.1.1 Whenever Pre-Bid conference is involved, an advertisement in the newspapers is made indicating the tender specifications and the venue and date of the Pre-Bid conference. Basically the main idea of holding a Pre-Bid Conference is to prepare and finalise the technical Specifications and other terms and conditions of the tender after discussion with the participating parties so as to avoid any delay later on after opening of the tenders. A Draft tender document is therefore prepared based on the **available specifications, BRC/BEC and terms and conditions which are then provided to the parties against sale.**

15.1.2 For becoming eligible to attend the pre-bid conference, parties are required to meet certain qualifying criteria which are furnished in the Draft tender documents. Within a specified date, parties are asked to submit the requisite information along with the necessary supporting documents as required under the qualifying criteria. On receipt of the applications from the parties, the same are scrutinized on the basis of the qualifying criteria and parties whoever are found meeting the qualifying criteria are invited to attend the pre-bid conference on a scheduled date. In certain cases, the formalities of shortlisting the parties through eligibility criteria for attending the Pre-Bid conference may be avoided and parties whoever purchase draft tender documents may be asked to attend the Pre-Bid conference.

15.1.3 During the pre-bid conference, all the tender specifications, BRC/BEC and other terms and conditions of the requirement are discussed and the same are then finalised. The final tender documents are then prepared and issued to the parties who attend the pre-bid conference.

15.1.4 Pre-Bid conference may also be convened before closing/opening date of the tender wherein the technical and commercial clarifications of the bidders, if any, are provided. This is done for quicker and faster technical scrutiny of the offers as multiple clarifications/queries may lead to delay in processing the tender. In this case, only the minor

changes in the Tender Documents are allowed in the pre-bid conference.

16.0 RECEIPT OF TENDERS

- 16.1 Quotations are to be submitted by the bidders in triplicate/duplicate as mentioned in Para 14.0 above in double sealed envelopes. Outer envelope should not bear any Tender reference. But inner cover should bear Tender No., brief description of materials and the B.C. date.
- 16.2 The tenders will be received as under :
- (i) Directly put in Tender Box by bidders.
 - (ii) Received by ordinary/registered dak/courier/Speed post.
 - (iii) Handed over personally to OIL's **concerned Purchase Section** by bidder(s) being not possible for them to put in Tender Box due to volume of the documents.
- 16.3 Bids hand carried by the bidder's representatives shall be directly put by them in the Tender Box(Foreign Tender Box in case of Foreign Purchase and Local tender Box in case of Indigenous Purchase).
- 16.4 For the bids received through courier or post, the Despatch Section of **Materials Department** will maintain a separate register wherein details like tender No., receipt date etc. would be recorded by them. **After recording the same in the registrar, the tenders are put inside the Indigenous or Foreign Tender Boxes as the case may be.**
- 16.5 **Bids and samples hand carried by the bidders, which cannot be put in the tender boxes due to its voluminous sizes will be received by the concerned Purchase Section from the bidders directly. All such bids and samples received in Purchase Section will be recorded in the register kept separately in the Purchase Section. The registrar and the bids & samples so received will be kept in the Steel Almirah under lock & key. On the bid opening date, the tenders falling due on that day are taken out from the Almirah after recording same in the registrar and brought to the tender opening room for opening of the same.**
- 16.6 **Bids and Samples of voluminous sizes received through courier or post at the Despatch Section will be forwarded through the registrar to the concerned Purchase Section where they will follow the same as mentioned in Para 16.5 above.**
- 16.7 In case of quotations received after the bid closing date/time, the same shall be put in the respective Tender Box like a quotation received within time after recording date and time of receipt on the cover of the quotation. At the time of subsequent opening of the Tender Box, all such tenders where B.C. date has expired, will be taken out and stamped as under:

"LATE OFFER Found in Tender Box on".

(**Note** : For sensitive high value tenders, Bids can be received in Company's Offices at Calcutta or Guwahati or other designated palces in addition to receiving at Duliajan which will have to be decided by Head of Materials. However, proper arrangements have to be made to ensure that all bids submitted in locations other than Duliajan reaches Duliajan before the actual Bid closing date & time.)

17.0 TENDER BOX AND ITS CUSTODY

- 17.1 The Tender Box should have suitable provision at the top for dropping envelopes. **Two tender boxes should be there - One for Foreign tenders and the other for Indigenous tenders.**
- 17.2 The Tender Box should be kept at a secured place in the office corridor accessible to the public.
- 17.3 The Tender Box shall always be kept under lock and key and shall be under double lock system, one key is to be kept in the custody of a Senior Purchase officer and the other key in the custody of a Senior Accounts Officer. The duplicate keys are to be kept with the representatives of CMM and CFAM.

18.0 NOMINATION OF TENDER RECEIVING/OPENING OFFICER(S)

- 18.1 An Officer of Materials Management not below B level will be nominated for receipt of tenders each month. In addition, one Officer not below B level each from Materials Management and Finance and Accounts Department will also be nominated for opening of tenders each month. Arrangements will also be made for nominating Officers not below B level as Leave Reserve for above purpose.

19.0 ACCOUNTING OF TENDERS

- 19.1 On the day of Tender opening, after the closing hours of the tender, the tender box shall be opened by the Purchase Officer from Materials Department in presence of the Officer from the Finance & Accounts Department. The tender box of Indigenous Purchase Section shall also be opened for any inadvertent putting of any tender in that box by any bidder. All the tenders are taken out from the tender box and kept in a place for sorting. The tenders which are to be opened on that specific day are kept while the tenders whose bid closing dates are at a later date are then again put into the tender box. The related tenders are then brought to the tender opening room of the Materials Department.
- 19.2 The voluminous tenders and samples which are kept separately in the custody of the respective purchase section in the steel almira are also brought to the tender opening room for opening after recording the same in the registrar maintained in the section.

