MANUAL FOR PROCUREMENT OF PLANT & MACHINERY IN ARMOURED VEHICLES NIGAM LTD

AVNLPM-P&M 2022

ARMOURED VEHICLES NIGAM LTD

आर्मर्ड व्हीकल्स निगम लिमिटेड
भारत सरकार का उद्यम
रक्षा मंत्रालय

AVANI

ARMOURED VEHICLES NIGAM LIMITED
A GOVT. OF INDIA ENTERPRISE
MINISTRY OF DEFENCE

CIN-35990TN2021GOI=145504

No: 81009/P&M Policy/AVNL/2022 Date: 15 / 06 / 2022

To

The Chief General Managers / General Managers
All AVNL Factories & AVNL IOLs.

Sub:- AVNLPM- P&M 2022 for procurement of P&M in AVNL Factories

AVNL Board in its Board Meeting held on 29-04-2022 has resolved to approve and implement the revised Manual for Procurement of Plant & Machinery in AVNL.

The Manual is enclosed herewith. This supersedes the earlier OFBPM-P&M 2013.

This will be effective from the date of issue of this letter. Hence, reference of various terms & conditions may be drawn from this Manual from the said effective date only and illustration / explanation / applicability of this should not be made to past cases. In true sense, the terms & conditions of this Manual 2022 can only be applicable for the Tenders issued on or after its effective date.

Encl:- As above

Rajesh

(Rajesh Kumar)
General Manager / Operations
For CMD / AVNL

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Foreword

"Modernization of Infrastructure of AVNL Factories" is key to improving the customer's perception of our product quality, cost effectiveness & our capacity to deliver in time. Further to maintain an edge as market leader, it is essential that plant & Machinery purchase process is timely and adequate. This in turn requires unambiguous & transparent documented guidelines.

2. With the passage of time and formation of DPSUs, changes in Policy & Procedures have taken place. Due to this necessity of review & up-dation of the existing OFBPM P&M 2013 was felt. A committee constituted under the Chairmanship of Shri. P.K. Arora GM/HVF has prepared a self-contained manual of procedures intended for procurement of P&M in AVNL Factories, in conformity to DPM-2009 (or amended from time to time), DPP-2016 & GFR-2017 and also other policies / guidelines / instructions issued by MoD, DIPP, MoMSME, MoF, CVC, ATN on CAG observations & Min of Shipping, etc time to time.

3. AVNLPM – P&M 2022 is a manual for procurement of Plant & Machinery in AVNL.

4. AVNLPM- P&M 2022 is more user and vendor friendly and has covered latest provisions & initiatives of the Government of India like preference to Make in India & MSME, ease of doing Business, level playing field for indigenous vendors, GeM, Start-ups among other things. The applicability of all these provisions will further boost and enhance the Defence Manufacturing eco system especially with MSMEs and Atma Nirbhar Bharat.

5. I am sure that the Manual will provide guidelines to deal with the subject in proper manner.

6. It is placed on record that commendable work has been done by the committee constituted for review and updation of AVNL P&M 2022 in bringing out the "AVNL Plant & Machinery Procurement Manual – 2022".

7. The AVNLPM-P&M 2022 has been finalized and approved by Board of AVNL vide AVNL Board Meeting No 01/SEC/CTC/06/2022 Dtd. 29-04-2022.

(Sanjeev Kishore)
CMD / AVNL

Avadi, Chennai-600 054.

Date: 15 / 06 / 2022

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ABBREVIATIONS

The abbreviation used in the manual is as given below.

ABG	Advance Bank Guarantee
AMRCD	Administrative Mechanism for Resolution of CPSEs Disputes
AOTR	Anticipated Out Turn Report
ATE	Advertised Tender Enquiry
AVNL	Armoured Vehicles Nigam Limited
B/E	Bill of Entry
BER	Beyond Economic Repair
BG	Bank Guarantee
BQ	Budgetary Quotation
B/L	Bill of Lading
CBEC	Central Board of Excise & Customs
CDE	Customs Duty Exemption
CFA	Competent Financial Authority
CGM	Chief General Manager
CIF	Cost, Insurance and Freight
CIP	Carriage and Insurance Paid
CPSU	Central Public Sector Undertaking
CMD	Chairman & Managing Director
CNC	Computerized Numeric Control
CPM	Critical Path Method
CR	Condemnation Report
CST	Comparative Statement of Tender
CVC	Chief Vigilance Commission
CW	Civil Works
DAP	Delivered At Place
DD	Demand Draft
DDP	Department of Defence Production
DGM	Deputy General Manager
DIPP	Department of Industrial Policy & Promotion
DP	Delivery Period
DPIIT	Department for Promotion of Industry and Internal Trade
DPM	Defence Procurement Manual
DPP	Defence Procurement Procedure
DPR	Detailed Project Report
DSC	Digital Signature Certificate
E/M	Engineering / Maintenance
EHQ	Embarkation Head Quarters
EMD	Earnest Money Deposit

EOI	Expression of Interest
F & A	Finance & Accounts
FAC	Final Acceptance Certificate
FAS	Free Alongside Ship
FE	Foreign Exchange
FOB	Free on Board
FOH	Fixed Over-Head
FOR	Free on Rail
FOTR	Final Out Turn Report
GFR	General Financial Rules
GM	General Manger
GTE	Global Tender Enquiry
ICC	International Chamber of Commerce
IEC	Importer Exporter Code
IMTMA	Indian Machine Tool Manufacturers' Association
TOC	Taking Over Certificate
INCO-TERMS	International Commercial Terms
IP	Integrity Pact
IPBG	Integrity Pact Bank Guarantee
IRR	Internal Rate of Return
IOL	Institute of Learning
ISO	International Standards Organization
ITJ	Indian Trade Journal
KVIC	Khadi & Village Industries Commission
LC	Letter of Credit
LD	Liquidated Damage
LIBOR	London Inter-Bank Offered Rate
LPR	Last Purchase Rate
LTE	Limited Tender Enquiry
MoD	Ministry of Defence
MOU	Memorandum of Understanding
MSEs	Micro and Small Enterprises
MT	Motor Transport
NC	New Capital
NIT	Notice Inviting Tenders
NIET	Notice Inviting E-Tenders
NIEOI	Notice Inviting Expression of Interest
OEM	Original Equipment Manufacturer
OFB	Ordnance Factory board
OTE	Open Tender Enquiry
P&M	Plant and Machinery

PAC	Proprietary Article Certificate
PBG	Performance Bank Guarantee
PDC	Probable Date of Completion
PDI	Pre Despatch Inspection
PEDB	Project Engineering Design Bureau
PFC	Plan Finalization Committee
POL	Petroleum Oil and Lubricant
PQ	Pre-Qualification
PSD	Performance Security Deposit
PSU	Public Sector Undertaking
RE	Rupee Exchange
RFI	Request for Information
RFP	Request For Proposal
RR	Renewal and Replacement
RST	Resultant Single Tender
SD	Security Deposit
SKS	Single Known Source
SMH	Standard Man-Hour
SO	Supply Order
SOC	Statement of Case
SRO	Sale Release Order
STE	Single Tender Enquiry
TE	Tender Enquiry
TEC	Technical Evaluation committee
TIR	Technical Inspection Report
TOD	Tender Opening Date
TOT	Transfer of Technology
TPC	Tender Purchase Committee
TSC	Technical Scrutiny Committee
VOH	Variable Over-Head

CHAPTER-1

Introduction-Policies & Principles

1.1 Procurement rules and regulations and this manual

1.1.1 Preamble :

Modernization in Armoured Vehicles Nigam Limited Units is a continuous process and strategically an important step towards the transformation of the factories achieve global standard. To keep pace with the contemporary manufacturing technologies, Armoured Vehicles Nigam Limited modernization program is primarily focused on the introduction of State-of-the-Art machines to manufacture quality products with cost effectiveness taking into account the current and long term futuristic requirements of the customers. Armoured Vehicles Nigam Limited Units follow three pronged approach for modernization Viz.

(a) Renewal and Replacement (RR) of P&M which are beyond economical repair.

(b) Acquisition of P&M under New Capital (NC) for additional capacity.

(c)Augmentation of existing capacities and/or setting up capacities for new products/stores through Brown/Green –field Projects (NC-Project).

Armoured Vehicles Nigam Limited spends a sizeable amount of budget for the procurement of Plant and Machineries towards the modernization of it's infrastructures. Armoured Vehicles Nigam Limited Units have been delegated powers for procurement of P&M under the Delegation of Financial Power, which have to be exercised in conformity with the 'Procurement Guidelines'.

1.1.2 Procurement Guidelines :

To ensure that these procurements are made by following a transparent, uniform, systematic, efficient and cost-effective procedure and also to ensure fair and equitable treatment of suppliers, there are statutory provisions, rules, financial, vigilance, security, safety, counter- trade and other regulations; orders and guidelines of the Government on the subject of public procurement (hereinafter referred as 'Procurement Guidelines') which provide framework for the public procurement system.

The Indian Contract Act, 1872 and the Sale of Goods Act, 1930 and subsequent amendments thereof are major legislations governing contracts of sale/purchase of goods in general. Also the Arbitration and Conciliation Act, 1996; Competition Act, 2002; Information Technology Act, 2000 and subsequent amendments there of etc. may be attracted in Public Procurement Transactions. There is no law exclusively governing public procurement.

However, comprehensive Rules and Regulations in this regard are available in the General Financial Rules (GFR), 2017, Delegation of Financial Powers (DFP); Government orders regarding purchase preference or other facilities to sellers in Micro and Small Enterprises and the guidelines issued by the Central Vigilance Commission to increase transparency and objectivity in public procurement.

Without purporting to be a comprehensive compendium of all such 'Procurement Guidelines', this Manual is intended to serve as a portal to enter this vast area and draw attention to basic norms and practices governing public procurement.

(Refer Manual for procurement of Goods 2017)

1.2 Present Manual

a) This Manual has been made within the ambit of GFR 2017 (or amended from time to time), as also other policies/guidelines/instructions issued by MoD, DIPP, MoF, MSME, CVC.

b) If any instance of variance with GFR 2017 (or amended from time to time) is noticed, the matter should be referred to Armoured Vehicles Nigam Limited Board for clarification.

1.3 Scope:

This Manual covers the procurement of 'Plant and Machinery' in Armoured Vehicles Nigam Limited Units. The term 'Plant and Machinery' (P&M) generally means the various capital goods i.e. machineries, equipment, furnaces, vehicles, chemical plants, metallurgical plants, air conditioners, air conditioning plants, cranes, electrical equipment, related services etc., acquired by Armoured Vehicles Nigam Limited Units for their use.

1.4 Authorities competent to purchase P&M and their Purchase Powers :

An authority which is competent to incur expenditure may sanction the purchase of goods required for use in public service in accordance with the Delegation of Financial Rules (Armoured Vehicles Nigam Limited - Delegation of Financial Powers as amended from time to time) by following the 'Procurement Guidelines' described in this Manual (Ref. Rule 145 of GFR 2017).

1.5 Fundamental Principles of Public Procurement :

General Financial Rules, 2017 (Rule 144) lay down the Fundamental Principles of Public Procurement. These principles and other additional obligations of procuring authorities in public procurement, which all procuring authorities must abide by and be accountable for.

Every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, and transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement. The procedure to be followed in making public procurement must conform to the following yardsticks:

a) The description of the subject matter of procurement to the extent practicable should –

   i). be objective, functional, generic and measurable and specify technical, qualitative and performance characteristics;

   ii). not indicate a requirement for a particular trade mark, trade name or brand.

b) The specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organizations. The specifications so worked out should meet the basic needs of the organization without including superfluous and non-essential features, which may result in unwarranted expenditure;

c) Where applicable, the technical specifications shall, to the extent practicable, be based on the national technical regulations or recognized national standards or building codes, wherever such standards exist, and in their absence, be based on the relevant international standards.
d) Care should also be taken to avoid purchasing quantities in excess of requirement.
e) Offers should be invited following a fair, transparent and reasonable procedure;
f) The tender document should clearly mention the eligibility criteria such as minimum level of production experience, past performance, technical capability, manufacturing facilities, financial position, ownership or any legal restriction, etc. that need to be made by the bidders.
g) Eligibility criteria should conform to extant Government policies (which includes the provisions of this Manual) and be judiciously chosen so as not to stifle competition amongst potential suppliers
h) All aspects pertaining to tender preparations, submission, deadlines, acceptance, evaluation, ranking and conclusion of contract should be unambiguously and explicitly detailed.
i) Offers should be invited following a fair, transparent and reasonable procedure. Tender enquiries (and subsequent amendments etc., if any) shall be given wide publicity, including display at the GeM/Armoured Vehicles Nigam Limited official website/Central Public Procurement Portal (CPP Portal).
j) Sufficient time should be allowed to the bidders to prepare and submit their tenders. Suitable provisions should be kept in the tender document allowing the bidders a reasonable opportunity to enquire about the tender conditions, tendering process, and/ or rejection of its tender and the settlement of disputes, if any, emanating from the resultant contract.
k) Bidders must not be permitted to alter or modify their tender responses after the expiry of their deadlines for submission; such modified bids will be summarily rejected.
l) Tenders should be evaluated only as per the evaluation details provided in the tender documents. No new condition, which was not incorporated in the tender document, should be brought into consideration while evaluating the tenders.
m) Negotiations with the bidders must be avoided. However, under some circumstances, where price negotiations are considered unavoidable, they may be resorted to only with the lowest evaluated responsive bidder, with the approval of the CFA only after duly recording reasons for such action duly adhering the CVC Guidelines in this regard.
n) The procuring authority should be satisfied that the selected offer adequately meets the requirement in all respects;
o) The procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required;
p) At each stage of procurement the concerned procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision.

q) The name of the successful bidder to whom the contract is awarded should be appropriately notified for the information of general public, through the Armoured Vehicles Nigam Limited website/Central Public Procurement portal.

1.6 e-Procurement:

(i) The e-procurement system, available at Armoured Vehicles Nigam Limited e-procurement site / GeM portal, will be mandatorily used for all procurement processes in excess of Rs. 2.00 Lakhs (or revised time to time). The system supports all modes of tendering like OTE, LTE, GTE, and STE. There may be instances where considering national security and strategic considerations demands confidentiality, e-procurement may not be the appropriate procurement process, in such cases manual tendering process may be followed with the prior approval of the Director (Operations) of Armoured Vehicles Nigam Limited, in consultation with Finance & Accounts of Armoured Vehicles Nigam Limited and duly recording the reasons for the same.

(ii) The basic procurement procedures (unless repugnant to the context or not relevant in e-procurement being system performed) shall remain as contained in this manual even if procurement is through e-procurement/ GeM. In case of procurement through GeM the Terms &Conditions of GeM will also be applicable.

1.7 Considerations for Purchase Quantities:

(i) Purchase quantities in excess of requirement is not permitted.

(ii) A demand should not be split into small quantities for the purpose of avoiding the necessity of taking approval of the higher authority required for sanctioning the purchase of the original demand.

1.8 Competent Financial Authority:

a) Financial powers have been delegated to various authorities in Armoured Vehicles Nigam Limited and its Units, through the DFP. These powers are to be used within the framework of laid down procedures, canons of financial propriety and amplificatory instructions. The powers so delegated also imply accountability; and the CFA must ensure that financial propriety and probity are observed in all cases.

b) All financial powers are to be exercised by the appropriate CFA. Where financial powers have been delegated to more than one authority under the same item/ head of delegation, authority with next higher delegated financial powers will constitute the 'next higher CFA'.

c) The financial powers delegated by Armoured Vehicles Nigam Limited Board to various authorities in the Armoured Vehicles Nigam Limited and its Production Units / Non Production Units cannot be further sub-delegated by the delegate. However, on the strict understanding that the sole responsibility rests on them, the authorities to whom financial powers have been delegated may authorize officer(s) to sign communications and financial documents on their behalf conveying the sanction of the original delegate provided that the name of the officer who is so authorized is communicated to the Audit Officer concerned.

d) The current approved system for Armoured Vehicles Nigam Limited and its Units is the CFA-in-committee i.e., TPC system. However, the recommendations of TPC will be concurred by Finance &Accounts member and approved by CFA in the same TPC. CFA is the Chairman of relevant TPC/TEC. In case of dissent note/different opinion of any other TPC/TEC member, the decision of CFA will be final. CFA can overrule other TPC/TEC member after recording reasons for overruling as explained later on.

e) The constitution of the TEC/TPC shall be as notified in the DFP. However, the Chairperson of this Committee (CFA), if necessary, may co-opt other relevant experts on the Committee.

f) The CFA during TEC will be decided taking into consideration, the value of the estimated price accepted by the relevant PFC. After price bid opening, based on the all-inclusive L-1 price received, CFA will be decided.

1.9 Consultations with Finance:

a) Procurement above the prescribed threshold limit in the DFP shall be done only with the concurrence of the Finance & Accounts at all the prescribed stages.

b) In case of disagreement/ non concurrence by the Finance & Accounts, the CFA can overrule after recording reasons for overruling the views of the Finance & Accounts.

c) In all cases where the CFA has overruled the advice of TPC/TEC Members, the Secretary of the TEC/TPC shall send a copy of the TEC/TPC minutes to the Director/Finance. The CFA is accountable and responsible for her/his decision and accordingly, the decision of the CFA (although by overruling) shall stand.

1.10 Responsibility of the Competent Financial Authority and TPC members:

a) CFA is the Chairman of relevant TPC/TEC. The CFA must consider all aspects of the case, including the quoted price, terms and conditions of the contract, delivery period, warranty, freight, insurance and other charges and the compliance with the technical specifications/QR before a purchase decision is taken. Conditional offers and those with specifications not in conformity with the tendered specifications (Essential QRs), normally should not be considered. However, in exceptional cases of any justifiable minor discrepancies, TPC/TEC may take appropriate decision with recorded reasons. Wherever as per DFP, delegated powers are exercisable subject to financial concurrence, it shall be ensured before according sanction that the requisite financial consultations have been done at all the prescribed stages.

b) While making the purchase decision, the TEC/TPC needs to satisfy itself that (i) proper procedures have been followed at various stages of procurement, (ii) purchase policies of the Government have been complied with, and (iii) capacity, technical capability and financial status of the firm have been checked. Purchase decisions should be communicated only through a formal order in a written form.

1.11 Exemptions/ Relaxation from some Tender Conditions to Certain Suppliers:

Government of India has issued general directives on (i) mandatory/ preferential purchase of specified goods from specified suppliers (ii) extension of price preference (iii) exemptions/ relaxation from certain tender conditions like tender fee, EMD, PSD, etc., to certain categories of suppliers. In procurements attracting these general directives, the contemporary directives of the Government of India should be checked (from the relevant website) for necessary action. DDP may issue separate directives indicating the eligibility and nature of concession/relaxation in order to promote MSEs (Micro & Small Enterprises), Start-ups, Stand-ups etc. to be followed.

1.12 Development of Micro, Small and Medium Enterprises:

a) The Micro, Small and Medium Enterprises Development Act 2006 provides that "For facilitating promotion and development of micro and small enterprises, the Central Government or the State Government may, by order notify from time to time, preference policies in respect of procurement of goods and services, produced and provided by micro and small enterprises, by its Ministries or departments, as the case may be, or its aided institutions and public sector enterprises".

b) Any order issued by Central Government in relation to Micro, Small or other sections of Industries relevant to procurement shall be followed by all Units under Armoured Vehicles Nigam Limited. Currently, one such Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 w.e.f. 01.04.2012, is in force and should be strictly adhered to. The Public Procurement Policy shall apply to Micro and Small Enterprises registered with District Industries Centres or Khadi and Village Industries Commission or Khadi and Village Industries Board or Coir Board or National Small Industries Corporation or Directorate of Handicrafts and Handloom or any other body specified by Ministry of Micro, Small and Medium Enterprises (MSME). Declaration of Udyog Aadhaar Memorandum (UAM) number by the MSME vendors on CPPP/Armoured Vehicles Nigam Limited e-procurement portal should be made. The MSE bidders who fail to submit UAM number will not be able to avail the benefits available to MSEs as contained in Public Procurement Policy for MSEs Order, 2012 issued by MSME for tenders invited electronically through CPPP/GeM/Armoured Vehicles Nigam Limited e-procurement portal.

1.13 Public Procurement (Preference to Make in India) Policy:

Provisions contained in Public Procurement (Preference to Make in India), Order 2017 issued by DIPP, Ministry of Commerce & Industries vide letter No.P-45021/2/2017-B.E-II dated 15-06-2017 along with MoD I.D No.59011/8/2015-D(HAL-II) dated 19-07-2017 and subsequent amendments issued by DIPP dated 28.05.2018, 29-05-2019, 04-06-2020 & 16-09-2020 (As given in **Appendix-11**) shall be followed. No such restrictive clauses should be mentioned in terms and conditions of tender enquiries including matter like turnover, production capability and financial strength for the bidders that would be advantageous to the foreign manufactured goods at the cost of domestically manufactured goods. Further details can be accessed on DIPP website.

1.14 Development of Start-ups :

For Start-ups (whether MSEs or otherwise), prior experience and turnover requirement may be relaxed subject to meeting of quality and technical specification in accordance with relevant provisions of GFR 2017 (or revised time to time) as per Ministry of Micro, Small and Medium Enterprises Policy Circular No. 1(2)(1)/2016-MA dated 10th March 2016 and Ministry of Finance, Dept. of Expenditure O.M No. F.20/2/2014-PPD(Pt) dated 25th July 2016. Also as per MoF, Dept. of Expenditure O.M. No. F.20/2/2014-PPD(Pt) dated 20th September 2016, the criteria of prior experience / turnover may not be relaxed for Startups, for procurement of items related to public safety, health, critical security operations and equipments etc., where vendors with prior experience are preferred and adequate justification is available.

1.15 Standard Tender Documents:

Standard forms of tender are to be used as enquiry documents and contracts in line with the extant rules, regulations, directives, procedures etc. Deviations in the standard provisions of the standard documents may be permitted by an authority competent to grant waiver/ relaxation for the provision as per the DFP. Extent of deviation that may be permitted by the said competent authority shall be as per the powers available to him under the DFP for granting waiver/ relaxation.

1.16 Time Frame for Processing:

All activities must be undertaken expeditiously, and consultations/ advice rendered within a specified time frame. The time frame shall be adhered to in the procurement process to ensure that the bids are finalized within validity period. In case the prescribed time frame cannot be adhered to in any specific case, suitable extension of validity of the bids should invariably be asked for, after recording valid reasons justifying extension of the said validity

1.17 Timely Procurement:

(i) To reduce delays, the time-frame stipulated for each stage of procurement should be adhered to.

(ii) Contract should be concluded within the original validity of the tenders. Extension of tender validity must be discouraged and resorted to only in absolutely unavoidable, exceptional circumstances.

1.18 Applicability:

This manual shall come into force with effect from the date of approval by Armoured Vehicles Nigam Limited. However, all on-going procurements where tender has been issued prior to date of effect of this Manual may continue to be regulated by the provisions of the OFB PM-P&M 2013 and subsequent amendments issued time to time, DPM-2009, CVC instructions, DoE/MoF instructions etc.

1.19 Government e-Market place (GeM):

a) Central Procurement organization, Director General of Supplies and Disposals (DGS&D), has also developed an online Government e-Market Place (GeM) for common use goods and services to ensure better transparency and higher efficiency.

b) As per GFR 2017 Rule 149, the procurement of goods and services by Ministries or Departments will be mandatory for goods or services available on GeM.

c) Definition of Goods at Rule 143 of GFR 2017 includes Machinery, Equipment, Industrial plant, Vehicles etc.

1.20 Procurement Cycle:

The procurement process for Plant and Machinery in Armoured Vehicles Nigam Limited Units normally involves the following cycle of activities, undertaken in the order stated below:

i) **Plan Finalization**: Need assessment, formulation of Specifications, Estimation, raising of Demands and approval of Plan and demands by the competent Plan Finalization Committee (PFC)
ii) **On-line Bid invitation**: Preparing bid documents, hoisting of T.E in the web sites, receipt and opening of bids in e-procurement mode/GeM;
iii) **Bid Evaluation**: Evaluation of bids and award of contract; and
iv) **Contract execution**: Contract management, Site readiness for installation, Pre Despatch Inspection (PDI), Commissioning of P&M and closure;
v) **Disposal of surplus P&M:** Disposal of unserviceable surplus P&M.

Details and procedures of various stages of the procurement cycle would be described in the subsequent chapters.

1.21 Amendments and Revision of this Manual:

Amendments to this manual can be made with the approval of the Board of Directors. of Armoured Vehicles Nigam Limited For revision, Amendments and issues relating to this manual, Operation Division of Armoured Vehicles Nigam Limited would be the nodal authority.

1.22 Terms & Definitions:

(i) **Procurement**: Procurement refers to the entire gamut of activities involved in and the procedures to be adopted for acquiring goods and services.

(ii) **Contract, Supply Order (SO)**: An official document containing the acceptance of an offer and the details of consideration for the procurement of Goods and the various terms and conditions agreed to by the parties.

(iii) **Goods**: As per the GFR, the term 'goods' generally means material, furniture, instrument, machine, equipment, industrial plant, etc purchased or otherwise acquired for use of

Government, but excluding book and publication for a library. In this manual, its meaning is limited to plant and machinery as mentioned at section 1.3 above. The scope of supply in a contract may include other associated items/services/works like design, civil works, technical documents/manuals, training, erection and commissioning. The scope of supply may also be for repair/reconditioning of a plant or machinery.

(iv) **Supplier, Seller, Vendor, Contractor**: An entity (including a consortium) which provides goods as per the contract or supply order.

(v) **Purchaser, Buyer**: The Purchaser in the case of Armoured Vehicles Nigam Limited Units is CGM acting through the authority, issuing the supply order or signing the contract.

(vi) **Specification**: A statement which unambiguously describes the requirements for the goods to be procured, including the Acceptance Criteria and procedures to determine that the requirements have been met.

(vii) **Original Equipment Manufacturer (OEM)**: The firm manufacturing the specified goods, as distinguished from the stockiest/distributors.

(viii) **Bid, Offer, Quotation, Tender**: A document in the form of an offer to supply goods.

(ix) **Bidder, Tenderer**: An entity who intends to supply goods/services/works by submitting bid.

(x) **Tender Enquiry (TE), Request for Tender (RFT), Invitation for Bids (IFB)**: Initial step of contracting process in which suppliers are invited to submit offers for supply of specified goods.

(xi) **Notice Inviting Bids, Notice Inviting Tenders (NIT), Tender Notice**: Advertisement containing brief information about the Tender Enquiry.

(xii) **Bid Document, Tender Document, TE Document:** A detailed document issued by the purchaser containing technical specification, commercial terms & conditions and other requirements for potential Bidders to submit offers.

(xiii) **Request For Proposal (RFP):** RFP is a solicitation for bids from potential suppliers with whom a creative relationship or partnership is being considered. RFP and TE are generally used synonymously, but typically TE looks for the best price and RFP looks for the best solution. RFP is used when the purchaser is looking for the best value solution to resolve a problem or to deliver a good or service, but is not exactly sure how to achieve it. TE is used when the purchaser knows exactly what goods or service he wants and is looking for the best price to deliver it. As per GFR, RFP is to be used for procurement of consultancy service and TE for other procurement.

(xiv) **Expression of Interest (EOI)**: Where technical specification needs to be iterated more than once i.e. the specification of the desired plant or machinery is not clear, multi-stage tendering process is resorted to. EOI is the first stage of a multi-stage tender process, when potential suppliers are asked to register their interest for submitting tenders and provide information on their capability to do the work. This helps in identifying & short-listing the potential suppliers, capable of delivering the required goods. EOI may be done with or without a pre-qualification process. During EOI, suppliers can also be asked to give technical details of their machines/plants as well as budgetary price for the purpose of firming up tender specification.

(xv) **Request for Information (RFI)**: Solicitation of information either through advertisement or through direct approach to potential suppliers to gain detailed understanding of supplier market i.e. the availability of potential suppliers, the level of interest from amongst suppliers and the range of solutions and technologies available. It is used to develop documentation for a future RFP or TE. RFI is same as EOI without pre-qualification. Through analysis of RFI responses, strategic options, lower cost alternatives and cost reduction opportunities may be identified.

(xvi) **Pre Bid Conference, Tender Briefing**: A forum or meeting held by the purchaser after issue of TE but sufficiently before the opening date of tenders, where purchaser briefs prospective bidders regarding the tender requirements and also provides clarification to their queries, if any. All clarifications to queries raised in this meeting are compiled and issued along with necessary amendment, if any, to tender clauses, as a corrigendum to TE, sufficiently in advance of tender opening date.

(xvii) **e-Tendering**: A secured internet based tendering system that provides the facility to electronically advertise EOI and TE, provides various notices, distributes EOI or TE documents, receives bids, opens bids, generates CST etc.

(xviii) **Earnest Money Deposit, Bid Security**: Monetary guarantee furnished by a Bidder along with the bid as an expression of earnestness of participation and as safeguard against a bidder's withdrawing or altering his bid during the bid validity period.

(xix) **Performance Security Deposit (PSD), Security Deposit (SD)**: Monetary guarantee furnished by the successful bidder to the purchaser after award of contract for due performance of the contract including warranty obligations.

(xx) **Performance Bond, Performance Bank Guarantee**: Bank guarantee furnished by the supplier to the purchaser after award of contract as security for performance of contract including warranty obligations.

(xxi) **Warranty Bond**: Bank guarantee furnished by the supplier to the purchaser after delivery of the goods as security for performance of warranty obligations as per the contract.

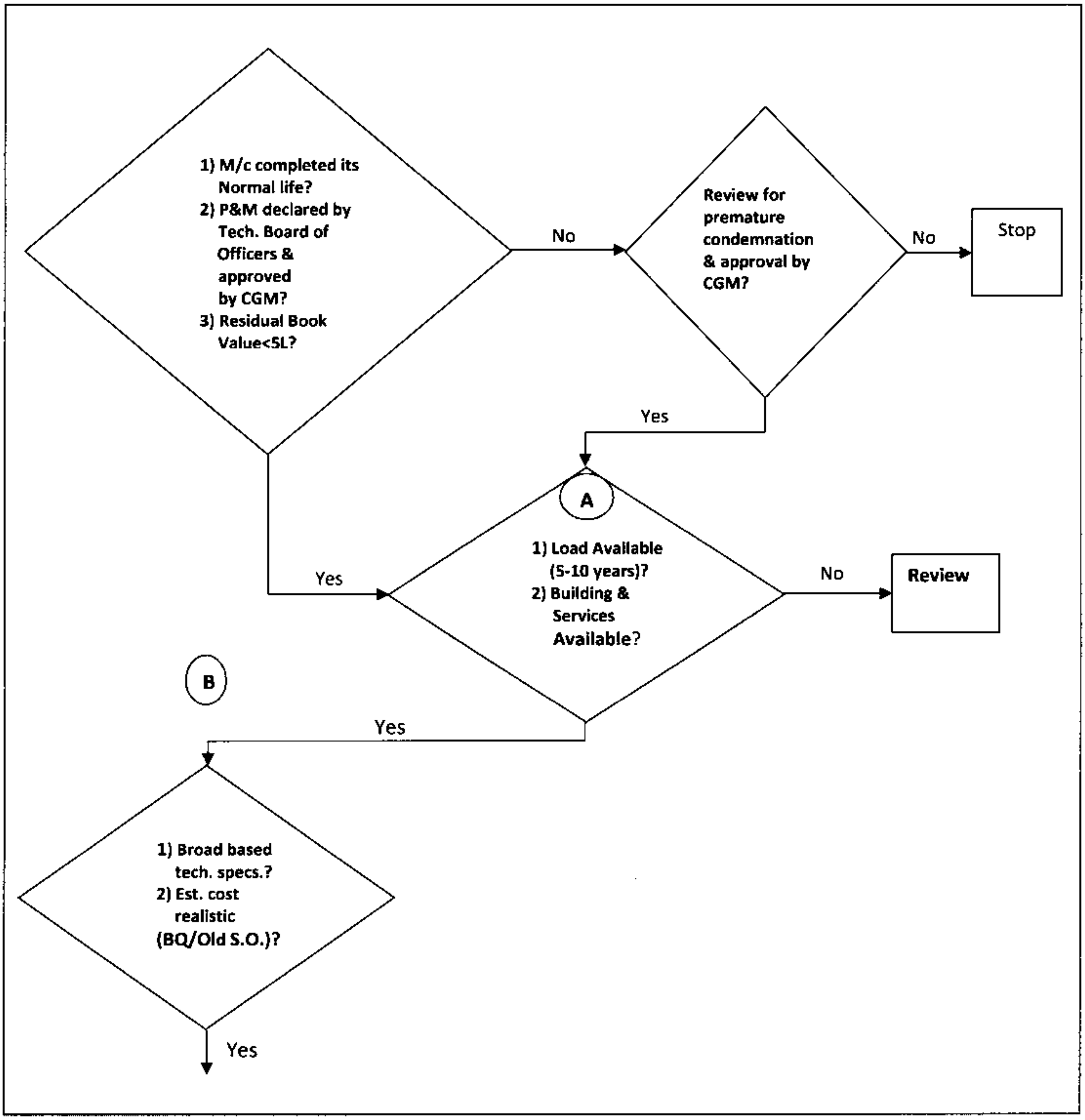
(xxii) **Turnkey Contracts :**

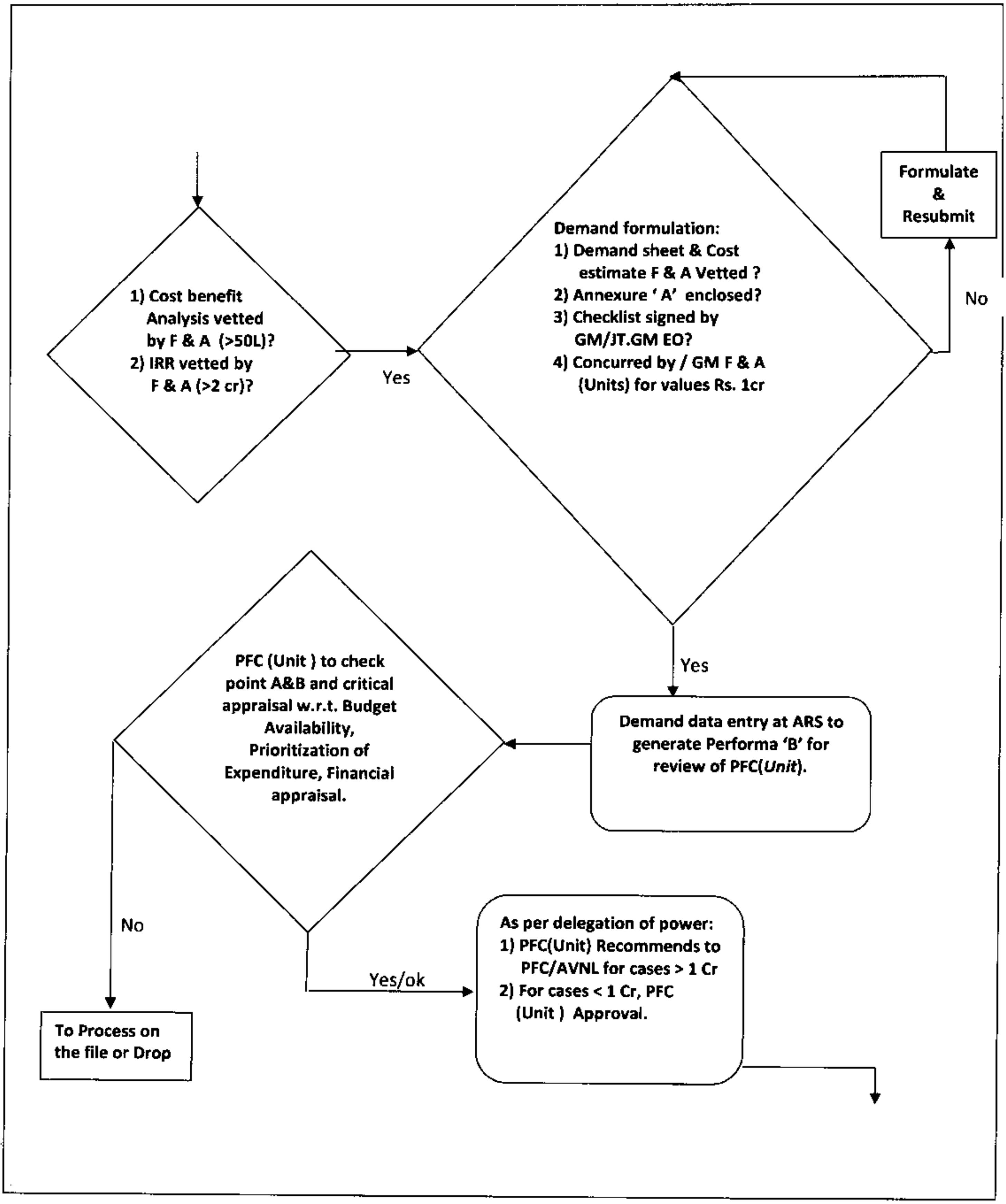
In the context of procurement of goods, a turnkey contract may include the manufacture, supply, assembly, installation/commissioning of equipment (or a group of plant and machines working in tandem, even though some of the machines may not be manufactured by the supplier himself) and some incidental works or services. Generally, in the tender enquiry documents for a turnkey contract, the purchase organization specifies the performance and output required from the plant proposed to be set up and broadly outlines the various parameters it visualizes for the desired plant. The inputs and other facilities, which the purchase organization will provide to the contractor, are also indicated in the tender enquiry document. The contractor is to design the plant and quote accordingly. The responsibility of the contractor will include supplying the required goods, machinery, equipment etc. needed for the plant; assembling, installing and erecting the same at site as needed; commissioning the plant to meet the required output etc, as specified in the tender enquiry documents.