20.0 NUMBERING OF TENDERS / DISCLOSURE OF PRICES / READING OUT THE RATES

- 20.1 Tender Opening Officers will encircle the rates and terms and conditions and put their initials. If there is any cutting, overwriting or erasing that will also be stated and signed by both the officers. Total number of sheets in the bid will be mentioned on the first sheet of bid and all the sheets should be initialed by both the officers opening the bid and the bid will be given Serial number. As for example, if 7(seven) bids have been received against one particular Enquiry, then bids should be numbered as 1/7, 2/7 and so on. The bids which are received by post after due date should be marked 'Late' tender with No. 8/7 and so on. The samples received along with the tenders should also be signed by both the officers. If it is not possible to sign on the samples then those samples should be sealed with the label mentioning the name of the firm. Name of the firm should invariably be recorded on the sample, if not given already.
- 20.2 All envelopes are also to be retained on the record and these are to be initialed by both the officers authorised to open the tenders.
- 20.3 The Section concerned whose tender is due on that particular date will be present at the time of opening of the tender with the tender register. Both Tender Opening Officers will sign the register against the name of the firms whose bids have been received.
- 20.4 Reading out the rates in the public opening, only the total prices or group-wise prices, if sought as per tender should be read out in addition to delivery schedule and major terms and conditions. Offer should not, repeat not, be circulated amongst the bidders' representatives.

21.0 MODIFICATION OR WITHDRAWAL OF BIDS

The bidder, after submission of offer may modify or withdraw their offer by written notice prior to bid closing which should be signed by the same authority signing the bid.

22.0 OPENING OF TENDERS

- 22.1 Tenders including submissions for modifications made pursuant to para 21.0 above are opened on the day and time as specified in the NIT in the presence of a representative of the Accounts Department not below the rank of an Accounts Officer and a representative of the Materials Department not below the rank of a Purchase Officer. Bids for which an acceptable notice of withdrawal has been received shall not be opened.
- 22.2 Tenders shall be opened on next working day if the opening date specified in NIT turns out to be an unscheduled holiday/**Bandh**. Accordingly, bid closing date / time will get extended upto the next working day.

22.3 The bidders or their authorised representatives may be present at the time of tender opening. No other person than officials of OIL or authorised representatives of bidders shall be present at the time of tender opening. If a bidder desires his authorised representative to be present at the time of opening, he is required to submit a letter of authority along with his tender and a copy of the said letter of authority is to be presented by the bidder's representative to the officers opening the tenders. **Representatives of bidders whose offers have not been received on the date of tender opening shall not be allowed to attend the tender opening.**

22.4 While opening the tenders, the names and addresses of all the bidders are recorded in a Statement. The quotations are serially numbered. For example, if four quotations are received, the first quotation opened will be numbered 1/4, the second 2/4 and so on. If any regret letter is received from any bidder, it is also recorded in the Statement. If authorised representatives of the bidders are present at the time of bid opening, their names and names of firms they represent are recorded in another Statement. Signatures of the representatives are also obtained on this Statement against their respective names. Each page of both the above Statements are signed by **OIL's Tender Opening** officers opening the Tenders. Similarly, the quotations are signed by both the officers. Any overwriting is required to be initialed by both the officers. Details of Bid Security/sample submitted, if required, are also recorded against each bidder's name. All pages of original quotation shall be signed by the Tender Opening officials.

23.0 SUBMISSION OF OFFERS BY INDIAN AGENTS

Bidder shall offer directly and not through their agents in India. Offers made by Indian agents on behalf of their foreign principals will not be accepted and will be rejected. However, offers made with proper authorization from foreign principals will be accepted.

24.0 E-MAIL/FAX/TELEX/TELEGRAM OFFERS:

E-Mail / Telex / Fax / Telegraphic offers shall not be accepted **unless specifically asked for in writing.**

25.0 OFFERS WITHOUT PRESCRIBED TENDER DOCUMENTS OF OIL

Tender documents are not transferable. Unsolicited offers or offers sent without the prescribed tender document of OIL shall be ignored straightway.

26.0 EXTENSION OF BID CLOSING DATE

26.1 Bid closing date of the enquiries are normally required to be extended under following conditions :

- i) When there is no response / change in terms of the tender.

ii) When response is poor measured in terms of number of tenders sold / issued.

iii) When there is delay from OIL's side in replying to parties' queries on the tender.

iv) For high value tenders for capital equipments, if only one offer is received on the Bid Closing Date, the Bid Closing Date may be extended by 2-4 weeks depending on merit of the case.

v) When there is response from only one party and last order reference is not available for comparing the price reasonableness of the item.

vi) On request of parties for justified reasons.

vii) All the above extension of B.C. Date **for open tender cases** will be done with the approval of Chief Materials Manager. **However, for limited tender cases, approval of Sectional Head will be sufficient.**

26.2 PROCEDURE TO BE FOLLOWED IN CASE OF EXTENSION OF BID CLOSING DATE

26.2.1 FOR NO RESPONSE

Revised B.C. date & time **in case of Open tenders** is to be notified in the Press / Web site through Corrigendum and **also to be informed to the bidders** who have already purchased tender documents. OIL's offices at Kolkata and Delhi are also to be informed. However, for Limited tenders, the parties shall be directly intimated about the extension of B.C. date & time.

26.2.2 FOR CHANGE IN TERMS OF THE TENDER

Concerned GM is the approving authority for changing terms of the tender. Where financial implication arising out of the change in the terms of the tender is envisaged, concurrence of Finance deptt. is required. If the BEC/BRC of the tender is approved by CBC, concurrence of CBC should be obtained for any changes in the approved BEC/BRC.

All parties who purchased the tender documents are to be informed regarding the changes. Also, the changes to be incorporated immediately in the copies of unsold tender documents. B.C. date is to be extended if adequate time is not available to notify the parties sufficiently in advance of scheduled B.C. date to enable them to submit offer complying with the changes. **In case of Open tenders, the offices at Delhi and Kolkata are also to be informed to make the necessary changes in the tender documents at their end and also to inform the parties who have purchased the tender documents.**

27.0 VARIATION IN QUANTITY AFTER INVITATION OF TENDER

Provisions shall be made in all tender conditions for procurement of goods that OIL reserves the right to increase or decrease the quantities for all / any the items of the tender **at any point after opening of tenders** and it will be obligatory on the part of the bidder to supply order quantity at the quoted rate.

28.0 LATE TENDERS

Timely delivery of tenders is the responsibility of the bidder. OIL will not be responsible for any delay in postal transit. OIL will also not be responsible for the loss of tender in transit. All bids received after the scheduled bid closing date and time shall be rejected.

29.0 DISPOSAL OF LATE TENDERS

Tenders received after the Bid Closing Date and time specified in the NIT are not opened being late offer. In case of limited tenders, the late offers are kept separately in a "Late Tender Box" for any possible reference at a later date, if required. Late Tenders for Limited Tender are kept for one year and thereafter destroyed. In case of Open Tenders, the late tenders are returned unopened to the party.

30.0 CANCELLATION/RE-INVITATION OF TENDERS:

30.1 CANCELLATION OF TENDERS AFTER OPENING OF BIDS

A tender shall be deemed to have been cancelled to the extent a demand is withdrawn. Cancellation of tenders shall require the approval of the Approving Authority. **In case of Open tenders, Local Management shall be the approving authority while in case of limited tenders, CMM/Sectional Heads will be the approving authority.** Wherever the purchase Approving Authority is CBC, the tender may be cancelled with the approval of SBU Head / GM(F&A).

30.2 CANCELLATION OF TENDER BEFORE OPENING OF BIDS

In the event of withdrawal of demand, Tenders may be cancelled prior to their opening with the approval of CMM / Head of the Project.

30.3 RE-INVITATION OF TENDERS

In the event of re-invitation of bids whether on a limited or open tender basis, approval of the competent purchase authority for the purchase shall be obtained.

Such re-invitation of bids, on a limited tender basis, will include all bidders who quoted against the original tender in addition to other probable sources.

Similarly, in the case of open tenders intimation regarding reinvitation of tenders shall be sent to all the bidders who purchased tender documents against the original tender.

31.0 CANCELLATION OF TENDER – REFUND OF TENDER FEE/BID SECURITY

In the event, a particular tender is cancelled **after opening of the tenders, the tender fee as well as Bid Security** shall be refunded to the concerned bidder. **In case the tender is cancelled before opening of the tenders, only the Tender Fee shall be returned to the parties who had purchased the tender documents.**

CHAPTER 9

EVALUATION OF BIDS

1.0 POLICY

The Company's determination of a bid's responsiveness to tender is to be based on the contents of the bid itself without recourse to extrinsic evidence. A substantially responsive bid is one which conforms to the terms and conditions of tender without material deviations. A bid determined as not substantially responsive shall be rejected and may not be subsequently be made responsive by bidder by correction of the non-conformity. The Company may waive minor informality or non-conformity or irregularity of a bid that does not constitute a material deviation, provided such waiver does not prejudice or affect the relative ranking of any bidder. While seeking clarifications from a bidder, the foregoing shall be kept in view.

2.0 EVALUATION OF SINGLE/COMPOSITE BID

As a principle, clarifications from bidders after opening of tenders are to be avoided to the extent possible in single stage composite bid system. In order to cut down the processing time of tenders where more than 3 (three) offers are received, the commercial evaluation of the bids are to be done first as per BEC stipulated in the tender. Then copies of quotations should be sent to user department indicating the ranking of the bidders so that they need not carry out technical evaluation of higher offers, if lower offers (at least two) meet the technical requirement.

3.0 EVALUATION OF BIDS UNDER TWO BID SYSTEM

- 3.1 Under Two Bid System the bidders shall be asked to submit 'Technical' and 'Commercial' bids separately in sealed cover duly superscribed and both the offers placed in one single sealed cover.
- 3.2 The technical bids will be opened first and scrutinised by Indenting/User department.
- 3.3 Clarifications on the technical bids shall be sought wherever necessary without affecting the quoted prices. All the outstanding contractual points (technical and commercial) should be sorted out with the bidders before short listing is approved by Competent Authority. Bidders are to be advised of loading, if any, proposed to be done in case exceptions are not withdrawn.
- 3.4 After all the technical clarifications have been obtained by the specified date and time, all the bidders of technically acceptable bids shall be notified of the date of opening of commercial bids in public, allowing at least a period of 7 to

15 days, depending upon the urgency of requirement and location of bidders, so as to give them adequate time to participate in tender opening.

- 3.5 Concerned GM will approve list of technically acceptable offers/parties in case of two bid system. Financial concurrence is not required for cases complying to all tender conditions without any deviation/exception. However, in case of commercial deviations and exception to NIT condition, approval of the concerned committee shall be required before opening of the price bid. Similarly, where only one bid is found to be technically acceptable, the concerned Tender-cum/Approving Committee shall decide opening of price bid.
- 3.6 Priced bids, which remain unopened with OIL, are to be destroyed after one year of the finalisation of the tender. A clause in this regard should be inserted in the tender Documents.
- 3.7 Materials department will invariably indicate the time for submission of technical comments by the indentors. It must be ensured by the indenting department concerned that comments are invariably sent on the specified time so indicated which should not generally exceed 2 (two) weeks. If indentors recommendations are at variance with the specifications laid down in the tender, they shall clearly specify and indicate the difference and acceptability.