CHAPTER-2

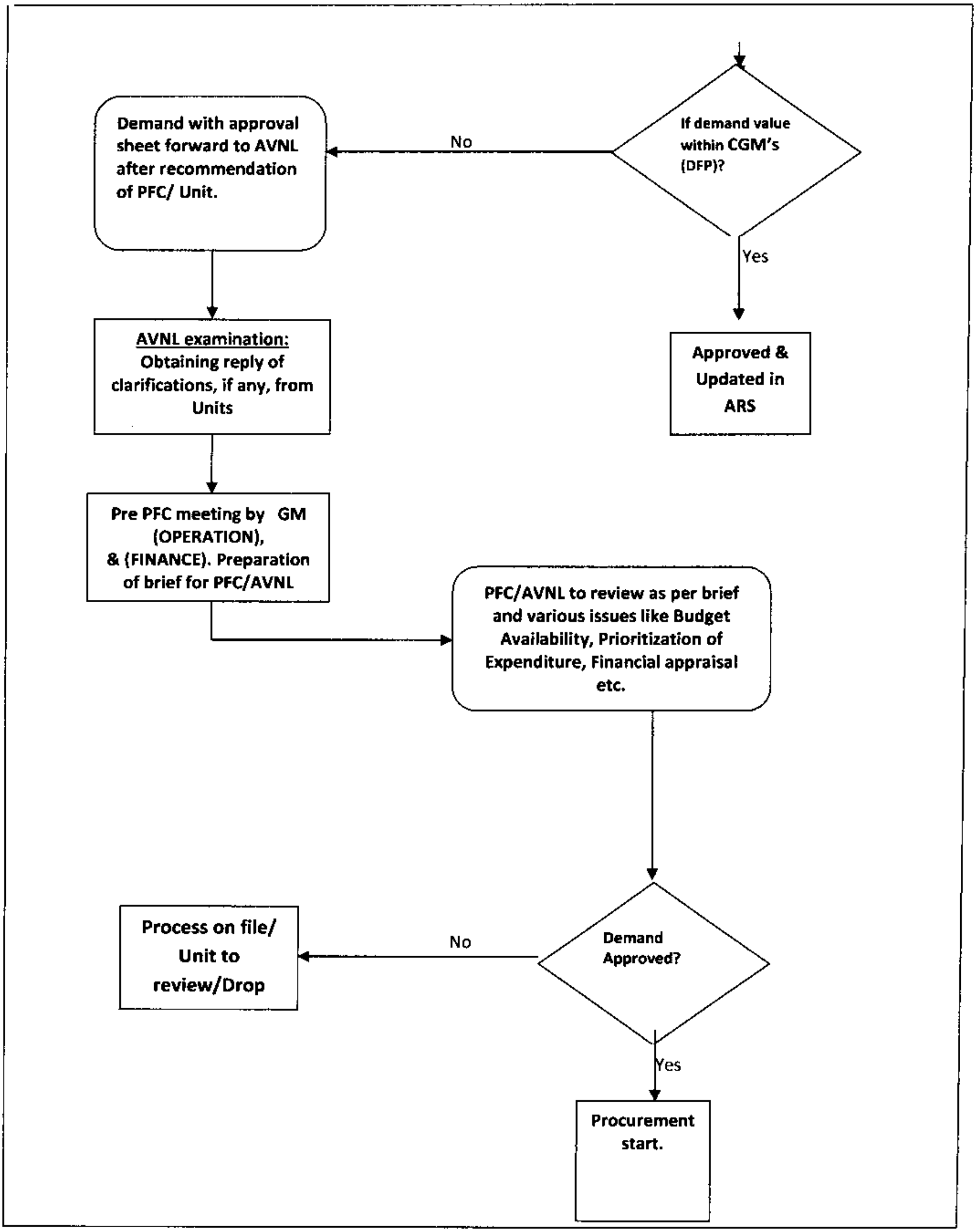
Need assessment, Formulation of Specifications and Procurement Planning

Process Flowchart for Processing of Demand





1) Cost benefit Analysis vetted by F & A (>50L)?
2) IRR vetted by F & A (>2 cr)?
Yes
Demand formulation:
1) Demand sheet & Cost estimate F & A Vetted ?
2) Annexure ' A' enclosed?
3) Checklist signed by GM/JT.GM EO?
4) Concurred by / GM F & A (Units) for values Rs. 1cr
No
Formulate & Resubmit
Yes
Demand data entry at ARS to generate Performa 'B' for review of PFC(*Unit*).
PFC (Unit) to check point A&B and critical appraisal w.r.t. Budget Availability, Prioritization of Expenditure, Financial appraisal.
No
To Process on the file or Drop
Yes/ok
As per delegation of power:
1) PFC(Unit) Recommends to PFC/AVNL for cases > 1 Cr
2) For cases < 1 Cr, PFC (Unit) Approval.



If demand value within CGM's (DFP)?
No
Yes
Demand with approval sheet forward to AVNL after recommendation of PFC/ Unit.
Approved & Updated in ARS
AVNL examination:
Obtaining reply of clarifications, if any, from Units
Pre PFC meeting by GM (OPERATION), & (FINANCE). Preparation of brief for PFC/AVNL
PFC/AVNL to review as per brief and various issues like Budget Availability, Prioritization of Expenditure, Financial appraisal etc.
Demand Approved?
No
Yes
Process on file/ Unit to review/Drop
Procurement start.

2.1 Need assessment and planning:

2.1.1 Need Assessment:

a) A machine may become due for replacement, when its residual book value approaches zero and/or when it is categorized as 'beyond economical repair' (BER), on the basis of assessment of machine condition and due recommendation of a Technical Committee Board. The depreciation norms for P&M in Armoured Vehicles Nigam Limited Units are appended in **Appendix 2.**

b) A Board of Officers, consisting of DGM/JT. GM nominated by CGM time to time and representative of Finance & Accounts Office after thorough technical examination would decide whether a P&M may be categorized as 'beyond economical repair' to consider for its replacement or recommend to revamp/re -condition. A Technical Report shall be made indicating the condition of P&M. Under unusual condition, a P&M may also be put up for 'premature condemnation' after a thorough examination by a Technical Committee. In that case, the Technical Committee is required to make a Statement of Case with justification for pre-mature condemnation and replacement duly approved by CGM.

c) For P&M having substantial usable life to be reviewed critically by the technical committee to explore the possibilities of revamping /re-conditioning of the P&M and shall endorse it in the report accordingly before declaring the P&M as BER.

2.1.2 Reconditioning of P & M:

For reconditioning /refurbishing of old Plant and Machinery, the demand may be prepared in line with the existing RR procurement norms, which may be forwarded for approval of PFC/Armoured Vehicles Nigam Limited. The following procedure should be followed in this regard:

a) While BQ is obtained, the concerned firm shall be asked to provide the realistic enhanced life of the machines after reconditioning.

b) Any re-conditioning proposal shall be substantiated by the confirmation that the proposed re-condition shall enhance the life of the proposed machine by minimum 8 years.

c) UNIT shall assess the cost of reconditioning and shall ascertain that it does not exceed 40% of the present cost of the new machines of similar nature.

d) While the demand is prepared, UNIT shall make detailed specification for reconditioning along with realistic estimated cost supported by budgetary quotation from OEM/reputed firms dealing with reconditioning.

e) Justification for reconditioning shall be recorded.

f) After reconditioning, the cost of reconditioning shall be added in the residual book value of the machine and enhanced life of the machines shall be reassessed and recorded in the machine ledger. Depreciation will be calculated afresh on the new book value arrived at.

2.1.3 Planning :

a) Each investment proposal for procurement of Plant and Machinery shall be made by raising Demands on case to case basis except for Government sanctioned projects

b) All investment decisions should necessarily be based on a realistic assessment of production load vis-à-vis known demand from the user / services on a medium term (5 to

10 years) time scale based on perspective plan, availability of budget, financial appraisals (Performa attached as **Appendix-3**), strategic issues etc.

c) During planning stage itself of the proposal, site location for the machine where it will be installed on receipt to be firmed up by the user officers in the factories in consultation with the maintenance sections. This will be a pre-requisite for the approval of the demand.

d) Civil works and services required for timely erection and commission of the proposed machinery shall be planned with due consideration to the approximate lead time of procurement of P&M so as to keep the site in readiness, well in advance ,to ensure timely installation & Commissioning of P&M.

e) As practicable, procurement of P&M are to be made as a complete engineering package with design, supply, erection & commissioning including civil works(if any), training, etc., in the scope of work, especially for the machines planned for projects.

f) Where civil works are in the scope of the supplier, the PDI may be planned in appropriate time to ensure that installation of the machine can be done immediately on it's receipt.

2.2 Capacity planning for P&M:

a) Capacity is calculated considering the cycle time stipulations, wherever applicable, and taking into account machine efficiency of 80% and human efficiency of 80%, i.e. overall 64% efficiency.

b) Normal working of machines is taken as two 8-hour shifts per day. Saturday is taken as 44 and 3/4 hrs. The total working hours of a machine per year is taken as 4414 hrs. Detailed calculation for Capacity planning for P&M is to be worked out as given in the APPENDIX - 5

2.3 Framing of Specification:

2.3.1 Introduction:

Framing of specification of P&M is of fundamental importance in ensuring value for money, transparency, competition and level playing field in procurement. The specification aims at meeting the actual and essential needs of the user because "over specification" will unnecessarily increase the cost and may stifle competition. The specifications shall be broad based for wider competition.

The user Department shall maintain all documents relating to the determination and technical / financial / budgetary approvals of the need for procurement.

2.3.2 Basic Guidelines:

a) Specifications should aim at:

i. Proven design and robust construction for minimum 20 years of life

ii. State of the art technology

iii. Equipped with / compatible to Industry 4.0 features (judicious inclusions)

iv. Meeting the Buyer's requirements on productivity, process capability, output quality, lower rejection

v. Objective and measurable acceptance criteria during PDI and Final acceptance test.
vi. Judicious inclusion of optimum quantity of tools, fixtures, spares etc.
vii. Non-inclusion of restrictive clauses, bidder specific features etc.
viii. Efficiency in consumption of materials,
ix. Optimum fuel/power consumption/Energy Efficient.
x. Use of environmental-friendly materials,
xi. Reduced noise and emission levels,
xii. Availability of diagnostic features and low maintenance cost etc.
xiii. Lean equipment
xiv. Meeting the applicable mandatory and statutory regulations.

b) Wherever Indian Standards exists for the required machines, the same shall be adopted. Preference shall be given to procure the machines, which carry BIS (Bureau of Indian Standards) mark.

c) For special purpose machines, deviations from Indian Standards are allowed and additional parameters may be stipulated for better performance. In addition, special requirements may be specified for packing, marking, inspection etc. as are specially required for the particular end use.

d) In cases, where Indian Standards do not exist or, alternatively, decision has been taken to source from the foreign markets also, International Standards (like ISO, EN, ANSI, etc.) may be adopted. Where no widely known standards exist, the specifications shall be drawn in a broad-based manner to obtain competitive bids from different sources.

e) Except for proprietary purchase from a selected single source, the specification must not contain any brand name, make or catalogue number of a particular manufacturer only for major sub-assembly/parts of the P&M. If the same is unavoidable due to some compelling reasons, preferable make (3 min. proven OEMs) may be mentioned, however, if offer indicating other OEMs are received, decision on the same will be taken appropriately by TEC conforming the PPP-MII policy and other relevant guidelines.

f) All dimensions incorporated in the specification shall be indicated in SI (metric) Units. If due to some unavoidable reasons, dimensions in FPS Units are to be mentioned, the corresponding equivalents in the metric system must also be indicated.

g) The specification and the technical details shall be expressed in unambiguous terms. Wherever necessary, the specification shall be supplemented with drawings for additional clarity etc. This shall inter-alia indicate the various inputs and required outputs, design criteria, cycle time, efficiency, accuracy, quality aspects, trial duration, guarantees, warranties etc.

h) In place of specific values, suitable range shall be specified for design related parameters like size, power consumption for main and auxiliary motors, pressure, spindle power, spindle speed, etc.

2.4 How to frame Specification:

a) User section in consultation with the related maintenance sections will frame technical specification, duly signed & approved by Controlling Officers of User section & Maintenance Sections. Engg. Office shall frame the general, commercial & other terms and conditions as per extant rules &guidelines.

b) In case of Special/Critical/Chemical and Metallurgical process Plants of high value, CGM will constitute a multifunctional Technical Committee comprising of controlling/Group officers of user, maintenance , E.O and safety sections for finalization of specification.

c) The design criteria of strategically critical plant shall be specified to take into account the necessity for in-built redundancy depending on criticality of operation, so that normal production is not affected due to major breakdowns or serious accidents (like explosion in case of ammunition/ explosive plants). For example, it may be specified that: The design of the plant should be such that (i) there is 50% redundancy in any operation having only a single equipment, i.e. capacity output per day shall be achieved in that operation in less than 12 hours, and (ii) there is 33% redundancy in operations having more than one equipment, i.e. capacity output per day shall be achieved in such operations in less than 16 hours. Otherwise, the number of connected standby machines for each stage or one standby line for the critical stages of the plant may be specified.

d) The capacity of vessels for storage of input, intermediate and output materials shall be sufficient so as to enable production, even if there is interruption in receipt/issue of materials for one month.

e) Statutory requirements like pollution control limits and safety restrictions shall be part of technical specifications. They shall be mentioned explicitly to avoid any confusion or controversy later.

f) In order to formulate a broad based specification to generate adequate competition, the UNIT shall first prepare brief general specification indicating the nomenclature, capacity including any in-built redundancy & standby required, inputs to be used, utilities available in UNIT, special requirements (on productivity, quality, effluent treatment / pollution control, safety, automation, etc) and seek budgetary quotation (BQ) from prospective suppliers.

g) Thereafter, on the basis of budgetary offers obtained and/or exhaustive interactions held with the prospective suppliers, UNIT shall firm up detailed specification and approximate estimated cost.

h) The draft specification may be shared with prospective suppliers for feedback and necessary correction, before raising of demand for the machine.

i) In some cases where Armoured Vehicles Nigam Limited Units does not have adequate information about the new technology/complex process plants, UNIT shall first float advertisements for Expression of Interest (EOI) or Request for Information (RFI) to get information about the capability of prospective suppliers and their machine /plant and also to shortlist suppliers on the basis of pre-qualification criteria. On the basis of information received about the latest machines or plants available in the market, the specifications shall be finalized. TE shall be issued to the shortlisted vendors.

j) If required, team of officers may be deputed to foreign countries to ascertain likely suppliers and the availability of modern technology machines or plants.

k) While formulating the specifications, it is necessary to indicate clearly what are the Standard or Essential items and the Total Scope of Supply. This will facilitate equitable competition and also the decision making process at the time of evaluation.

l) The following parameters are required to be clearly defined, while framing specification for P&M:

   i. Broad based criteria, mentioning the points where no deviation is permitted, with asterisk.
   ii. Responsibilities of both the purchaser and the seller shall be defined
   iii. Availability of water, air, steam, power, other services and their quality shall be indicated in the tender specification. If any specified quality of above items is not meeting the requirement of the bidders, bidders shall include the necessary accessories along with the machine
   iv. Battery limits: This will include supply of water at the inlet to the machine at a specified point, steam supply at a pre-specified point, power at a point required – normally at the control panel, vent/exhaust piping, supply of air of required quality at a predefined point.
   v. Pre-Despatch Inspection criteria must be laid down in the tender specification
      (a) Criteria of acceptance, such as machine geometrical accuracy, process capability, component accuracy and rated output etc. need to be defined. For purpose of accuracy, repeatability and process capability, relevant national/international standard e.g. NMTBA standard or Japanese standard (JAC) required for the product shall be indicated. Process capability shall not be over-specified; normally, it shall be 67% of drawing tolerance for different parameters.
      (b) Trials of machine including supply of trial components and their positioning etc shall be stipulated in terms of quantity, quality (dimensions, hardness and finish condition) and time frame.

(c) Requirements of stage inspection of machine during assembly at the firm's premises, if any, may be specified.

(d) Requirements of training for purpose of maintenance during final assembly, if any, may be specified. Specialized training requirements for the purchaser's personnel shall be outlined.

vi) For tooled up machine, cost of tooling constitutes substantial investment of recurring nature. Therefore, the bidder shall be asked to specify tool life in terms of machining of number of components and approx. tool cost per component. Tool requirement during trials and tool drawings may be asked for.

vii) Commissioning & Acceptance Trial: Acceptance criteria indicating period for trial, quality and quantity of output, machine efficiency and how and when these tests would be carried out shall be clearly indicated. The factors which will be considered for practical demonstration of the machine efficiency shall be clearly specified.