4.0 CORRESPONDENCE WITH SUPPLIERS BY INDENTORS

- 4.1 Before finalisation of tender, all correspondence with the bidders must be done by Materials Department. However, technical clarifications can be sought by indenter department with a copy to Materials department.
- 4.2 It must be ensured that clarifications asked for by the indenter do not have any bearing on the price aspect.

5.0 POST TENDER MODIFICATION

Offers or modifications to offers received after the bid closing date and time shall not be considered. No unsolicited correspondence after submission of offer shall be taken cognizance of.

6.0 CERTIFICATION OF REJECTION OF OFFERS

Wherever an offer is rejected on technical grounds, the rejection report with detailed reasons for rejection must be certified by the Head of the Indenting department.

7.0 DELEGATION OF POWERS (DOP)

- 7.1 These are the powers of an Authority to approve an object of expenditure and then accord financial sanction for incurring expenditure on the same. The

powers are to be exercised with the observance of Rules, Regulations and instructions on the subject, which may be issued from time to time.

A brief write-up on the object of expenditure, its justification and budgetary status and a realistic preliminary estimate are the minimum essential pre-requisites which shall require careful consideration by an Authority before it accords expenditure sanction. While exercising the powers, Authorities at all levels shall ensure the following :

- i) Those funds are available in the approved Annual Plan / Budget for the relevant period.
- ii) Concurrence of Finance is necessary, unless otherwise specified in the DOP
- iii) The DOP is subject to observance of relevant policies, Guidelines, Rules and Regulations issued from time to time.
- iv) Where 'Full Powers' have been delegated, these shall not exceed the powers of the committee.
- v) Prior approval at Corporate level is necessary while deciding a new policy.

7.2 POWERS OF BOARD

The Board of Directors will cover the following aspects of purchase :

- i) Assist in evolving a purchase policy including introduction of latest procedures and techniques for this purpose.
- ii) Approving the BEC for large value items / services above Rs. 45 Crores for broad categories of items purchased / services contracted by OIL
- iii) Considering cases where a departure from the approved BEC is considered necessary on account of special circumstances.
- iv) Considering complex / controversial cases which CMD, OIL may wish to refer to the Board for obtaining its considered advice.

The guidelines for preparation of Board Notes are furnished in DGM (PL)'s circular No. PLN/1-3/35-576 of 11.12.89.

7.3 POWERS OF CORPORATE BUSINESS COMMITTEE (CBC)

All purchase proposals beyond the power of GGM/ Head of the Projects and upto a value of Rs. 45 Crores shall be referred to CBC for approval. Proposals valued above Rs. 45 Crores shall be put up to Board. For

proposals valued between Rs. 5 Crores and Rs. 45 Crores, BEC/BRC of a tender shall need the approval of CBC for inclusion of the same in the Tender before the same is floated.

The CBC comprises of CMD, D(F), D(O), D(P) and D(E&D). The quorum of the Committee shall be any 3 members but including the D(F).

The guidelines for preparation of CBC Notes are furnished in DGM (PL)'s circular No. PLN/1-2/19-021 of 1.2.96.

7.4 POWERS DELEGATED TO GGM/ HEAD OF THE PROJECTS & SUB-DELEGATION TO TENDER COMMITTEES

Powers delegated to GGM / Head of the Projects and the sub-delegation to various Tender Committees shall be as per prevailing circulars / instructions on the subject. The present DOP and the Tender Committee structures are being reviewed separately and the revised DOP will be formulated in due course which will be incorporated as a part of this manual later.

8.0 EVALUATION OF BIDS AND PREPARATION OF PURCHASE PROPOSAL

Proposer will evaluate the bids to prepare its recommendations for submission to the Tender committee / Approving Authority. The lowest tender will be determined from among those bidders which are in full conformity with the required specifications. On completion of technical scrutiny, it shall be ensured that Tender proposals are signed within the shortest time.

9.0 PURCHASE OF CAPITAL ITEMS AND SPARES THEREOF

9.1 As a matter of principle, while tendering for equipment, the bidder should be asked to quote separately for spares where such spares are necessary for one or two years operation of the plant and equipment. It should be made clear to the bidders that they should quote the price for each item of spares separately. For purpose of comparison of the prices quoted for the main plant and equipment, the price of spares shall not be taken into account. But commissioning spares shall be considered for evaluation.

9.2 Decision for the purchase of equipment should be taken so that it could prove to be more economical in the long run. Therefore, while evaluating the offers for purchase of capital equipments, the cost of maintenance spares subsequently required over the estimated life span of the equipment shall also be taken into consideration where it plays a significant role.

10.0 ACCEPTANCE OF RECOMMENDATIONS OF TENDER COMMITTEE

10.1 In cases where the recommendations of Tender Committee are not proposed to be accepted, the Approving Authority, in cases where there is any new input, will refer back the recommendations to the tender committee for consideration on the basis of additional inputs available with them. Where

there is no new input, the Approving Authority will call the members of the Tender Committee to review the recommendation or call for a tender committee meeting for resolving the case.

- 10.2 In case of difference in opinion amongst the members of tender committee and or approving authority, the matter shall be referred to the next higher committee for decision.

11.0 SPLITTING OF TENDERS/PURCHASE ORDERS

- 11.1 Tenders are generally finalised on itemwise lowest offer basis. Splitting of order is not necessary when monetary gain is negligible and do not justify placement of separate orders considering ordering cost.
- 11.2 Items in a tender may be split up in more than one order depending on the merit of each case. In case of operational needs, tender for part items may be finalised with the approval of tender committee for complete order. For finalisation of the tender for remaining items, the case will be submitted to the competent purchase authority for complete tender reflecting therein the facts that tender for part items in this case has already been finalised.
- 11.3 Sometimes it becomes essential to place order simultaneously on two parties to safeguard against the chance of one of the parties failing to execute supplies or when material is urgently required and where a single party cannot supply the required quantity in time. Where the tenders are called for very large quantity of an item, it is important to ensure that no single bidder gets order more than the quantity he can supply merely on the ground that they are the lowest bidder. Similarly, in case of tenders for critical items depending entirely on one supplier for material could affect operations due to unforeseen failure on the part of supplier. To avoid these situation, suitable clause in the following lines shall be incorporated in the tender specifically indicating that the quantity will be split amongst the competitive bidders.

“The quantity tendered may be split between two (or more) bidders at the proportion of _____ and _____ .“

The percentages to be decided may be in the ratio of 75:25 for short lead time items and 60:40 for long lead time items.

11.4 REASONABLENESS OF OFFER

In cases where the procurement of the material / services were done previously, normally escalation of rates upto 10% for indigenous items / 5% for imported items per annum may be considered as reasonable. In cases where prices have gone up at a rate more than the above percentages per annum the increase in prices may be considered as high. The estimate of 10% / 5% increase as reasonable has been arrived at on the basis of current domestic / overseas inflation trend. However, these inflation rates may not be applicable in case of certain items like computers where prices have been

falling over the years. Thus the prices are to be judged depending on the market situation.

12.0 NEGOTIATION POLICY AND PROCEDURE

12.1 POLICY

Normally price negotiation should not be resorted as it tends to vitiate the tendering procedures. If as a rule, negotiations are carried out, there will be tendency on part of the bidders to hike their quote and therefore no benefit will ultimately accrue. Further negotiations carried out in a buyer's market may result in the seller agreeing to all buyer's terms. But buyer in such a case may end up with inferior /substandard goods. Hence negotiations should be an exception rather than a rule.

12.2 Negotiation may, however, be carried out under certain circumstances as given below :

- (a) Where the L1 acceptable bid exceeds the cost estimates by a substantial amount (as defined in following paragraphs)
- (b) In case of lack of free competition.

Free competition may be considered as lacking when cartel prices are quoted by bidders which is evident when the L1 acceptable bid exceeds the cost estimates / last purchase price by substantial amount. Receipt of insufficient number of offers for an item which normally should have generated enough competition also points to lack of free competition.

- (c) Discerning downward market trend.

(Note : While initiating actions for negotiations various guide lines issued by CVC in this regard have to be kept in mind- Ref. CVC's circular Nos. 8(1)(h) / 98(1) dated 18.11.98 and 98/ORD/1 dated 24.08.2000)

12.4 PROCEDURE FOR NEGOTIATION

12.4.1 **In line with Central Vigilance Commission's guidelines, negotiation shall be carried out with the L1 bidder only. Negotiation shall not be carried out with other than L1 bidder.** Competent Authority's approval shall be obtained for undertaking negotiation.

12.4.2 However, in a situation where prices of the particular category of the items in the market are falling, even if the rates of increase are not high, the above procedure shall be followed.

12.4.3 When the entire requirement can be met by a single bidder, negotiation shall be carried out with the L1 technically acceptable bidder to bring down the prices to reasonable level.

12.4.5 When requirement is large and cannot be met by any single bidder or item is of very critical nature and cannot be depended on one supplier, Tendering Authority shall envisage such situation while inviting bids and indicate suitably in the tender. Tender documents shall stipulate splitting of requirement between 2 or more bidders. In such cases, negotiation shall be carried out with technically acceptable L1 bidder. If negotiation is successful / the quote of L1 bidder is very reasonable his offer would be considered for award of contract for the larger portion of requirement. For remaining quantity other technically acceptable bidders shall be offered by turn the rate quoted or negotiated with the L1 bidder in order of their ranking. The bidders who agreed to the negotiated / quoted rate of L1 should be considered for award of the contract for remaining portion of the requirement.

12.5 APPROVING AUTHORITY FOR NEGOTIATION

Except for the proposals which need the approval of the Board / CBC, the approvals for carrying out negotiations shall be given by the respective **Tender cum Approving Authority and the negotiation shall be carried with the party by the Committee one level below the Approving Authority.** In the CBC cases, the approval for negotiations shall be given by the highest committee in Fields and **negotiation shall be carried by the highest committee in Fields.** In the Board cases, approval for negotiation will be given by CBC.

13.0 INSUFFICIENT COMPETITION AND REASONABILITY OF RATES

PLACEMENT OF ORDER WHEN ONE OFFER IS RECEIVED :

If after inviting open/limited tenders, only one quotation is received against the tender, the order should be placed on the bidder provided the rates are considered reasonable or if the requirement is urgent. The urgency of requirement shall be certified by the indenter.

14.0 FOREIGN EXCHANGE (FE) APPROVAL

In case the purchase is approved in favour of an overseas supplier in foreign currency, approval of F/E expenditure is also to be approved by the concerned Tender Committee cum Approving Authority as per DOP before placement of order.

15.0 RELAXATION TO CONDITIONS OF TENDER

15.1 All contracts shall normally be entered into on the standard form prescribed for making purchases for OIL except where existing clauses are to be modified or special clauses added for compliance by the suppliers.

- 15.2 In respect of important terms and conditions, the tender committee may however recommend relaxation as a special case , depending upon merit of each case.
- 15.3 In case of OEM purchases/proprietary purchases, the competent purchase authority is empowered to relax standard terms and conditions provided the OEM/manufacturer of proprietary items does not accept such terms and conditions.

16.0 POST ORDER ISSUES

Post order issue if any is considered on the merit of the case on the basis of the prevailing DOP (Delegation of Powers) .