2.5 Estimated value:

2.5.1. The estimated value of the demand is a vital element in the procurement processes, approvals and establishing reasonableness of prices at the time of evaluation of the bids. Therefore, it should be worked out in a realistic and objective manner. The prevailing market price ascertained through a market survey or budgetary quotations (B.Q) from one or more prospective/potential suppliers is the main source for establishing the estimated value of the P&M for which there is no historic data available. It may, however, be noted that B.Q usually include significant margin.

2.5.2. For P&M and equipments which are uniquely custom-built to buyer's specifications, the best way to get a fair assessment of costs is by obtaining budgetary quotes from potential parties. Ideally, there should be three quotes. However, there is need to have a time schedule for receipt of quotes to ensure some timeframe for this activity. Thus:

a) An attempt should be made to obtain as many budgetary quotes as possible from reputed/potential firms and a time of 21 (twenty-one) days be indicated therefore. In the event of receipt of less than three budgetary quotes, two extensions of up to 10 (ten) days each may be considered; and

b) In the event of non-availability of three quotes within the above extended period, the estimates should be prepared on the basis of the number of budgetary quote(s) received, which may even be one; and where more than one budgetary quote is received, the estimate should be framed an average of the quotes which will reduce variations and fluctuations (Ref: Manual for Procurement of Goods and Services 2017, MoF, DoE, Para-2.1.1. (iii))

2.5.3. In addition, wherever available in GeM rates should be considered.

2.6 RR Plan and PFC approval:

RR Plans for RR demands are to be generated electronically in ARS in the specified format. For processing the demands and PFC approval, User manual and delegation of financial powers are to be referred.

Based on Perspective Plan and need for modernization, each Unit shall prepare its annual Renewal and Replacement (RR) Plan as per the prescribed format as given in the APPENDIX - 6. Competent authority for approval of Demand of P&M shall be governed as per delegated financial powers issued by Armoured Vehicles Nigam Limited.

a) Approval of Demand by PFC/Unit:

Demands with estimated value within the delegated financial powers of CGM for PFC approval shall be scrutinized and approved by PFC/Armoured Vehicles Nigam Limited Unit headed by CGM in association with Senior most officer of Finance & Accounts, Senior most officer of User and Senior most officer of Engg. Office.

b) Approval of Demand by PFC/Armoured Vehicles Nigam Limited:

PFC/Armoured Vehicles Nigam Limited Unit shall scrutinize the RR Plan, before forwarding its recommendation to Armoured Vehicles Nigam Limited. It shall consist of RR Demands for each P&M, along with related documents for approval except mentioned at Para-i above. The same will be examined by the PFC/Armoured Vehicles Nigam Limited headed by Director Operations in association with GM/Operations, GM/Finance. Board of Directors of Armoured Vehicles Nigam Limited will accord approval.

c) The P&M demanded under RR need not be on exact like-to-like basis and shall have modern improved features and/or modified capacity to suit future requirements. The following points should be kept in view, while finalizing the RR plan :

(i) List of P&M available with the UNIT, their original cost and procurement year.
(ii) Philosophy/concepts relating to investment for replacement. Introduction of latest technology through RR scheme due to change in product mix
(iii) Sustained and futuristic requirement of users
(iv) Outsourcing and cost benefit analysis
(v) Up-gradation of technology
(vi) Improvement in productivity and quality
(vii) Saving in material and manpower cost
(viii) Flexibility
(ix) Availability of Building to install the proposed P&M, requirement of various services

d) Each demand under RR plan to be submitted to Armoured Vehicles Nigam Limited for approval shall be accompanied by the following documents/information :

(i) Specification drawn out after market survey should be enclosed in the RR demand at the PFC stage. Tendered Specification shall not be at variance with PFC approved specification.
(ii) Budgetary quotation from potential suppliers of proven credentials/Last paid rate (not older than two years) of similar/comparable machines procured by any.

(iii) Estimate containing element-wise price of entire scope of supply as regards to basic machine, accessories, toolings, spares, taxes, duties, E&C charges, training charges, cost of foundation/civil works, transportation, Custom Duty etc.

(iv) Details of items to be produced, with annual capacity.

(v) Time cycle for each component/end product after discussions with machine tool supplier.

(vi) Based on outturn quantity and time cycle rate of production, number of such machines required.

(vii) Condemnation reports (CR) declaring machines 'Beyond Economical Repair (BER)'/ 'requiring revamping/reconditioning'.

(viii) PFC / UNIT's TPC recommendation giving mode of tendering and prospective list of suppliers.

(ix) Demand in the prescribed format duly vetted by WM/AWM Finance & Accounts [for demand having estimated value less than Rs. 1.0 Cr] GM Finance & Accounts (Units) [for demand having estimated value more than Rs. 1.0 Cr]

(x) Cost benefit analysis, if value of machine is between Rs.50 Lakh – Rs. 2.0 Cr. IRR appraisal, if cost of machine exceeds Rs. 2.0 Cr., duly vetted by Finance & Accounts.

2.7 Changes in the TE Specification:

i) Specification along with the estimated value of P&M shall be worked out at the time of initiation of demand. Tendered Specification, generally shall not be at variance with PFC approved specification.

ii) Unit may, however, make minor changes, if required, with proper approval duly justifying the changes in the tender specification provided it has no major financial implication. If the subject changes in specification have financial implication within 5% of estimated value or Rs.10.00 Lakhs, whichever is less, CGM can approve such changes duly recording the justification for the change, beyond which, fresh approval of demand sanctioning authority (relevant PFC) will be taken.

2.8 Capitalization of high value spares:

All high value spares/accessories/equipments of Main Plant & Machinery valuing above. 25 Lakhs, procured against LP grant may be capitalized (under RR head) in the same financial year, complying the following broad procedure:

i) Demand notes posted during the year of expenditure only shall be capitalized.

ii) Since the items to be transferred out of stores stock, a credit for the capitalized amount shall be taken by the Armoured Vehicles Nigam Limited Units under Materials drawn for Departmental Capital and Minor maintenance & repair works.

iii) Unit shall ensure that the book value & life are updated against the respective P&M in the Machine Block Register in consultation with the Finance and Accounts Office.

iii) Unit shall ensure that the book value & life are updated against the respective P&M in the Machine Block Register in consultation with the Finance and Accounts Office.

2.9 Procurement of P&M under New Capital:

2.9.1 Plant and Machineries under NC are procured under the following conditions-

(a) Against sanctioned project

(b) Normal NC to meet requirement towards –

(i) Creation of additional capacity to cater for sustained increase in production load

(ii) Creation of balancing capacities for new store

(iii) Meeting shortfall in the existing capacity

(iv) Meeting of statutory obligations,

(v) Improvement in existing production line in terms of Productivity, Reliability or Product Quality,

(vi) Capacity augmentation for revised authorization, etc.

c) Since procurement under normal NC will enhance the capital assets, a thorough assessment of existing capacity shall be made before such proposals are mooted. Justification for such demands shall be supported by Statement of Case, clarifying the necessity and inescapability of the equipment/Plant & Machinery in terms of increase in productivity, enhancement of existing capacity due to increase in output demand, improvement of quality in the existing process etc.

2.9.2 PFC for NC demands:

Plans for NC demands are to be generated electronically in ARS in the specified format. For processing the demands and PFC approval, User manual and delegation of financial powers are to be referred.

PFC / Armoured Vehicles Nigam Limited Board normally approves the RR plan by Second quarter of the financial year. Efforts to be made to furnish the demands in one go and not in piece meal basis. Units will forward the NC Plan along with RR plan.

2.10 Financial appraisal of Capital Investment:

a. A capital investment proposal (RR & NC Demands above threshold value) will require financial appraisal which would involve the following sequence of steps:-

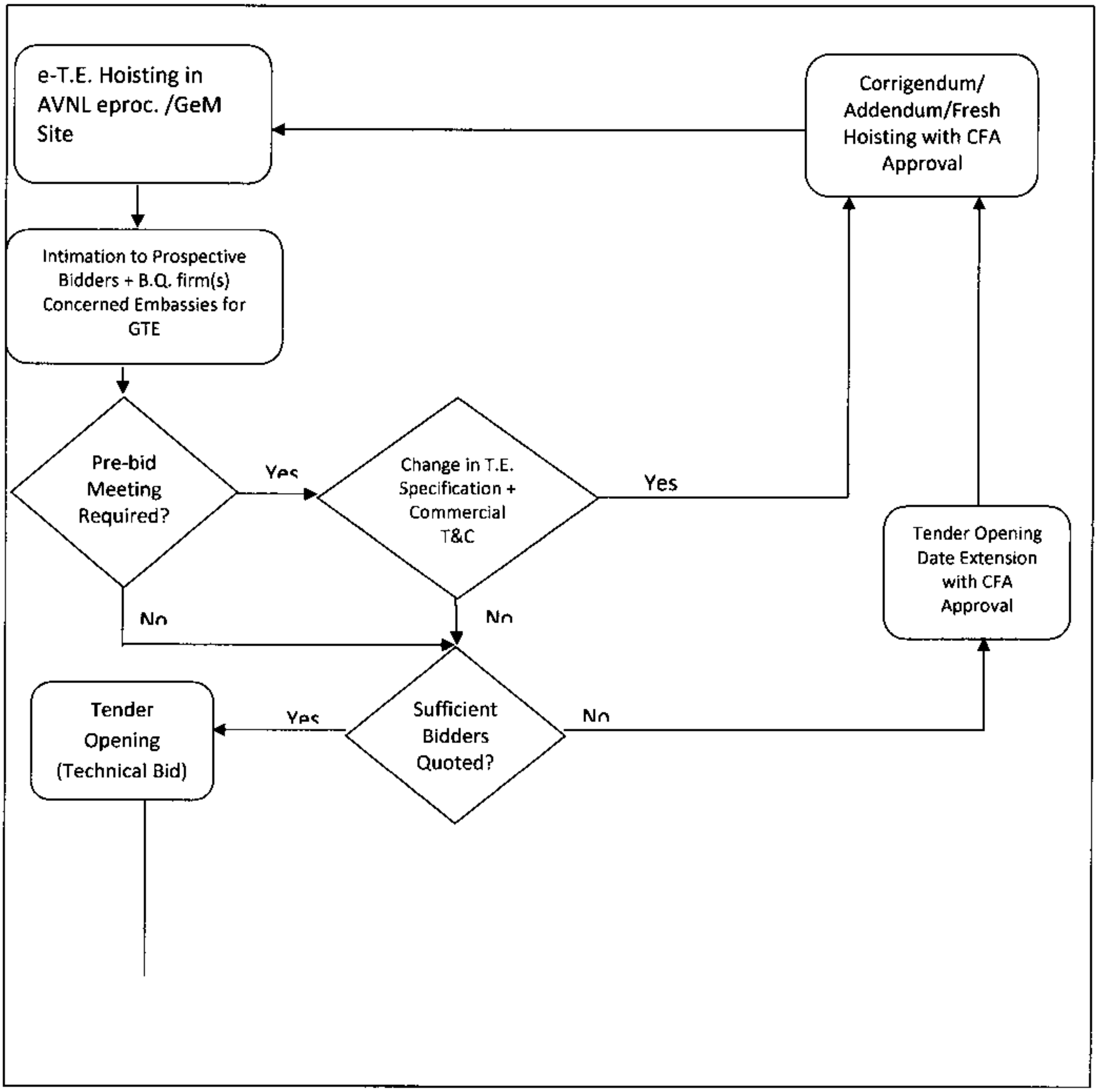
(i) Estimation of the initial capital investment and the timing of cash out flow.
(ii) Estimation of the production level at the time of full production.
(iii) Estimation of future cash out-flows considering various production factors.
(iv) Estimation of future in-flows based on the estimated volume of production & prices, etc.
(v) Working out the net in-flows.
(vi) Proposal evaluation, based on accepted financial evaluation techniques like IRR etc.

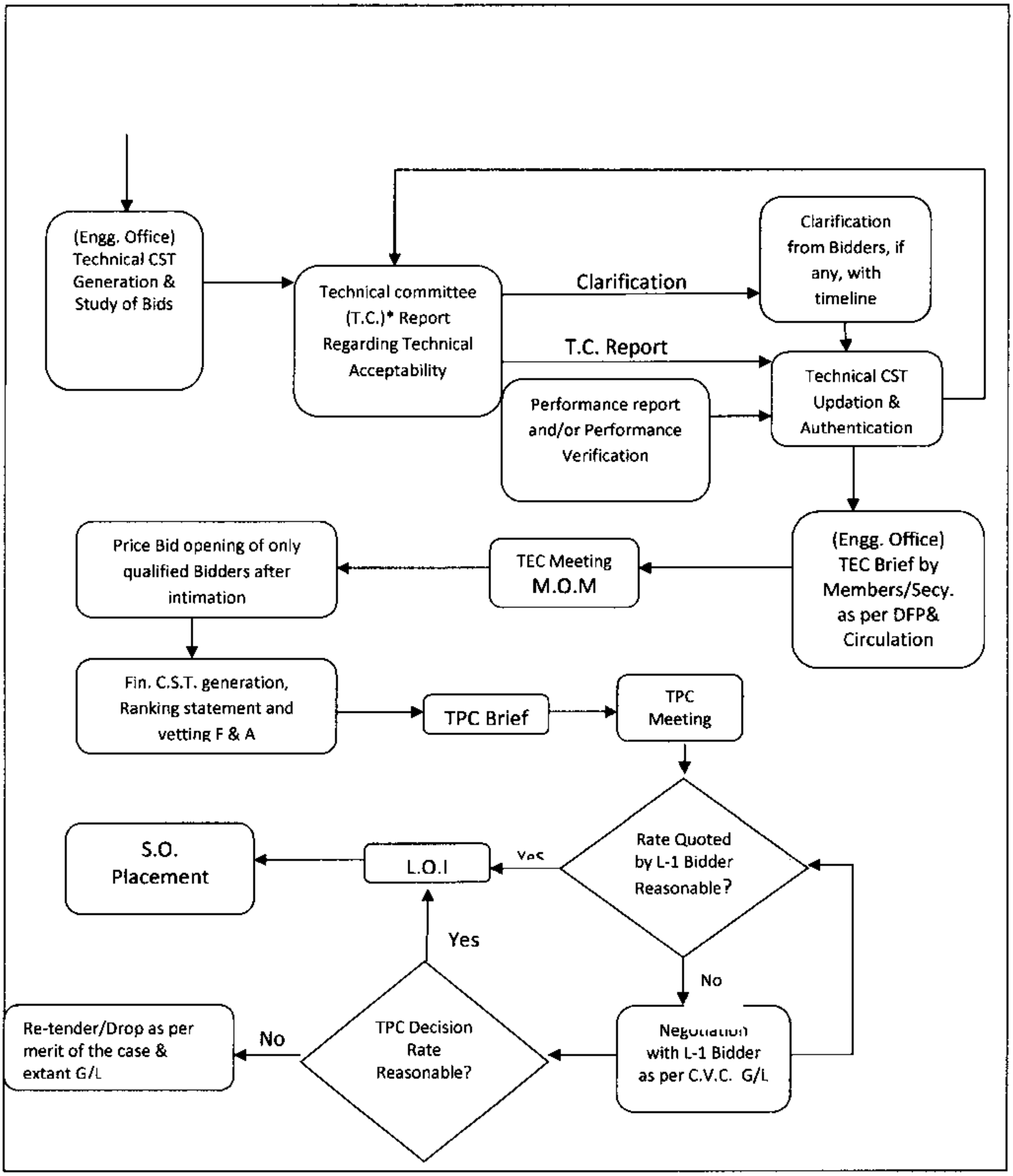
b. Procedure for financial appraisal is enclosed as APPENDIX -3.

CHAPTER- 3

TENDERING PROCEDURES & e-PROCUREMENT

Process Flowchart for T.E. to S.O. Placement





*Constitution of Technical Committee (T.C.) : GM / User Section-Chairman ; JT.GM / DGM (Mech. Maint.) - Member and JT.GM/DGM (Elec. Maint.) - Member

3.1 Introduction: Modes of tendering & Bidding system is an important decision which plays vital role with respect to competitiveness, value for money, transparency etc. in the procurement of P&M. Offers from prospective bidders in public procurement must be invited according to a procedure that achieves a balance between the need for the widest competition, on one hand, and complexity of the procedure, on the other hand. Different modes of procurement and bidding systems are used to suit various procurement circumstances to achieve this balance.

3.1.1 Based on the approvals of Plan/Demands by relevant PFC, Units will float tender enquiry by following the mode of tendering as per the decisions of PFC. Regarding e-publishing of tender enquiries, Rule 159 of GFR-2017 will be followed.

3.2 Mode of Tendering :

The various modes of procurement that can be used in public procurement are:

i) Advertised Tender Enquiry (ATE) : Open Tender Enquiry (OTE); and Global Tender Enquiry (GTE);

ii) Limited Tender Enquiry (LTE) - up to Rs. 25 (Rupees Twenty Five Lakhs.);

iii) Single Tender Enquiry (STE) with Proprietary Article Certificate (PAC); and STE with Single Known Source (SKS) certificate; and

3.3 Open Tender Enquiry (OTE):

3.3.1 In OTE, an attempt is made to attract the widest possible competition by publishing the NIT simultaneously on the designated websites. OTE is the default mode of procurement. OTE procedures through e-Procurement/GeM or through traditional tendering should be adopted in the following situations:

i) Procurements exceeding the threshold value of Rs. 25 Lakhs (Rupees Twenty Five Lakhs);

ii) All commonly used P&M with clear technical specifications; and

iii) When requirements are not available from known sources or sources are presently limited and need to be broad based. In such situations, even for procurements below Rs. 25 (Rupees twenty-five) lakh, OTE mode may be used, if warranted.

3.3.2 Terms and conditions

i) Publication for OTE should be given on Central Public Procurement Portal (CPPP) at and on GeM. All OTE shall be published on Armoured Vehicles Nigam Limited's e-proc portal / GeM.

ii) Armoured Vehicles Nigam Limited Units should also post the complete bidding document in Armoured Vehicles Nigam Limited web site/ CPPP to enable prospective bidders to make use of the document by downloading from the web site. The advertisements for invitation of tenders should give the complete web address from where the bidding documents can be downloaded.

iii) In order to promote wider participation and ease of bidding, no cost of tender document may be charged for the tender documents downloaded by the bidders;

iv) The tender documents should be prepared on the basis of the relevant approved Standard Tender Document (STD) for the category of procurement provided in this Chapter.

v) Due diligence should be given to locate likely bidders (including past bidders) and their attention should be drawn though e-mail. All prospective vendors/contractors (in particular past successful vendors/contractors) should be given intimation about forthcoming tenders via e-mail.

vi) The due date fixed for opening of the tender shall be minimum 21 (Twenty-One) days from the date of advertisement which may vary, taking into account the nature of P&M under procurement and delivery requirements.

3.4 Global Tender enquiry (GTE)

3.4.1 GTE is similar to OTE but, through appropriate advertising and provision for payment in Foreign Currencies through Letter of Credit, it is aimed at inviting the participation of inter-alia foreign firms. Development of local industry also needs to be kept in mind. Hence, it may be viable only in following situations:

i) Where the P&M of required specifications/quality are not available within the country and alternatives available in the country are not suitable for the purpose;
ii) Non-existence of a local branch of the global principal of the manufacturer/vendors/ contractors;
iii) Requirement for compliance to specific international standards in technical specifications; and
iv) Absence of a sufficient number of competent domestic bidders likely to comply with the required technical specifications, and in case of suspected cartel formation among indigenous bidders. (Manual for procurement of goods 2017).

3.4.2 Terms and conditions

i) Similar to the conditions of OTE mentioned at 3.3.2 ;

ii) GTE tender documents must be in English and the price should be asked in Indian Rupees or US Dollars or Euros or Pound Sterling or Yen or in currencies under the Reserve Bank of India's notified basket of currencies;

iii) GTE tender documents must contain technical specifications which are in accordance with national requirements or else based on an international trade standard;

iv) The due date fixed for opening of the tender shall be minimum four weeks from the date of advertisement which may vary taking into account the nature of P&M under procurement as well as the time required to prepare the bids.

vi) Relevant INCOTERMS should be included in the tender.

vii) NIT should also be sent to commercial attachés in foreign embassies in India and to Indian embassies in relevant foreign countries for inviting the attention of likely foreign bidders. The selection of the embassies will depend on the possibility of availability of the required P&M in such countries.

viii) Involvement of agents of foreign bidders in GTE procurements is also a major risk area. Procurements should preferably be made directly from the manufacturers. Either the agent on behalf of the foreign principal or the foreign principal directly could bid in a tender, but not both. Further, in cases where agents participate in a tender on behalf of one manufacturer, they should not be allowed to quote on behalf of another manufacturer along with the first manufacturer. Commissions and scope of services to/by the agents should be explicit and transparent in the bids/contracts.

ix) MOD directed that No Global Tender Enquiry to be issued to procure all P&M of value of up to 200 Crores, except in exceptional cases for which prior approval for relaxation to be taken from Department of Expenditure. (Ref: MoF DoE letter No 12/17/2019-PPD dated 15.05.2020 and subsequent amendments).

3.5 Limited Tender enquiry (LTE)

3.5.1 LTE is a restricted competition procurement, where a preselected list of vendors is directly approached for bidding; bids from uninvited bidders are treated as unsolicited and are normally not entertained, except in special circumstances. This mode provides a short and simple procedure, but may not provide as good a Value for Money (VfM) as in case of open tendering – still a good balance for procurements below a threshold value. (Rule 162 of GFR 2017)

3.5.2 Terms and conditions

i) Factories should mandatorily publish its limited tender enquiries on GeM/Armoured Vehicles Nigam Limited's web site /Central Public Procurement Portal (CPPP).

ii) The minimum number of bidders to whom LTE should be sent is more than three. In case less than three approved vendors/contractors are available, LTE may be sent to the available approved vendors/contractors with approval of the CFA, duly recording the reasons.

3.5.3 Risks and mitigations in LTE

i) Major risk in this mode is that the demand may be artificially split to avoid OTE or higher level approvals. The e-Procurement portal maybe programmed to raise an alert if the same item is attempted to be procured through LTE repeatedly.

ii) There is a risk that LTE may not attract sufficient number of bids and sometimes there may be a single acceptable offer. This may be because of an insufficient database of registered/known vendors. It could also be due to bid documents not reaching the targeted bidders – intentionally or otherwise. It could also be due to bidders not getting adequate time for submission of bids.

iii) Further a limited or open tender which results in only one effective offer shall be treated as a single tender enquiry situation, with relevant powers of approval etc. Adequate time should be given for submission of quotes, which should not be less than three weeks. A longer period (six weeks) could be given in case of import of the materials and, in complex cases, if justifications are given and allowed.

iv) There is also a risk that the selection of vendors may not be transparent. At the evaluation stage, some invited bidders may be passed over on grounds of being ineligible/unreliable. Suppliers or contractors should be selected in a non-discriminatory manner. All past successful vendors/bidders should invariably be invited.

v) In case, it is proposed to exclude any registered/approved vendor/contractor from being shortlisted for inviting LTE, detailed reasons, such as failure in supply, should be duly recorded and approval of the CFA be taken before exclusion.

vi) The selection of bidders should be with due diligence, to ensure that bidders who do not meet eligibility criteria are not shortlisted. At the evaluation stage, in LTE, passing over of a duly shortlisted bidder on grounds of poor past performance or eligibility may raise questions about transparency.

3.6 Single Tender Enquiry& Proprietary article certificate (PAC):

3.6.1 a) Normally, Single Tender Enquiry shall not be resorted to for procurement of Plant & Machinery. However, in terms of Rule 166 of GFR-2017, procurement from a single source may be resorted to in the following circumstances:-

(i) It is in the knowledge of the Unit that only a particular firm is the manufacturer of the required P&M i.e. there is only Single Known Source (SKS) as per prescribed proforma.

(ii) For standardization of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of a competent technical expert and approved by the competent authority), the required item is to be purchased against proprietary article certificate (PAC) issued by competent authority as per prescribed proforma which is enclosed as APPENDIX -20.

b) Approval of Director Operations /Armoured Vehicles Nigam Limited shall be taken if the value of purchase exceeds the financial powers of CGM.

3.6.2 Terms and conditions:

i) Users should enclose, with their Demand, a PAC certificate indicating the justification and approval at the appropriate level as per Delegation of Financial Power, for sourcing from OEM or PAC firms or their authorized agency;

ii) Proprietary items shall be purchased only from a nominated manufacturer or its authorized dealer as recorded in the PAC certificate;

iii) In certain unavoidable cases, the procuring authority may have no alternative but to waive payment of EMD/SD for procurement on a proprietary basis;

iv) In place of a Bid security, Armoured Vehicles Nigam Limited Units may require Bidders to sign a Bid securing declaration accepting that if they withdraw or modify their Bids during the period of validity, or if they are awarded the contract and they fail to sign the contract, or to submit a performance security before the deadline defined in the request forbids document, they will be suspended for the period of time specified in the request for bids document from being eligible to submit Bids for contracts with the entity that invited the Bids.(refer Rule-170 (iii) of GFR-2017)

3.6.3 PAC -Risks and Mitigations:

a) Even in PAC procurements the NIT and the Award of Contract should be put on the website of CPPP/Armoured Vehicles Nigam Limited.

b) The bidder may charge a price higher than the market .The firm should be asked to accept a "fall clause" undertaking that, in case it supplies or quotes a lower rate to other Governments, public sector or private organizations, it would reimburse the excess.

c) Negotiations may be called to get the reasonable prices.

3.7 Bidding Systems:

Depending on the complexity and criticality of technical requirements, Criticality of capability of Source and value of procurement, following types of bidding systems may be used.

3.7.1 Two bid system (Simultaneous receipt of separate technical and financial bids) (Rule 163 of GFR 2017)

This is the normal procedure and is applied for procurement of most of the Plant & Machineries. Bids are obtained in two parts as under:-

(a) Technical bid (or Techno-commercial bid) consisting of all technical details, un-priced copy of price bid along with commercial terms and conditions.

(b) Price bid indicating item-wise price for the items mentioned in the technical bid.

The technical bids are to be opened in the first instance and evaluated by the TEC of appropriate level. At the second stage, Price Bids of only those technically acceptable offers should be opened after intimating them about the date and time of opening of the Price bid.

3.7.2 Qualification Criteria:

a) The qualification criteria are generally part of the tender documents along with detailed technical and commercial specifications for evaluating responsiveness of tenders. They comprise of both technical and financial parameters. Some documents asked from suppliers to examine the qualification criteria are given below:

i. Past performance during a certain period (number of years) that will indicate manufacturing/supplying capability

ii. Certificate from statutory auditor regarding turnover during last three years or value of projects executed during last 5 years to assess financial capability.

iii. Copies of documents like audited 'Balance sheets' and 'Profit & Loss Accounts reports' for last three years to show sound financial condition of the company.

b) In case of foreign bidders, financial capability may be ascertained by the Armoured Vehicles Nigam Limited Units through internationally accredited consulting firms viz., Dun & Bradstreet Inc.

3.8 Two-Stage Bidding Procedure - Expression of Interest Tenders

3.8.1 Expression of Interest (EoI) bids may be invited in following situations (As given in **Appendix-9**):

i) It is not feasible for the Buyer to formulate detailed specifications or identify specific characteristics of the P&M required, without receiving inputs regarding its technical aspects from bidders;

ii) Rapid technological advances or market fluctuations or both;

iii) The Buyer seeks to enter into a contract for the purpose of research, experiment, study or development, except where the contract includes the production of requirements in quantities sufficient to establish their commercial viability or to recover research and development costs; or

iv) The bidder is expected to carry out a detailed survey or investigation and undertakes a comprehensive assessment of risks, costs and obligations associated with the particular procurement. (Rule 164 of GFR 2017)

3.8.2 This procedure allows for finalization of specifications and/or screening of potential suppliers in the first stage and issue of formal tender documents in the second stage. The basic objective is to avoid awarding a contract to unqualified bidders based on superficial evaluation and to limit the number of bidders to a manageable size. This is performed in two ways as given below.

(a) **EOI before TE (EOI+TE)**: Where technical specifications need to be iterated more than once i.e. the specification of the desired plant or machinery is not clear, this type of two stage tendering process should be resorted to. In the first stage, a notice shall be issued calling for Expression of Interest (EOI) / Request for Information (RFI) from leading experienced and knowledgeable manufacturers/ suppliers in the relevant field through open advertisement. The broad objectives, constraints, pre-qualification criteria for short-listing of vendors, application format, etc shall be published while calling for EOI. The firms shall be asked to send applications in stipulated format on or before a stipulated date & time, along with their detailed technical proposals that will be considered by the purchaser in finalizing tender specifications. On receipt of the applications, technical discussions/presentations may be held with the short-listed manufacturers/suppliers, who are prima facie considered technically and financially capable. At this stage, expert bodies like DRDO Units /Universities/Institutes and other stake holders may also be involved who can add value to the decision making on the various technical aspects and evaluation criteria. Based on the discussions and presentations, for which proper records should be kept, broad based specifications shall be finalized to provide equitable opportunity to the prospective bidders. In the second stage, techno-commercial bids are called from the short-listed firms as per the usual two bid tendering system. If EOI does not contain PQ criteria, then after finalization of specifications, TE is to be published in the internet as per usual procedure. (Ref: CVC circular No 01/02/11 Dt 11/02/2011 on Transparency in Tendering System.)

(b) **PQ before TE (PQ+TE)**: This is applied to the cases where technical specifications have been finalized, but involves documents of classified / secret / sensitive nature like plant/UNIT layouts and proprietary/licensed technology and design details. Pre-qualification (PQ) of the bidders is done in the first stage of the tender. The NIT shall include the particulars of the tender along with the complete pre-qualification requirements and would follow all the procedures of publicity that are normally followed for open tenders including publicity on the web site. In the second stage, the complete tender documents are issued to the pre-qualified vendors for submitting their techno-commercial and price bids. The pre-qualification criteria shall have both technical and financial criteria commensurate with the requirements of the particular procurement. They shall be made neither very stringent nor very lax to restrict/facilitate the entry of bidders. It is also necessary to make well defined PQ criteria, for example if not clearly stating the cut off dates regarding work experience, which may result in stalling the process of finalizing the contract. Meaning of "similar plant/equipment/work" should be clearly defined. [Ref: CVC circulars (OM) No. 12-02-1-CTE-6 Dtd 17/12/2002 and 07/05/2004 and CVC circular No. 005/VGL/7 Dtd 28 Feb 2005.]

3.8.3 Two-Stage, Two-Part Bidding Procedure: As per this procedure, the bidders are requested to submit offer in two sealed bids simultaneously, one containing the technical proposal and the other the price proposal. Initially, only the technical proposals are opened on the date and at the time specified in the bidding documents. The price proposals remain sealed and are held in custody by the Purchaser. The technical proposals are evaluated. If amendments or changes are required in specification/scope, they are discussed with the bidders. All the bidders are then advised in writing of the changes required. The objective is to ensure that all technical proposals conform to the same acceptable technical standard and meet the desired technical requirements. Bids of bidders who are unable or not prepared to amend their technical bids to conform to the final technical standard required by the Purchaser shall be rejected, with approval of appropriate TPC, as deficient bids. In the second stage, the bidders are invited to submit revised technical proposals and supplementary price proposals. The supplementary price proposal must only contain changes in price resulting from changes in the technical proposals. Supplementary price proposal that contain changes other than those discussed during technical evaluation may result in rejection of the bids. The original and supplementary price proposals, and the revised technical proposals are opened in public on the date and time intimated to the bidders. They are evaluated. Following the approval of CFA / appropriate TPC, the contract is awarded to the bidder who submitted the lowest evaluated substantially responsive bid. This bidding procedure is suitable for procurements for large/complex plants and machines where alternative technical proposals are possible. This is an alternative to EOI+TE procedure and is useful when the likely suppliers do not reveal full technical details of available equipments during BQ or EOI stage.

3.9 Government e-Market Place (GeM):

DGS&D as authorized by the Government has hoisted an online Government e-Marketplace (GeM) for common use Goods and Services. DGS&D will ensure adequate publicity including periodic advertisement of the items to be procured through GeM for the prospective suppliers. The Procurement of Goods and Services by Ministries or Departments will be mandatory for Goods or Services available on GeM. The credentials of suppliers on GeM shall be certified by DGS&D. The procuring authorities will certify the reasonability of rates. The GeM portal shall be utilized by the Government buyers for direct on-line purchases

3.10 Gem Portal: https://gem.gov.in. Detailed instructions for user organization registration, supplier registration, listing of products, terms and conditions, online bidding, reverse auction, demand aggregation, call centre, etc. are available on this portal. For the procurement of P&M through GeM, SOP available in the Armoured Vehicles Nigam Limited website will be followed.

3.11 E-procurement: Detailed user manual for e-procurement viz., (i) administration (ii) tender creation (iii) PQ creation (iv) post tender activity (v) creation of purchase order are available in Armoured Vehicles Nigam Limited e-procurement site / website.

3.12 Pre-qualification Criteria: A) PQC should be unrestrictive enough so as not to leave out even one capable vendor/contractor. Otherwise, it can lead to higher prices of procurement/ works/services. However, on the other hand, these criteria should be restrictive enough so as not to allow even one incapable vendor/contractor and thus vitiate fair competition for capable vendors/contractors to the detriment of the buyer's objectives. A misjudgement in either direction may be detrimental. Due consideration should be given while framing PQC, to its effect on adequacy of competition. PQC should be carefully decided for each procurement with the approval of CFA. It should be clarified in the PQB documents that bidders have to submit authenticated documents in support of eligibility criteria. (Refer Manual for Procurement of Goods 2017)

While framing the PQC, the end purpose of doing so should be kept in view and to attract the participation of reputed and capable firms with proper track records. The factors that may be kept in view while framing the PQ criteria includes the scope and nature of work, experience of firms in the same field and financial soundness of firms.

In addition to the above, the criteria regarding satisfactory performance of contracts, personnel, establishment, P&M etc. may be incorporated according to the requirement of the specific P&M.

For cases involving high cost and of complex integrated special nature of Chemical/Metallurgical Process plant which are not frequently procured by Armoured Vehicles Nigam Limited Units, the pre-qualification evaluation through Request for Information (RFI) or EOI on Open/Global level is recommended. The pre-qualification of vendors means initial screening and short-listing of suppliers before issue of formal tender documents, through certain technical and financial criteria. This enables identification of financially sound suppliers with proven performance of supplying specific plant & machinery with latest technology and proven design. This also enables the purchaser to issue TE containing sensitive documents to only selected firms. A Committee of Officers consisting of Finance Member shall finalize the pre-qualification criteria with detailed justification. The relevant level of TPC will decide the final short listing of the vendors for issue of Tender Enquiry consequent upon pre-qualification Global/Open Tender Enquiry.

3.13 Evaluation: At least in high value and critical procurements, the credentials regarding experience and past performance, submitted by the successful bidder, may be verified as per eligibility criteria, as far as reasonably feasible, from the parties for whom work has been claimed to be done. The Buyer shall evaluate the qualifications of bidders only in accordance with the PQC specified and shall give due publicity to the particulars of the bidders that are qualified on the relevant portals/websites.

3.14 Validity of offers: The tender documents shall include minimum validity of six (6) months for General Purpose/SPM/Standalone Machines and minimum twelve (12) months for all Integrated system with multiple Plant & Machines to avoid repeated reference to bidders for validity extensions.

3.15 Extension of Tender Opening Date

i. Sometimes, situations may arise necessitating modification of the tender documents already issued (LTE case) or already put on sale (ATE case). Also, after receiving the documents, a bidder may point out some genuine mistakes necessitating amendment in the tender documents. In such situations, it is necessary to amend/modify the tender documents suitably prior to the date of submission of bids. Copies of such amendment / modification shall be simultaneously sent to all the selected suppliers by registered/speed post/courier/e-mail in case of LTE. In case of ATE, the copies of such amendment / modification shall be simultaneously despatched, free of cost, by registered/speed post/courier/e-mail, to all the parties who have already purchased the tender documents and copies of such amendments are also to be prominently attached in the unsold sets of the tender documents (which are available for sale), including the tender documents put in the website.

ii. When the amendment/modification changes the requirement significantly and /or when there is not much time left for the tenderers to respond to such amendments, and prepare revised tender, the time and date of submission of tenders shall be extended suitably, along with suitable changes in the corresponding time-frames for receipt of tender, tender validity period etc and validity period of the corresponding EMD/bid security.

iii. Depending on the situation, such an amendment may also need fresh publication adopting the same procedure as for publication of the original tender enquiry.

iv. Requests for postponement of date of tender opening from the prospective bidders will be decided on their merits by CGM. Accordingly, all agencies including the firms which had already submitted the offer along with other prospective bidders shall be informed through website.

v. Extension of Tender Opening Date: In exceptional circumstances, date of opening of the tender may be extended within a reasonable period of the due date of the opening of tenders for reasons to be recorded in writing, with the approval of the CGM. Such extensions and amendments should be published in the website under intimation to the bidders who have submitted their bids and the prospective bidders as well.