16.0 ACCEPTANCE OF MATERIAL IN DEVIATION TO SPECIFIED SPECIFICATIONS

- 17.1 Normally materials with deviation from order specifications will not be accepted.
- 17.2 However in exceptional circumstances, for chemicals upto 10% overdosing may be accepted with the approval of HODs of the Chemical department and Materials department. If overdosing is more than 10%, approval from the authority who approved the purchase should be obtained.
- 17.3 For other items, deviations in supply may be accepted by purchase authority on the recommendation of tender committee. In all such cases, the quantum of price reduction shall be determined after taking into account the loss in utility as assessed by the indenter.

17.0 COMPLAINTS / REPRESENTATION CONSIDERATION

- 18.1 Anonymous representations received in respect of current cases should be ignored. In case a proposal is under consideration of tender committee, then the proper representation received, if any should be commented upon by the tender committee.
- 18.2 Any complaint or representation received after finalisation of the case, should be examined carefully so that corrective action, if any could be taken in future.

CHAPTER 10

PROCEDURE FOR PLACEMENT OF ORDER AND ITS FOLLOW-UP

1.0 LETTER OF INTENT (LOI)

- 1.1** On approval of purchase proposal **and CBC Note**, LOI booking firm order on the supplier to be sent through FAX/Courier for all cases. Urgent LOI to be issued where validity of recommended bidder is going to expire prior to expected receipt of formal order by the party in order to freeze the rates.
- 1.2** LOI must contain order number and date, brief description and quantity, order terms, mode of shipment and cost details etc. LOI shall also seek submission of Performance bank guarantee (if applicable) by the supplier.

2.0 FORMAL ORDER

Formal order is prepared incorporating detailed technical specification, testing/inspection requirements and commercial terms and conditions etc. and General terms and conditions of Purchase Order. One set each of General terms and Conditions for foreign order and indigenous order is enclosed for reference. **For Direct Charge orders of complex nature, draft order is to be checked by the user department before leasing the same.**

3.0 SALIENT TERMS OF ORDERS PLACED ON FOREIGN SUPPLIERS:

3.1 (i) For Sea shipments

- (a) Term of the order is normally FOB (port of loading), specifying shipment through Conference Line Vessel (preferably having India as a member) on freight to pay basis. In case of non availability of Conference line vessel, supplier shall obtain prior approval of OIL for shipment by non-conference line vessel.
- (b) In case the quoted freight of the recommended party is lower than the trans-chart freight rate obtained in case of bulk material, order shall be placed on the foreign bidder on FOB basis, retaining therein the option to change the order C&F basis. Transchart shall be asked to provide coverage at a freight rate indicated by them or foreign bidder, whichever is lower. **In case Transchart is unable to provide coverage of the particular freight rate offered by foreign party, the order shall be amended to C&F terms with Transchart' s approval.**
- (c) Conference Line Vessels do not ply between India and countries like China, Australia and Argentina. For imports from such countries orders should be placed on C&F terms. Transchart have already given blanket clearance for import of small liner cargoes (upto 10 MT) from these countries on C & F terms.

(ii) **For Air Shipments**

a) Term of the order is normally FCA (Airport) or Ex-works (packed). In case of order on FCA(air port) basis, all handling including inland freight(in the foreign country), cartage, AWB fees, Stamp fee, Terminal Services fee, Certificate of Origin charges, Shippers Export Declaration and other statutory / anchillary charges up to the aircraft are to be borne by the Seller while in case of Ex-works order, these charges are borne by the freight forwarder engaged by OIL.

b) In some cases, orders are placed on CIF(by Air) basis when air freight & insurance are arranged by the Seller and the charges quoted by them are considered for placement of the order.

c) On rare occasion order on C&F (by air) is placed for import from certain countries from where neither consolidation service nor AIR INDIA flights are available.

3.2 Upon effecting shipments, Suppliers shall raise invoices as per order indicating therein Harmonized System code against each item supplied to facilitate assessment of customs duty.

3.3 **INSURANCE**

Insurance against foreign orders (other than CIF) up to Calcutta Port/Air Port is arranged and paid for by OIL through its insurer.

4.0 **SALIENT TERMS OF ORDERS ON INDIGENOUS SUPPLIERS**

4.1 **DESPATCH INSTRUCTION :**

4.1.1 **For Road despatch**

(i) Goods ordered shall be despatched on Door Delivery basis consigned to Oil India Ltd., Duliajan through road carrier(s) indicated in the order. In case OIL is required to collect the goods from the carriers godown, extra expenditure incurred thereof will be recovered from the supplier.

(ii) Additionally, supplier shall give clear instruction to the carrier that the goods should be delivered to OIL against indemnity bond if OIL is unable to produce consignment note so that the demurrage may not accrue.

(iii) When delivery of the goods is so taken against indemnity bond, payment in respect of supplier's related invoice will be effected within fifteen days upon receipt of an invoice copy from supplier provided the despatch documents are not received through bank within a reasonable time of taking delivery of consignment.

- (iv) For FOR destination orders, goods are to be despatched on door delivery basis through reputed bank approved carriers only.

4.1.2 For Rail Despatch

The goods ordered shall be despatched by Rail consigned to OIL's designated railway station. The supplier will be fully responsible for arranging required railway wagons. **The despatches in rail shall be preferably be made in BRN/BRH i.e. open wagons in place of box wagons from safety point of view during unloading of the materials at OIL's designated places.**

4.2 TRANSIT INSURANCE

For all orders other than those on FOR (destination) basis, transit insurance is arranged and paid for by OIL. However, the supplier will have to advise OIL's nominated insurance company the relevant order No., Consignment Note No., Number of packages and estimated value of the consignment as soon as the goods are despatched failing which the supplier will be liable to reimburse OIL for nay damage and shortages to the consignment and non delivery of the same.

5.0 ORDER SIGNING AUTHORITY

The Purchase Orders are signed by different officials as shown under according to the powers delegated to them.