INSTRUCTIONS FOR FRAMING TENDER ENQUIRY

1. An updated Standard Tender Document in line with that prescribed by MoD in DPM/DPP (which is in line with the provisions of GFR) is as follows.
2. This new Format should now be adopted henceforth in all factories. Suitable modifications may however be made for the particular case, as per the procedures contained in this manual.
3. The TE as per this new Format is divided into five Parts, each Part dealing with different aspects.
4. Part I contains General Instructions to the bidders. Generally, all these instructions should be mentioned as it is, though minor changes can be done to suit a particular case.
5. In Part II, the Technical Details would be different for various types of plant or equipment. As such only the broad guidelines for formulating this aspect have been stated.
6. Part III contains Standard clauses which might have a legal implication. Therefore, no deviations from the text given in the neither clauses nor deletion of any of these clauses are allowed. In case a deviation from these clauses has to be considered/allowed due to insistence of the Seller, then approval of Armoured Vehicles Nigam Limited Board will be required after due deliberation and recommendation by Unit /TPC-I.
7. Part IV contains several Commercial clauses, which may or may not be relevant for a particular type of TE. Hence the title is given as Special Conditions of Contract. A conscious decision may be taken to incorporate the relevant clauses from this list based on the guidelines given in the Manual. The wordings of these clauses can also be appropriately modified to suit a particular case.
8. In Part V, the Evaluation Criteria can be suitably amplified/ modified within the ambit of guidelines contained in this manual and as per extant govt. instructions time to time to suit the specific requirements of a particular case. Similarly, the Format of the Price Bid can be amended to include / exclude items as per requirements. Format of price bid is same as the template for price bid in e-procurement.
9. Non-applicable clauses (decided on case to case basis) to be struck off to obviate confusion.

3.16 **Standard Tender Document (STD):**

INVITATION OF E-BID (NIT)

Armoured Vehicles Nigam Limited

Unit...............................

(A Government of India Enterprises, Ministry of Defence)

Office of The Sr. General Manager/ General Manager
(Address of Armoured Vehicles Nigam Limited Unit)
Fax:
Phone:
MAIL ID: (Unit e-mail address)
WEB ADDRESS:
GSTIN:

INVITATION FOR E- BID FOR SUPPLY OF ....
(Nomenclature of P&M) Against TE NO. ....DT.

(To be read with Part-I: General Information and Instruction for Bidders, Part-II: Technical Specifications, Part-III: Standard conditions of TE, Part-IV: Special conditions of TE, Part-V: Evaluation criteria and Price Bid format of e-Open Tender)

(All date and time specified in this TE are in dd/mm/yyyy and 24 Hrs formats respectively)

Important Dates:

i) Bid hoisting date:
ii) Pre-bid meeting: On..... At......Hrs, Venue.....
.... (Name of)
iii) Bid Closing Date &Time: ....at 14:00 Hrs.
iv) Tender Opening Date & Time: ....at 15:00 Hrs.

Validity of Bids: 180 days from Tender opening date (TOD)
Contact Personnel:

Name	Designation	Tel No.	Email id(NIC mail)
	CGM		
	GM		
	Jt.GM/DGM		

Content Table for Standard Tender Document:

Sl. No.	TE Clause No.	Content	Page No.

STANDARD TENDER DOCUMENTS:

1. The Tender Enquiry (TE)/RFP is issued without any financial commitment. The Buyer reserves the right to amend or modify any part of the TE at any stage. Such amendments/ modifications to the TE, if any, shall be duly notified similarly as the TE. Buyer reserves the right to withdraw the TE at any stage, should it so become necessary.

2. Effective Date of the Contract: Unless the consequent Contract specifically defines a different effective date-of-the-contract, the effective date-of-the-contract shall be the date on which the Parties to the Contract have affixed their respective signatures on the Contract or the date of Supply Order. The Contract shall come into effect on the effective date and remain valid until the completion of the obligations of the Parties under the Contract. The deliveries, supplies and performance of the services under the Contract shall commence from the effective date-of-the-contract.

3. **The TE contains following five parts:**

   a) **Part I** – Contains **general information and instructions for the Bidders** about the TE such as the date, time and opening of tenders, validity period of Tenders, etc.

   b) **Part II** – Contains essential details of the P&M /services required, such as the Schedule of Requirements, Technical Specifications of the P&M including all technical data, drawings, Mode of Delivery and Consignee details, which will form part of the consequent Contract with the successful Bidder.

   c) **Part III** – Contains standard conditions of TE, which will form part of the consequent Contract with the successful Bidder.

   d) **Part IV** – Contains special conditions applicable to this TE and which will also form part of the consequent Contract with the successful Bidder.

   e) **Part V** – Contains evaluation criteria and format for price bids.

   Note: All relevant drawings related to the TE and relevant proforma(s) e.g., Format for EMD BG, PBG, Pre-integrity pact & IPBG, Warranty Bond, Exchange Rate Variation etc. are also to be included.

4. **Armoured Vehicles Nigam Limited e-procurement portal :**

Prospective Suppliers are supposed to get enrolled themselves through the e-procurement portal. The system is accessible through the internet by:

(i) Digital Signature Certificates (DSC, Class III)

(ii) User login ID & password.

5. **Tender Management activities through the e-procurement system includes:**

   a) Online enrolment by vendors

   b) Publication of Tenders, Pre –Bid Meeting, if scheduled and amendments/ modifications, if any thereafter

c) Bid submission by the Bidders
d) Seeking and publication of clarifications, including clarifications resulting out of pre-bid meeting, if scheduled
e) Opening of bids
f) Automatic generation of Comparative Statement of Technical Bids and Technical evaluations of the Bids
g) Opening of the technically qualified Bids, automatic generation of Comparative Statement of Commercial Bids and Commercial evaluation of the Price bids.

6. The e-procurement portal has a centralized Help Desk facility with toll free number, online customer complaint facilities and full-fledged operational manuals. The portal also contains the manual for e-procurement. This operational & procedure manuals provide requisite information on using the portal. The Armoured Vehicles Nigam Limited Procurement Manual for P&M 2021 is also available in the Armoured Vehicles Nigam Limited website which will provide an insight regarding the procurement procedure for Plant & Machinery.

7. **Tender fees** shall not be applicable for tenders processed through e-procurement. However, in procurements made through the manual system, Tender fee is applicable as mentioned in advertised (Open/ Global) tenders.
Micro and Small Enterprises (MSEs) having UAM number (to be submitted by MSEs) as defined in MSE Procurement Policy issued by Department of MSME are exempted for tender fee.
The requisite Tender fees in the prescribed form needs to be submitted either along with the application for Tender documents or along with the Bid. Non submission of requisite Tender fee (as per TE) may result in rejection of the Bid. There is no provision for providing Tender fees subsequent to the Tender opening. In cases where the drawings, specifications, etc., are priced, the same shall be so stated in the TE, which is applicable for both systems of procurement.

8. The usage of the term 'Bid' in the TE, unless repugnant to the context, refers to the Bids (including the documents, financial instruments, etc., required to be submitted) in the e-procurement as well as the manual system.

9. The usage of the term 'Seller' in the TE, unless repugnant to the context, refers to the successful Bidder (s) in the TE on whom the consequent Supply Order/ Contract has been placed.

10. The usage of the term 'Contract' in the TE, unless repugnant to the context, refers to the consequent Supply Order/ Contract.

11. All date and time specified in this TE are in dd/mm/yyyy and 24 Hrs formats respectively.

****

PART I – GENERAL INFORMATION AND INSTRUCTION FOR BIDDERS

1.1. The .... (the Buyer), through this TE No. .... dated ...., issued / published as .... [Advertised Tender (Global/ Open) / Limited Tender/ Single Tender (SKS/PAC)], invite bids, on .... Single Stage (Single Bid / Two Bid) or Two Stage basis, from all eligible Bidders for supply of .... (Title of the TE).

1.2. The **pre-qualification/eligibility criteria** has been prescribed by the Buyer, shall be indicated under this paragraph as sub-paragraphs (a), (b),......(n).(Unit to refer para 3.11 of chapter-3for guidance)

a) ....

b) ...., etc.

1.3. Bidders shall be solely responsible for ensuring timely submission of their sealed Bids (and their related final instruments & documents) by the specified date & time, and in the manner prescribed in the TE. If due to any exigency, the due date for Tender opening is declared as a closed holiday, the Tender opening will be held on the next working day at the same time or on any other day/time, as intimated by the Buyer. Should it be so become necessary for the Buyer to extend the Tender opening date, such extended date shall be duly intimated/ notified in the e-proc website.

1.4. In the e-procurement system of procurement various procurement activities mentioned in paragraph 5 above are performed online. In conventional manual system, the relevant details to facilitate submission of Bids are given below:

a) The last date and time for Bid submission is .... (date) at .... (time)

b) Bids & queries to be addressed to: ....

c) Postal address for sending the Bids: ....

d) Location of the Tender Box is ...., marked as ....

e) Tender shall be opened on .... (date) at .... (time)

f) Place of opening of Bids is ....

g) Name/ designation of the contact personnel: ....

h) Telephone number (s) of the contact personnel: ....

i) Official e-mail ID (s) of contact personnel: ....

j) Fax number (s): ....

1.5. Bids (including the related financial instruments, etc.,) received with a lower validity than that specified in the TE can be treated as invalid and may be rejected. The prescribed validity for financial instruments is given in subsequent Parts of the TE. Bids should necessarily remain:

a) valid for.................. days from the specified last date for Bid submission

b) valid till .... (date)

1.6. **Submission of Earnest Money Deposit (EMD)** is an essential requirement to be fulfilled.

1.6.1 Bids not accompanied by the EMD specified in the TE shall be treated as invalid Bids and shall be summarily rejected without technical evaluation. In the instant TE, Bidders are required to submit EMD for an amount equal to Rs. .... (2% of estimated cost) in the prescribed form (refer to Part III of the TE) along with their Bids.

1.6.2 EMD is to be submitted by the bidders except

i) Micro and Small Enterprises (MSEs) having UAM number as defined in MSE Procurement Policy 2012 issued by Department of Micro, Small and Medium Enterprises (MSME) or

ii) are registered with the Central Purchase Organization or the concerned Ministry or Department or

iii) Start-ups as recognized by Department of Industrial Policy and Promotion (DIPP)

iv) EMD is also not required from Central PSUs.

In place of a Bid security, Armoured Vehicles Nigam Limited Units may require Bidders to sign a Bid securing declaration accepting that if they withdraw or modify their Bids during the period of validity, or if they are awarded the contract and they fail to sign the contract, or to submit a performance security before the deadline defined in the request for bids document, they will be suspended for the period of time specified in the request for bids document from being eligible to submit Bids for contracts with the entity that invited the Bids.(refer Rule-170(iii) of GFR-2017)

Bidders/Sellers exempted from submission of EMD must submit relevant documents in support of claim towards exemption in lieu of EMD. EMD exemption certificate submitted by the bidder(s) shall be valid at least till the bid validity period.

1.6.3 EMD need not be submitted for an estimated cost of procurement up to Rs. 5 Lakhs.

1.6.4 The EMD may be submitted in the form of an Account Payee Demand Draft/Fixed Deposit Receipt/Banker's Cheque or Bank Guarantee (in the prescribed format) or Online Payment from any of the commercial bank. The EMD shall be in favour of "ARMOURED VEHICLES NIGAM LIMITED (AVNL) - UNIT Name".

1.6.5 EMD is to remain valid for a period of forty-five days beyond the final bid validity period. EMD of the unsuccessful bidders will be returned to them at the earliest after expiry of the final bid validity and latest within one month after the award of the contract.

1.6.6 The Bid Security of the successful bidder would be returned, without any interest whatsoever, after the receipt of Performance Security from them as called for in the contract.

1.6.7 The EMD will be forfeited if the bidder withdraws or amends, impairs or derogates from the tender in any respect within the validity period of their tender.

1.6.8 In e-procurement, the Bidders shall upload along with their Bid, the scanned copy of the EMD and forward the original EMD in a separately sealed envelope clearly mentioning the 'EMD for TE No ....and due date of opening of technical bid.....' on the envelope. However, if the physical original EMD is not received by the Buyer prior to the specified Tender opening date & time, the Bid shall be treated as invalid/late tender and rejected.

1.7 Bidders may request the Buyer in writing or through e-Procurement System requiring specific clarifications on the contents of the TE, if any, so as to reach the Buyer not later than fourteen days prior to the date of Tender opening.

Note: Any clarifications provided by the Buyer to any bidder, shall be published as corrigendum in the same website where e-proc tender/GeM published.

1.8 Bidders should forward their Bids under their original memo/ letter pad inter-alia furnishing details like GST number, Bank details with NEFT account details, complete postal & e-mail address, telephone & fax numbers, etc., of their office. In e-procurement bids shall be submitted through e-procurement portal.

1.9 When Bids are called on Single Bid basis the technical and financial/ Price bids shall be submitted in the same bid. However, when Bids are called for on Two Bids basis, the Bids shall comprise of two parts, namely (i) Technical (Techno-Commercial) Bid, and (ii) Financial/ Price Bid.

1.10 **E-Procurement:**

1.10.1 **Bidders have to submit their bids through Armoured Vehicles Nigam Limited e-Procurement portal only. Bids submitted by any other mode shall be treated as invalid.**

1.10.2 A bidder can change, withdraw or cancel earlier submitted offer before the bid submission closing date and time. In case tender specifications or price bid format is revised the submitted bids will become null and void & the vender needs to re-submit the bids. TE closing date & time, opening date & time will also change. Information for the same will be sent to vendor through e-mail.

1.10.3 The bids shall be opened online and bidders, who participated in the TE, can view the spot CST also online through Armoured Vehicles Nigam Limited e-procurement portal.

1.10.4. Bids cannot be modified after the Bid submission deadline. Similarly, after the Bid submission deadline, Bids cannot be withdrawn till expiry of the Bid validity.

1.11 **Manual bidding**:

1.11.1 The Technical Bid and the Financial/ Commercial Bid should be sealed by the Bidder in separate covers duly super-scribed to indicate the appropriate Bid. Both these sealed covers are to be put in a bigger cover, which should also be sealed and super-scribed as prescribed below.

1.11.2 The sealed cover of the Bids should neatly and legibly be super-scribed with the details of (a) Title of the TE (b) TE No. and date (c) Tender opening date. Lack of these superscriptions may result in the Bid being declared invalid.

1.11.3 Bidder may modify or withdraw his bid after submission provided a written notice of modification or withdrawal is received by the Buyer prior to the deadline prescribed for Bid submission. The withdrawal notice may be sent by fax provided it is followed by a signed confirmation copy to be sent by post and such signed confirmation reaches the purchaser not later than the Bid submission deadline.

1.11.4 Only Bids that are found in the specified Tender Box shall be opened. Bids, if any, dropped in a wrong Tender Box shall be treated as invalid Bids.

1.11.5 Bidders may depute their representatives, duly authorized in writing, to attend the opening of Bids on the due date and time. Rates and other important commercial/ technical clauses quoted by all Bidders will be read out in the presence of the representatives of all the Bidders. This event will not be postponed due to the absence of the representative of any Bidder.

1.11.6 The bidder should sign on each page of the tender document.

1.12 **Language of documents**: All Design Engineering Data, Drawings, Manuals, Literatures, Documents etc shall be in English as per standard engineering practice. If any other language is used other than English, a translated version in English should also be submitted duly authenticated by qualified LSP (language service provider) or translator. Only metric Units and no other Units shall be used in all drawing, documents etc.

1.13 **Authorized signatory of bids :**

(a) The tender should be signed by a competent authority (digitally sign in case of e-procurement) holding power of attorney to handle such job on behalf of tendering firm and this fact must be stated explicitly.

(b) Individual signing the tender or other documents connected with a contract must specify whether he signs as:

- (i) 'Sole Proprietor' of the firm or constituted attorney of such Sole Proprietor.
- (ii) A partner of the firm, if it be a partnership, in which case he must have authority to quote & to refer to arbitration dispute concerning the business of the partnership either by virtue of the partnership agreement or a power of attorney;
- (iii) Constituted attorney of the firm if it is a company.

(c) In case of (b)(ii) above, a copy of the partnership agreement or general power of attorney, in either, case, attested by a Notary Public should be furnished or affidavit on stamped paper of all the partners admitting execution of the partnership agreement or the general power of attorney should be furnished.

(d) In case of the partnership firms, where no authority to refer disputes concerning the business of the partnership has been conferred on any partner, the tender and all other related documents must be signed by every partner of the firm.

(e) A person signing the tender form or any documents forming part of the contract on behalf of another shall be deemed to warrantee that he has authority to bind such other persons and if, on enquiry, it appears that the persons so signing had no authority to do so, the purchaser may, without prejudice to other civil and criminal remedies, cancel the contract and hold the signatory liable for all costs and damages.

1.14 Techno-**commercial Bid:**

(a) The bidder shall carefully check the specifications and drawings and shall satisfy himself of the suitability of the equipment being offered and shall take full responsibility for the efficient operations and guarantee of specified output of the Plant and equipment offered.

(b) The offer should be complete in all respects along with supporting documents and technical literature like catalogue, test charts, list of customers of similar m/c, performance feedback reports from users etc.

(c) The offer should conform to technical specifications and the conditions of contract. However, deviations, if any, should be clearly brought out by the tenderers.

(d) The bidder should invariably attach with their offer a clause-wise compliance statement against all the parts (I) to (V) of the TE, in the specified format (see para - **Compliance to Tender Clauses**), stating where they meet requirement in toto and where and how they deviate giving full details and remarks if any.

(e) The bidder should certify in the technical bid that the price-bid contains item-wise price as specified in Technical Specification.

(f) In order that no clarification is needed after opening of Price Bid of technically acceptable offers, it is essential that the un-priced copy of the price bid (REPEAT UNPRICED) along with other terms & conditions should be enclosed with the Technical Bid.

Note: Un-priced bid shall be the mirror image of the Price bid except the value, only the term "QUOTED" to be used and rate of taxes & duties as applicable to be indicated(not by value).

(g) The bidder shall inspect the site if considered necessary and shall satisfy himself of site conditions and shall collect himself any other information which he may require before submitting the tender. Claims and objections due to ignorance of site conditions will not be considered after submission of the tender.

(h) Incomplete quotations or quotations without toolings and fixtures in case of Tooled-up machines are liable to be ignored.

1.15 **Price Bid**

(a) In the Price bid, the bidder shall include all elements of cost of Plant and Equipment strictly as per the scope of supply & services specified in technical specification. If the work is of turn-key nature, the vendor will be responsible for complete execution of the plants including construction of buildings and civil/electrical/instrumentation/mechanical works as specified in the scope of work. Price bids through electronic mode will only be considered.

(b) Rates for Spares should be quoted separately item-wise and not to be included in the price of the machine. The price quoted for spares by the firms will not be taken into account for deciding the ranking position of the firm.

(c) Lump sum price of spares are to be mentioned in the price bid as per price bid template. However, firm should manually submit the detail breakup of the spares mentioning part no., unit price, qty. and total value of the spares in a sealed envelope duly mentioning the Price Bid of Spares for TE No., Tender opening date which will be opened during price bid opening.

(d) For all plant and equipment, accessories, spares etc. of import origin from outside India, prices shall be quoted for delivery on FOB basis indicating the Port of shipment as well as for delivery on CIF basis indicating the port of entry i.e. ------------ (in India) along-with the charges for transportation and insurance separately, directly by the Original

Equipment Manufacturer (OEM) or the foreign supplier, if authorized by the concerned Foreign Govt. However, order if any, will be on FOB/CIF basis only and all taxes, duties, fees or charges including Bank charges outside India for supplies, services and spares ex-import including transportation, seaworthy packing, preservation till FOB is the responsibility of the vendor.

(e) In some cases, foreign plants suppliers stipulate that purchases can be made through their Indian counterpart/collaborator (not agent). In such cases purchase can also be made against Rupee payment only for those plants/machines against offer from Indian bidders, but the import clearance should be arranged by the bidders and he should arrange inspection/ training in India and also provide after sale services.

(f) For machines of imported nature, where Indian subsidiary/India office is submitting the bid on behalf of OEM and where the PDI is possible only in OEM premises, bids shall be in foreign currency, the order shall be placed on Foreign OEM directly and payment shall be to OEM directly. The firm will provide specific confirmation that quoted price does not include payment of Agency Commission to any third party.
Against such offer, if statutory requirement demands clearance from concerned Government, the Tenderer shall confirm in their offer that they shall arrange export license in that respect.

(g) **Procurement of P&M through Consortium of foreign & Indian firms:** Any partner of the consortium can be prime bidder (share of prime bidder to be defined). The sole responsibility of execution of contract, after sales service/technical support and all associated activities shall be with OEM/technology provider. Prime Bidder shall furnish the copy of the collaboration agreement or MOU between all the partners. The MOU must have provisions defining the following:

a) Technical design & process guarantee responsibility of Technology provider.
b) Distribution of work / responsibility amongst various partners in the consortium for the scope specified in the TE.
c) Different partners of the consortium shall be responsible for the Design, Engineering and all associated activities for the equipments and other responsibilities as specified in MOU/quoted in Bid. All the certificates confirming the P&M to tendered specifications shall be submitted by Prime bidder duly supported by certification from respective partners.

(h) Bidding may also be done by a foreign firm in collaboration with an Indian firm. However, if authorized by the foreign supplier (technology holder), an Indian firm may act as Prime Bidder in collaboration with the foreign firm. In case of collaboration for bidding, a copy of collaboration agreement or MOU is to be submitted, clearly defining the responsibility for the scope of work with reference to NIT/TE and subsequent liabilities of the contract. The foreign supplier (technology holder) shall have to be responsible for design, engineering and supply of imported equipments, quality certification for indigenous equipments, supervision of erection & commissioning and process guarantee of the whole plant. Payment can be made in foreign exchange to foreign firms only and in Indian Rupees to Indian firms, as per respective share of works.

(i) For all plants, equipments, accessories, spares etc. of indigenous source, prices shall be quoted in INR for delivery ex-works. GST if applicable, should be indicated separately and distinctly. The freight charges, if any, shall be quoted separately. However, order if any, will be on Delivery at destination (DAP) basis wherein freight charges, insurance charges, taxes and duties etc. will be paid on actual against documentary proof.

1.16 **Technical capability of the Bidder:**

a) Technical capability:

i) The tenderer shall satisfy the purchaser that he possesses the necessary technical experience and qualification and that he has at his disposal suitable modern facilities and staff of specialized nature to ensure that his contract work is of best quality and workmanship, according to the latest engineering practice. The tenderer shall furnish necessary particulars in this behalf with the tender.

ii) In this regard the tenderer shall submit a detailed statement of similar P&M i.e. the Firm should have supplied machine of same configuration / functionality and of the same capacity/size or higher capacity/ size (Machine with different configuration will not be taken into consideration for the tendered out P&M) built by him during the past preferably at least during last 5 years and name and full address of the customers with order No., date of supply and performance report thereof.

1.17 A) The tenderer shall produce satisfactory proof that he is financially in a position to fulfill the contractual obligations offered to be undertaken by him e.g., showing average annual turnover during last three years, value of orders executed during past seven years, etc.

B) In the case of Indian bidder, the following shall also be submitted with their technical bid.

(a) Copies of last three years annual report indicating profits and losses.
(b) Copies of Partnership deeds.
(c) Copy of certificate of incorporation and Articles of Association.
(d) Copies of ownership documents in respect of manufacturing plant.
(e) General power of attorney in favour of any signatory, other than the owner/head of the firm.
(f) Affidavit that the firm has never been banned.

Note: All financial standing documents should be audited by Chattered Accountant/Cost Accountant or equivalent in relevant countries and uploaded.

1.18 **Legal Capacity:**

The bidder shall satisfy the purchaser that he is competent and authorized to submit tender and/or to enter into a legally binding contract with the purchaser. To this effect, any person giving a tender shall render documentary evidence that his signature on the tender, submitted by him is legally binding upon himself, his firm or company as the case may be.

1.19 **Compliance to Tender Clauses:**

Bidders are required to furnish clause by clause compliance of TE clauses / specifications bringing out clearly the deviations from TE, if any. The Bidders are advised to submit the compliance statement in the following format along with Technical Bid.

Sl. No	Para of TE clauses / specifications	Details	Compliance: Yes / No	In case of non-compliance, deviation to be indicated

Note: Bidder has to furnish technical compliance statement for each and every clause of the specification wherever it is asked to "specify the details to be provided" then firm must provide details and a mere "confirm/complied/yes/no deviation or such similar words" in the technical comparative statements may lead to disqualification of the technical offer based on the merit of the case.

1.20. In Two-bid system, only the Technical Bids will be opened on the specified Tender opening date and time. Financial Bids of only those firms will be opened, whose Technical Bids are found technically compliant/ suitable on Technical Evaluation by the Buyer. Date of opening of the Financial Bids shall be separately intimated after evaluation of the Technical Bids.

1.21. During evaluation of Bids, the Buyer may, if so required, ask the Bidder (s) for clarification on the Bid submitted. The request for such clarification shall be in writing (or through e-procurement System). The clarification furnished by the Bidder should not result in any change in prices or substance of the Bid nor will the same be permitted. No post-bid clarification at the initiative of the Bidder will be entertained.

1.22. Where it is necessary to physically verify the facilities & capacities of the Bidder, the Buyer may depute team for carrying out such physical verification of facilities & capacities appropriately.

1.23. Canvassing in any form by the Bidder, unsolicited letter and post-bid amendment/ modifications/ corrections shall attract summary rejection of the Bid with forfeiture of EMD.

1.24. Bidder should comply with all the Parts of this TE and confirm acceptance of all the clauses of Part II, Part III, Part IV and Part V of the TE, which shall automatically be part of the consequent contract with the successful Bidder (s) (i.e. Seller in the consequent contract). Failure to confirm acceptance to the clauses mentioned under Part II, Part III, Part IV and Part V of the TE may result in rejection of the Bid submitted by the Bidder. Conditional Bids shall be treated as invalid and rejected.

1.25. The Buyer reserves the right to reject/cancel/drop the Tender Enquiry or change the quantity of tendered item(s) without notifying any reason whatsoever.

1.26. In case of any dispute, the decision of the Buyer shall be final and binding on all participants in the tender.

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Part II – Technical Specifications

2.1 **Schedule of Requirements:**

i. Short description (Name) of Plant / Machine:

ii. Detailed description and quantity:

....

....

2.2 **Technical Details of the Plant / Machine Required:**

(a) Specifications, drawings, material of construction, capacity etc as applicable

(b) Requirement of installation/commissioning, Time line for Installation& commissioning to be specifically mentioned.

(c) Requirement of foundation/civil works and agency of execution (Purchaser/ supplier/jointly) to be clearly spelt out.

(d) Requirement of training/on-job training (refer Annexure-training)

(e) Requirement of Technical documentation

(f) Requirement of Pre-Despatch Inspection (PDI)

i) Before PDI call, the firm should forward their QC inspection report and geometrical testing report of the machine, final spare part list, if any, and final tooling list. Firm should also submit video of the running machine including all accessories and still photographs of the machine accessories, spare parts etc.

ii) Parameters for Inspection during PDI to be clearly specified without ambiguity.

iii) Input trial material to be issued after UNIT QC inspection and record.

iv) PDI to be undertaken when the site is in readiness for installation & commissioning of the machine. Where the supply includes the site preparation, foundation, building construction, etc under the supplier's scope, supplier should complete the work before PDI, so that installation of the P&M can be immediately taken up on receipt of the machine.

(g) Requirement of Performance Trial Runs for Final Acceptance -- Parameters to be checked/tested are to be clearly specified.

(h) Any other details, as considered necessary, e.g. battery limit, contour map, soil study report, climate conditions, STEC rules, etc. to be furnished for the guidance of the Bidders in case of plants.

(i) Requirement of redundancy at each stage/operation, supply of connected standby pumps, etc in case of plants.

(j) Scope of Works / Responsibility of the Supplier and the purchaser (for turnkey projects)

2.3 **Typical example of Documents /details to be submitted by the Bidder with Technical Bid:**

(a) Process description for the offered plant as a whole.

(b) Special features and advantage of the offered plant.

(c) Process flow diagrams.

(d) Layout of all buildings along with major activities in each building. Each building shall be numbered for easy reference.

(e) Building wise layout of all major equipments and instruments.

(f) Line plan drawing of all individual buildings to be designed and supplied by the vendor showing dimension, wall thickness and roof structure, details of road with illumination details, etc.

(g) List of major equipments, service requirements, controls and indicative list of equipments. Each of the above should be numbered.

(h) The cycle time of processing at each stage / operation. Bidder should clearly indicate the redundancy in capacity and the availability of standby equipments like pumps at each stage/operation.

(i) List of all major instruments along with brief description of their utilization and effectiveness in process and process control. This list should be enumerated process-wise as far as possible so as to facilitate a comparison with the layout of the plant and utilities showing general arrangement of the plant, equipment and also the periodicity desired for calibration.

(j) List of spares with part no. and quantity used in P&M.

(k) Safety features process wise and plant as a whole.

(l) Requirement of manpower for operating the plant as a whole per shift and per day. Requirement of operating, maintenance and supervisory personnel to be mentioned separately.

(m) Descriptive flow diagram showing the links between the above numbered P&M as well as the instrument layout.

(n) Quantitative flow diagram describing consumption of raw material and also for utility items separately.

(o) Requirement of steam, cooling water and process water (average and maximum)

(p) Installed electric power load; average and maximum demand of power separately for ancillary facilities for generation of utilities like compressed air, instrument air, chilled water/ brine etc. for the plant.

(q) Pollution control measures indicating the composition and quantities of effluents and waste per MT output from the plant along with scheme for treatment and disposal including air pollutants.

(r) List of specific exclusion from scope of supply.

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Part III – Standard Conditions of T.E

3.1 The Bidder is required to give confirmation of their acceptance of the Standard Conditions of the Tender Enquiry mentioned below which will automatically be considered as part of the Contract concluded with the successful Bidder (i.e. Seller in the Contract) as selected by the Buyer. Failure to do so may result in rejection of the Bid submitted by the Bidder.

3.2 **Scope of Supply** – Technical Description/Requirement/Quality requirement etc.: The P&M supplied shall be of new in all respect, best quality and workmanship, shall be in strict conformity with all the drawings and specifications furnished with the Purchase Orders and shall address the Technical description in all respects. Where tenders are called for in accordance with 'particulars', the seller's tender to supply in accordance with such 'particulars' shall be deemed to be an admission on his part that he has fully acquainted himself with the details thereof and no claim on his part which may arise on account of non-examination or insufficient examination of the 'particulars' will in any circumstances be considered. The items not specifically listed but required for completeness of P&M deemed to be included. All supplies should be accompanied by Sellers works inspections/ test certificates duly certifying, the P&M are in strict conformity with the drawings/specifications. The final acceptance will be subject to inspection and approval at Buyer's premises.

3.3. **Price**: The rates offered shall be 'Firm & Fixed' with full and detailed breakup of various price elements like Basic Price, Standard Accessories, Special Accessories, Toolings, packing & forwarding charges, freight/ transport, handling charges, landing & clearing charges, installation & commissioning, training, technical assistance, etc.(as applicable); and duly indicating all the applicable Taxes & Duties along with the relevant taxation rate and value for each of the applicable Tax/ Duty, till the execution of the total quantity on the order. No increase shall be permissible on any account after finalization of the order / till supply, installation & commissioning and final acceptance of total ordered quantity. Price quoted should on F.O.R. Destination basis, for delivery at Buyer premises inclusive of all charges including transit insurance. Foreign sellers will quote the prices on the FOB/FCA Port of dispatch basis, as applicable (INCOTERMS 2010).

3.4 **Law**: The Contract shall be considered and made in accordance with the laws of the Republic of India. The contract shall be governed by and interpreted in accordance with the laws of the Republic of India.

3.4.1 **Effective Date of the Contract**: The contract shall come into effect on the date of signatures of both the parties on the contract (Effective Date) and shall remain valid until the completion of the obligations of the parties under the contract. The delivery period of the goods and performance of the services shall commence from the effective date of the contract.

3.4.2 **Commencement Date:** In case of imported items, the delivery obligations of the supplier shall start with reference to the Commencement Date (instead of the effective date), which will be the date on which the latest of the below mentioned events has occurred.

i. Submission of export license from foreign government by the supplier.
ii. Submission of Performance Bank Guarantee by the supplier.
iii. Other event(s) as mutually decided.

3.4.3 **Non-occurrence of the Commencement Date**: If the Commencement Date has not occurred, within six (6) months from the date of signature (or within such other period as may be agreed between the Parties), the purchaser may terminate the Contract by written communication to the supplier.

3.5 **Arbitration**: All disputes or differences arising out of or in connection with the Contract shall be settled by bilateral discussions. Any dispute, disagreement or question arising out of or relating to the Contract or relating to construction or performance, which cannot be settled amicably, may be resolved through arbitration. The standard clause of arbitration will be applicable, depending on the type of Seller, as given below.

3.5.1 FOR INDIAN SUPPLIERS (OTHER THAN PUBLIC ENTERPRISES/ GOVT. DEPARTMENTS):-

(a) All the disputes and differences arising out of or in any way touching or concerning this agreement (except those for which specific provision has been made therein) shall be referred to Sole Arbitrator to be appointed by Chairman &Managing Director, Armoured Vehicles Nigam Limited, Government of India Enterprise. The Arbitrator so appointed shall be a Government servant who had not dealt with the matters to which this agreement relates and in course of his duties had not expressed views on all or any of the matter in disputes or differences. for the time being or a Govt. Servant appointed by him the appointee shall not be Govt. Servant who had dealt with the matters to which this agreement relates and that in the course of his duties as Govt. Servant he had not expressed views on all or any of the matter in dispute or difference. The Award of the Sole Arbitrator shall be final and binding on the parties.

(b) The Arbitration shall be as per Arbitration Act 1996 or any statutory modification thereof.

(c) The venue of Arbitration shall be .... (Place of Unit)

3.5.2 FOR PUBLIC ENTERPRISES/ GOVT. DEPARTMENTS:

In the event of any dispute or difference relating to the interpretation and application of the provisions of this contract, all disputes (other than those related to taxation matters) between CPSEs inter se and other Government departments /Organizations shall be taken up by either party for resolution only through the AMRCD. (Ref- Min. of HI & PE OM No. DPE-GM-05/0003/2019-FTS-10937 dt. 20/02/2020). The other provisions of the AMCRD guidelines dated 22-05-2018 will remain unchanged.

3.5.3 FOR FOREIGN SUPPLIERS:-

(a) All disputes of differences arising out of or in connection with the present Contract, including the cases connected with the validity of the present Contract or any part thereof, shall be settled by bilateral discussions.

(b) Any dispute, disagreement or any question arising out of or relating to the Contract or relating to the construction or performances (except as to any matters the decision or determination whereof is provided for by these conditions) which cannot be settled amicably shall within 60 days or such longer period as may be mutually agreed upon from the date on which either party informs the other in writing by a notice that such dispute, disagreement or question still exists will be referred to the Arbitration Tribunal consisting of three Arbitrators.

(c) Within 60 (Sixty) days of the receipt of the notice, one Arbitrator shall be nominated in writing by the SELLER and one Arbitrator shall be nominated in writing by the BUYER.