Senior Purchase officer(Gr. C) - Upto Rs. 1.00 Lakh

Dy. Manager Materials (Gr. C1) - Upto Rs. 2.50 Lakh

Manager Materials (Gr. D) - Upto Rs. 12.50 Lakh

Senior Manager Materials(Gr. E) - Upto Rs. 25.00 Lakh

Chief Materials Manager (Gr. F) - Above Rs.25.00 Lakh

6.0 ACKNOWLEDGEMENT OF PURCHASE ORDER

Order acknowledgement forms are sent to the suppliers along with the purchase order (duplicate against indigenous orders and triplicate against foreign orders). One copy of the acknowledgement form duly sealed and signed by suppliers is returned to CMM which inter-alia confirms the acceptance of order. In case of foreign orders, one copy to be returned by the overseas suppliers to CM(CB) – Shipping, Calcutta to facilitate opening of letter of credit.

7.0 SUBMISSION OF PERFORMANCE GUARANTEE

7.1 In all cases, the instruction with regard to submission of Performance Guarantee wherever required is mentioned in the Purchase Order itself. **Normally L/C in case of foreign orders is established after receipt of the PBG from the supplier. However for urgent cases, in-operative letter of credit is opened initially immediately after placement of the order and the letter of credit is made operative only after submission of performance guarantee. Bid security of the supplier is also released after submission of performance guarantee. In case the submitted PBG is not as per requirement in terms of validity, value etc., matter to be taken up with the party asking for amendment to the PBG making the necessary corrections.**

7.2 The performance guarantee **as well as the amendment to the Performance guarantee** is sent to Finance & Accounts department after receipt for verification and retention at their end.

8.0 AMENDMENT OF PURCHASE ORDER

8.1 An Amendment to Order is issued for any change in the Purchase Order. Various situations may arise calling for issue of an Amendment to Order, a few examples of which are stated below. Approving authority in such cases is also mentioned against each.

a) Extension of delivery without waiver of L.D.

Approval of GM(Services) is required

b) Extension or delivery with waiver of L.D.

Approval of competent authority as per DOP will be required.

c) Change in payment terms

If it is to OIL's advantage, CMM's approval is required. Otherwise approving authority's concurrence required.

d) Change in specification/packing

Approval of user department in case of D/C item and SMM(PLG) for stock items should be required.

However, if specification is lowered and thereby discount to be obtained, approval from approving authority will be required. Similarly for changes in packing, cost benefit, if any to be passed to OIL.

- e) Change in quantity
- f) Change in price
- g) Change in mode of despatch.

Approval in all the above 3 cases will be required from competent Purchase authority.

- 8.2** The original order is required to be amended for the above for which an Amendment to the Order is prepared. Amendment to order is required to be signed by the same authority who signed the original order.

9.0 FOLLOW UP OF PURCHASE ORDER

- 9.1** Advance communication shall be sent in case of foreign orders and long delivery/high value indigenous orders to the suppliers advising them for execution of orders falling due after two months.
- 9.2** In case of delay in supply of the materials and urgency, respective purchase wing shall take necessary steps to follow up with the supplier of its own or on receipt of advice from the user department or from the Planning Section of the Materials Department.

9.3 Monthly follow-up with major suppliers

A small number of suppliers deal with a large number of our orders for spares/consumables and most of them are proprietary source. A list of such suppliers is prepared on the basis of number of orders placed on them and monthly communications are sent to these suppliers seeking current status of outstanding orders. The responses shall be reviewed by concerned dealing officers in Purchase/Planning and Receiving section of Materials Dept. for further action.

10.0 DISCREPANCY REPORT/REPLACEMENT SUPPLY

- 10.1** Respective purchase wing shall take up with the supplier for free replacement of short/inferior/defective/damaged (in intact boxes) supply of the materials on receipt of discrepancy report. Effort should be made to take immediate action so that the claim does not become time barred.
- 10.2** While in case of indigenous supplies, the supplier can despatch the replacement straight way on FOR Destination basis but for import, prevailing import formalities, if any, for replacement supplies to be observed. Besides in case of import **and where Nil Customs duty is not applicable**, suppliers must additionally agree for reimbursement of custom duty for the replacement supply.
- 10.3** Only when foreign suppliers agree for replacement on Free of charge (CIF Calcutta) basis and reimbursement of custom duty(if applicable), they are advised to effect shipment of replacement after observing formalities in vogue. Copies of correspondences exchanged with the foreign suppliers in this regard together with other relevant documents if any, are to be provided to CM(CB)-Shipping for arranging custom clearance of the replacement supply. **In case Nil Duty is applicable, No Charge Proforma Invoice**

should be obtained from the supplier and Essentiality Certificate should be arranged before shipment so that no demurrage, specially in case of air freighting, is levied. The defective materials are to be returned to the supplier only on receipt of the replacement supply. In case the supplier insists on returning the defective item before making the replacement supply, necessary Bank Guarantee for the value of the item should be obtained from the party before returning the defective item. Approval from the competent authority on case to case basis may also be obtained.

- 10.4** Sometimes, suppliers insist for return of the defective items before shipment of replacement. In such cases approval of competent authority is required to be obtained for return of the defective items. After approval of competent authority, such defective items should be sent to CM(CB) – Shipping together with documents mentioned above for processing export of the same to the supplier.
- 10.5** Attempts should also be made to secure replacement with help of diplomatic Channel in case of foreign suppliers for no response cases and for those cases involving high value.
- 10.6** In case supplier does not agree to our claim (lodged for short supply / damaged supply) or does not respond to at least two / three reminders (sent within a reasonable interval) then GM(F&A) is to be advised to pursue the claim through Insurer and the discrepancy can be treated as closed from purchase angle. Such intimation should be sent to SAO (F&A) through SAO(Stores) together with copies of the correspondences. In cases, where suppliers do not agree / respond to OIL's claim (lodged for inferior / defective supply), necessary actions for realisation of dues shall be taken either by recovering the amounts from pending / forthcoming bills of supplier or by initiating Arbitration proceedings well before the case becomes time barred in order to protect company's interest. Parallely, depending on the merit of the case, supplier shall be suspended / black-listed from doing further business with OIL with the approval of competent authority i.e. GM(F&A)/GGM.
- 10.7** As per the current transit insurance policy, against imported goods valuing upto Rs. 20,000.00 insurance claim is not tenable. Therefore, if party declines to settle such claims GM(F&A) should be asked to delete such cases from outstanding claims list and the matter to be closed. For indigenous goods the value limit for such insurance claim to be tenable is only above Rs. 5000.00.

11.0 CLOSURE OF PURCHASE ORDER FILE

- 11.1** If goods are received as per order and GRN (Goods Receipt Note) has been raised for the full quantity, the order is treated as complete. In case of short / damaged receipt for reasons other than supplier's fault, claims shall be lodged on carriers / insurer and the order as far as supplier is concerned shall be treated as closed. However, in case of FOR destination

terms, order shall be closed only on receipt of complete supply to OIL's satisfaction.

12.2 SHORT CLOSING OF ORDER

12.2.1 For short closing of order, no formal amendment to the order is to be issued. Only the computer record is to be amended to show the order as complete and order folder shall be marked accordingly.

12.2.2 Since no formal amendment will be issued in case of short closing, the same has to be judiciously decided. For this purpose, following guidelines are to be followed :

- (i) Approval from at least MM will be obtained.
- (ii) In case of bulky items like cement, barytes, bentonite, tubulars, short closing can be resorted to if the quantity remaining outstanding is upto 5%.
- (iii) In case of item of general category, short closing can be done if the quantity outstanding is less than 5%.
- (iv) In case of spares, if the total quantity of a particular item exceeds 20 units, short closing can be done upto 10% of the units. Otherwise specific approval from SMM will be required.
- (v) In case of direct charge items, department is to be informed.

12.2.3 However, in case of any doubt or in marginal cases, it will be preferable to resort to cancellation instead of short closing.

13.0 RETURN OF PERFORMANCE BANK GUARANTEE (PBG)

Performance Guarantee is returned to the supplier by Finance & Accounts Deptt. after its expiry on advice from Materials Department. Materials Department advises return of the Performance Guarantee if there is no adverse report from the User Department regarding the supply and no default on the part of the supplier regarding execution of the order. **A list of the PBGs going to expire in the following month is forwarded by Accounts department to Materials department inviting the views of the Materials department. The list is reviewed in the Materials department and wherever any extension of the PBGs is required, the same is conveyed to Accounts department who in turn take up with the concerned supplier(s) for extension of the PBG(s). In case no extension of the PBG is required, Accounts department returns the PBG to the party.**

14.0 CANCELLATION/TERMINATION OF PURCHASE ORDER

14.1 A Purchase Order may be cancelled with the approval of appropriate authority in following cases :

- (i) Specified delivery schedule is not adhered to.
- (ii) Laid down specifications are not adhered to or when the performance of the contract is un-satisfactory.

- (iii) Major contractual terms and conditions are violated.
- (iv) If the party declines to accept the order
- (v) Insolvency.

In such cases action should be initiated on merit of the case. In any other case of cancellation (e.g. requirement ceases to exist), consent of the supplier as well as approval from Management are to be obtained. Cancellation of a Purchase Order is intimated to all concerned who were given copies of the original order.

- 14.2** In cases where the supplier has failed to supply the entire quantity ordered, fresh enquiry shall be raised after review of the requirement by the indenting department.

15.0 REPEAT ORDER

- 15.1** On receipt of Indent / Demand in respect of any materials, the Purchase section may decide to place the order on the same supplier who has previously supplied the materials without raising a fresh enquiry thereof. These cases are called Repeat Order Purchases.

- 15.2** Following condition is required to be fulfilled while placing a Repeat Order :

The quantity as per Indent/Demand should not be more than 100% of the quantity originally ordered.

- 15.3** Before placing a Repeat Order, the supplier shall be contacted to ascertain whether he is agreeable to supply the materials under the same terms and conditions as per the original purchase order. **The party should also be asked to offer suitable discount for the repeat order/increase in quantity.**

- 15.4** On receiving the confirmation from the supplier, a repeat order Proposal shall be prepared. In the proposal justification for the Repeat Order is given after considering, inter alia the following aspects :

- a) Urgency of requirement of the material;
- b) That the Repeat Order would result into a price advantage in that by placing order on same terms and conditions as the original order, effect of inflation on prices will be avoided
- c) That there will be reduction of ordering cost**
- d) That there is no downward trend of the prices in the market
- e) That the performance of the supplier has been satisfactory.

- 15.5** The repeat order purchase Proposal shall be put up to the same Purchase Committee which approved the original Purchase Proposal, for its approval.

Prior to putting up the repeat order Proposal before the appropriate Committee, it shall be seen that the value of the original Purchase Order plus the value of the proposed Repeat Order is within the power of the Committee which recommended the original Purchase Proposal. If the above value exceeds, then it shall be put up before the appropriate higher committee.

15.6 After the approval, as mentioned above, is received the Repeat Order shall be placed.

16.0 EXTENSION OF ORDER

In cases where the original Purchase Order is yet to be fully executed, instead of issuing a fresh Purchase Order on the supplier, an Amendment to existing Order shall be issued, increasing the original Purchase Order quantity / value by the additional quantity required.

17.0 REVIEW OF OLD ORDERS

The respective purchase section shall review outstanding orders on a rolling basis and take necessary action for securing supplies/clearance and cancellation of the same.