(d) The third Arbitrator, who shall not be citizen or domicile of the country of either of the parties or of any other country unacceptable to any of the parties, shall be nominated by mutual consent of the parties within 90 (Ninety) days of the receipt of the notice mentioned above failing which the third Arbitrator may be nominated under the provisions of UNCITRAL by the President of the International Chamber of Commerce at the request of either party but the said nomination would be after consultation with both the parties and shall preclude any citizen or domicile of any country as mentioned above from being so nominated. The Arbitrator nominated under this clause shall not be regarded nor would act as Umpire.

(e) The Arbitration Tribunal shall have its seat in New Delhi or such other place in India as may be mutually agreed to between the parties.

(f) The Arbitration proceedings shall be conducted in India in English language under the Indian Arbitration and Conciliation Act, 1996 (or any statutory modification thereof) and the award of such Arbitration Tribunal shall be enforceable in Indian Courts only.

(g) The decision of the majority of the Arbitrators shall be final and binding on the parties to this contract.

(h) Each party shall bear its own cost of preparing and presenting its case. The cost of Arbitration including the fees and expenses of the third Arbitrator shall be shared equally by the SELLER and the BUYER, unless otherwise awarded by the Arbitration Tribunal.

(i) The event of a vacancy caused in the office of any of the Arbitrators, the party which nominated such Arbitrator shall be entitled to nominate another in his place and the Arbitration proceedings shall continue from the stage they were left by the retiring Arbitrator.

(j) In the event of one of the parties failing to nominate its Arbitrator within 60 (Sixty) days as above or if any of the parties does not nominate another Arbitrator within 60 (Sixty) days of the place of Arbitrator falling vacant, then the other party shall be entitled after due notice of at least 30 (Thirty) days to request the President of the International Chamber of Commerce to nominate another Arbitrator as above.

(k) If the office of the third Arbitrator falls vacant, his substitute shall be nominated according to the provisions herein above stipulated.

(l) The parties shall continue to perform their respective obligations under this contract during the pendency of the Arbitration Proceedings except in so far as such obligations are the subject matter of the said arbitration proceedings.

Note - The provisions with regard to appointment of an Arbitrator by the International Chamber of Commerce, Paris shall only be resorted to in cases of International Commercial Arbitration. Similarly, the UNCITRAL provisions will only apply with regard to appointment of Arbitrator and fixation of fees of the Arbitrator. The procedure to be adopted during arbitration will be as provided in the Indian Arbitration & Conciliation Act, 1996.

3.6 **Penalty for use of Undue influence**: The Seller undertakes that he has not given, offered or promised to give, directly or indirectly, any gift, consideration, reward, commission, fees, brokerage or inducement to any person in service of the Buyer or otherwise in procuring the Contracts or forbearing to do or for having done or forborne to do any act in relation to the obtaining or execution of the present Contract or any other Contract with the Government of India for showing or forbearing to show favour or disfavour to any person in relation to the present Contract or any other Contract with the Government of India. Any breach of the aforesaid undertaking by the Seller or any one employed by him or acting on his behalf (whether with or without the knowledge of the Seller) or the commission of any offers by the Seller or anyone employed by him or acting on his behalf, as defined in Chapter IX of the Indian Penal Code, 1860 or the Prevention of Corruption Act, 1986 or any other Act enacted for the prevention of corruption shall entitle the Buyer to cancel the contract and all or any other contracts with the Seller and recover from the Seller the amount of any loss arising from such cancellation. A decision of the Buyer or his nominee to the effect that a breach of the undertaking had been committed shall be final and binding on the Seller. Giving or offering of any gift, bribe or inducement or any attempt at any such act on behalf of the Seller towards any officer/employee of the Buyer or to any other person in a position to influence any officer/employee of the Buyer for showing any favour in relation to this or any other contract, shall render the Seller to such liability/ penalty as the Buyer may deem proper, including but not limited to termination of the contract, imposition of penal damages, forfeiture of the Bank Guarantee and refund of the amounts paid by the Buyer.

3.7 **Agents / Agency Commission**: The Seller confirms and declares to the Buyer that the Seller is the original manufacturer of the stores/provider of the services referred to in this Contract and has not engaged any individual or firm, whether Indian or foreign whatsoever, to intercede, facilitate or in any way to recommend to the Government of India or any of its functionaries, whether officially or unofficially, to the award of the contract to the Seller; nor has any amount been paid, promised or intended to be paid to any such individual or firm in respect of any such intercession, facilitation or recommendation. The Seller agrees that if it is established at any time to the satisfaction of the Buyer that the present declaration is in any way incorrect or if at a later stage it is discovered by the Buyer that the Seller has engaged any such individual/firm, and paid or intended to pay any amount, gift, reward, fees, commission or consideration to such person, party, firm or institution, whether before or after the signing of this contract, the Seller will be liable to refund that amount to the Buyer. The Seller will also be debarred from entering into any supply Contract with the Government of India for a minimum period of five years. The Buyer will also have a right to consider cancellation of the Contract either wholly or in part, without any entitlement or compensation to the Seller who shall in such an event be liable to refund all payments made by the Buyer in terms of the Contract along with interest at the rate of 2% per annum above one-year LIBOR rate. The Buyer will also have the right to recover any such amount from any contracts concluded earlier with the Government of India.

3.8 **Access to Books of Accounts**: In case it is found to the satisfaction of the Buyer that the Seller has engaged an Agent or paid commission or influenced any person to obtain the contract as described in clauses relating to Agents/Agency Commission and penalty for use of undue influence, the Seller, on a specific request of the Buyer, shall provide necessary information/ inspection of the relevant financial documents/information.

3.9 **Non-disclosure of Contract documents**: Except with the written consent of the Buyer/ Seller, other party shall not disclose the contract or any provision, specification, plan, design, pattern, sample or information thereof to any third party.

3.10 **Pre-Contract Integrity Pact Clause**:

a) For purchases exceeding Rs. 5 Cr, a Pre-contract Integrity Pact shall be signed between the Buyer and the Bidder. This is a binding agreement between the Buyer and Bidder in which both agree to enter into a pre-contract agreement to avoid all forms of corruption by following a system that is fair, transparent and free from any influence prior to, during and subsequent to the currency of the contract.

b) Bidder shall submit duly signed Pre-contract Integrity Pact in original, strictly as per the format (without any deviation) enclosed with the TE/RFP. Bidders not complying with this are liable for rejection and their bids will not be considered for evaluation. In case of two bid system, the Bidder is required to submit the signed pre-contract IP as part of technical bid, failing which offers are liable for rejection.

c) The Pre-contract Integrity Pact shall be valid, from the date of signing of the contract, for a period extending up to 5 years or completion of contractual obligations whichever is later.

d) The Pre-contract Integrity Pact requires every Bidder to deposit along with his Bid the following amount as IPBG:

   i) Rs.1 Cr (Additional financial guarantee), if the estimated cost procurement is above Rs.100 Cr and up to Rs. 300 Cr.

   ii) Rs.3 Cr (Additional financial guarantee), if the estimated cost procurement is above Rs.300 Cr.

   iii) All procurement cases above Rs. 5 Cr & up to Rs. 100 Cr, Integrity Pact is required to be executed without any additional Financial Guarantee. The EMD/PSD/PBG required to be submitted by the vendor as mentioned in the TE and shall only act as the financial guarantee for the IP.

   iv) For procurement cases above Rs. 5 Cr & up to Rs. 100 Cr, in case EMD is exempted and/or PSD is waived, separate Bank Guarantee of the PSD value required to be submitted by the vendor.

   v) Bidder shall furnish the said EMD/ Security Deposit through any of the following instruments:

      1) Bank Draft or Pay Order in favour of the **"ARMOURED VEHICLES NIGAM LIMITED (AVNL) - UNIT Name".**

      2) A Confirmed Guarantee by an Indian Nationalized Bank, promising payment of the guaranteed sum to the Buyer, on demand, within three working days without any demur whatsoever and without seeking any reasons whatsoever. The demand for payment by the Buyer shall be treated as conclusive proof for payment.

      3) In case foreign suppliers, the Bidder may, if necessary, furnish the Bank Guarantee from a first class International Bank provided the same is confirmed/verified by the State Bank of India.

   vi) The EMD/ Security Deposit shall be valid up to a period of five years beyond the bid validity specified in the TE (or subsequent request made by the Buyer for validity extension) or the complete conclusion of contractual obligations to complete satisfaction of both the Bidder and the Buyer, whichever is later.

vii) In case there are more than one bidder, the Earnest Money/Security Deposit shall be refunded by the Buyer to those bidder(s) whose bid does not qualify (do not qualify)after the stages of TEC/ TPC, as constituted by the Buyer, immediately after a recommendation is made by the TEC/ TPC on bid(s)after an evaluation.

viii) No interest shall be payable by the Buyer to the Bidder(s) on Earnest Money/Security Deposit for the period of its currency.

ix) The Buyer has nominated ______________________ (Name & address to be given) as Independent Monitor (IEM) for this Pact.

3.11 **Liquidated Damages (LD)**:

3.11.1 The time and the date of delivery of the P&M stipulated in the Purchase Order shall be deemed to be the essence of the contract, and delivery must be completed not later than the dates specified therein.

3.11.2 In the event of seller's failure to have the plant / machines or any part/consignment thereof within the period prescribed for delivery in the contract, the buyer may at his discretion withhold any payment until the whole of the plant / machines have been supplied and the buyer may also deduct from the seller, Liquidated Damages and not by way of penalty, the sum of The standard Liquidated Damages percentage is 0.5% of the contract price of the delayed supplies per week or part thereof for which the delay has occurred, subject to maximum of 5% of the value of delayed supplies.

3.11.3 For delay in completion of any works or services attributable to the supplier, which leads to delay in commissioning and final acceptance of the plant / machines, LD will be imposed @ 0.5% of the full contract price of the plant / machines for each and every week and part of a week of delay in commissioning and final acceptance, subject to maximum of 5% of the full contract price. This LD will be in addition to the LD against delay in delivery of supplies.

3.11.4 The sum of LD for (a and b) i.e., for delays in supplies as well as works & services, will be subject to overall ceiling of 10% of full contract price excluding taxes & duties.

3.11.5 Liquidated Damages are to be calculated on the basic cost (excluding taxes & duties) as per MoD O.M No. 8(8)/O2P/2018 dated 06.08.2018.

Imposition, recovery or settlement of this LD shall not affect Buyer's right to performance, compensation and termination of the agreement.

3.11.6 LD shall be levied for the period for which the supplier was responsible for the delay in delivery/execution i.e. LD shall be waived off if the reasons for delay are not attributable to the supplier.

3.12 **Termination of Contract**: The Buyer shall have the right to terminate this Contract in part or in full in any of the following cases:-

(a) The Seller has failed to perform a substantial obligation under the Contract after having been served a notice of failure and make good by Purchaser within a reasonable period, or the delivery of the material is delayed for causes not attributable to Force Majeure for more than six months after the scheduled date of delivery.

(b) The Seller is declared bankrupt or becomes insolvent.

(c) The delivery of material is delayed due to causes of Force Majeure by more than six months, provided Force Majeure clause is included in contract.

(d) The Buyer has noticed that the Seller has given or offered to give, directly or indirectly, to any person any bribe, gift, gratuity, commission or other thing of value as an inducement or reward for doing or forbearing to do any action in relation to this Contract, e.g. if the Seller has utilized the services of any Indian/Foreign agent in getting this contract and paid any commission to such agent.

(e) As per decision of the Arbitration Tribunal.

3.13 **Notices**: Any notice required or permitted by the contract shall be written in the English language and may be delivered personally or may be sent by FAX or registered mail/airmail, addressed to the last known address of the party to whom it is sent.

3.14 **Transfer and Sub-letting**: The Seller has no right to give, bargain, sell, assign or sublet or otherwise dispose of the Contract or any part thereof, as well as to give or to let a third party take benefit or advantage of the present Contract or any part thereof.

3.15 **Patents and other Industrial Property Rights**: The prices stated in the present Contract shall be deemed to include all amounts payable for the use of patents, copyrights, registered charges, trademarks and payments for any other industrial property rights. The Seller shall indemnify the Buyer against all claims from a third party at any time on account of the infringement of any or all the rights mentioned in the previous paragraphs, whether such claims arise in respect of manufacture or use. The Seller shall be responsible for the completion of the supplies including spares, tools, technical literature and training aggregates irrespective of the fact of infringement of the supplies, irrespective of the fact of infringement of any or all the rights mentioned above.

3.16 **Amendments**: No provision of present Contract shall be changed or modified in any way (including this provision) either in whole or in part except by an instrument in writing made after the date of this Contract and signed on behalf of both the parties and which expressly states to amend the present Contract.

3.17 **Taxes and Duties:**

a) GST: GST or any other Tax chargeable should be specifically stated in the price bid template of the offer/ bid. If not indicated, Buyer will assume that the rates quoted are inclusive of taxes.

b) If a Bidder chooses to quote a price inclusive of any duty/tax and does not confirm inclusive of such duty/tax so included is firm and final, he should clearly indicate the rate of such duty/tax and quantum of such duty/tax included in the price. Failure to do so may result in ignoring of such offers summarily.

c) Seller is entitled for increase in statutory taxes, duties & levies within original DP and extended DP without LD. However, there is decrease in statutory taxes, duties & levies, the same must be passed on to the Buyer.

d) Foreign Bidders: All taxes, duties, levies and charges which are to be paid for the delivery of goods in their respective countries, shall be paid by the foreign bidders.

3.18 Customs Duty:

(i) In case of imported P&M offered against forward delivery, the Bidders shall quote prices exclusive of customs duty, duly specifying separately the CIF Price and the customs duty payable. The Bidder shall also indicate the rate of customs duty applicable along with Indian Customs Tariff Number. Customs duty actually paid shall be reimbursed on production of necessary documents i.e. (1) Copy of Bill of Entry, (2) Copy of Bill of Lading, (3) Foreign Principals Invoice.

However, if the Bidder imports the P&M in question against his own commercial quota Import license, he will also be required to submit in addition to the triplicate copy of bills of entry, etc., a certificate from his Internal Auditor on the bill, to the effect that the following items/ quantity in the bill of entry are related to the stores imported against the Buyers Contract Number .... dated ....

(ii) Subsequent to the reimbursement of customs duty if the Seller obtains any refund of customs duty, such refund shall immediately be remitted, in full, to the Buyer. In case of failure to do so, the Buyer shall be fully empowered to deduct a sum equivalent to the amount of customs refunded, without any further reference to the Seller, from any of their outstanding bills against the contract or any other pending Government contract and no disputes on this account shall be raised by the Seller.

(iii) Subsequent to the reimbursement of customs duty, the Seller shall submit to the concerned Paying Authority a certificate to the effect that he has not obtained any customs duty refund. In addition, Seller shall also submit to the Paying Authority a certificate, immediately after lapse of the period specified in the Customs Act by which application for refund are to be filed with the Customs Authorities, stating that he has not applied for refund of the customs duty.

3.19 Exchange Rate Variation Clause:

1. ERV is applicable only in contracts involving substantial import content(s) and having a long delivery period (exceeding one year from the date of contract)and if exchange rate variation is beyond $\pm$ 2.5%.The import components and various currencies (of the import origin) for ERV purpose shall be declared at the time of submission of bid itself in the price-bid in following format -

Item Nomenclature	Currency	Value of imported Item (in FE)	Time schedule of importation
1			
2			
.....			

*ERV shall be admissible up to this time schedule (within which materials will be imported from placement of SO in months). In case the bidder does not provide the schedule, it shall be admissible up to the midpoint of the DP.

2. To convert foreign currency into Indian Rupee, the rate of exchange of SBI, TT selling Rate/RBI for foreign currency prevailing on date of submission of techno-commercial bids will be considered.
3. For computation of ERV, the exchange rate as prevalent on the date of import by the manufacturer or the date as per schedule above whichever is lower shall be considered.
4. Any increase or decrease in the customs duty by reason of the variation in the rate of exchange in terms of the contract will be to the buyer's account. In case delivery period is extended due to default of the vendor, any increase in exchange rate will not be admissible and exchange rate on the last date of original DP shall be considered. In case there is decrease in exchange rate during extended DP, lower exchange rate will be considered.
5. The firm shall submit following documents in support of claim on account of ERV along with the bill -
    i. Copies of import orders.
    ii. Bill of ERV claim enclosing working sheet.
    iii. Banker's Certificate/ debit advice detailing FE paid, date of remittance and exchange rate.
    iv. Invoice of supplier for the relevant import order.

3.20 **Public Procurement (Preference to Make in India) Policy:** Provisions contained in Public Procurement (Preference to Make in India), Order 2017 issued by DIPP, Ministry of Commerce & Industries vide letter No. P-45021/2/2017-B.E-II dated 15-06-2017 along with MoD I.D No. 59011/8/2015-D(HAL-II) dated 19-07-2017 and subsequent amendment issued by DIPP dated 28.05.2018,29-05-2019, 04-06-2020 & 16-09-2020 shall be followed. No such restrictive clauses should be mentioned in terms and conditions of tender enquiries including matter like turnover, production capability and financial strength for the bidders that would be advantageous to the foreign manufactured goods at the cost of domestically manufactured goods. The minimum local content shall ordinarily be 50%. The Requirement of Purchase Preference under PPP-MII, Order 2017 is as follows:-

(a) If the estimated value of procurement is Rs. 50 Lakhs or less for which sufficient local capacity and local competition available, only local suppliers shall be eligible to participate.
(b) In the procurement of P&M more than Rs. 50 Lakhs and which are divisible in nature, following procedure shall be followed:-
    i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is from a local supplier, the contract for full quantity will be awarded to L1.
    ii. If L1 bid is not from a local supplier, 50% of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the local suppliers, will be invited to match the L1 price for the remaining 50% quantity subject to the local suppliers quoted price falling within the margin (20%) of purchase preference, and contract

for that quantity shall be awarded to such local supplier subject to matching the L1 price. In case such lowest eligible local supplier fails to match the L1 price or accepts less than the offered quantity, the next higher local supplier within the margin of purchase preference shall be invited to match the L1 price for the remaining quantity and so on, and contract shall be awarded accordingly. In case some quantity is still uncovered on local suppliers, then such balance quantity may also be ordered on the L1 bidder.

(c) In the procurement of P&M more than Rs. 50 Lakhs and which not divisible in nature, following procedure shall be followed:-

i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is from a local supplier, the contract will be awarded to L1.

ii. If L1 is not from a local supplier, the lowest bidder among the local suppliers, will be invited to match the L1 price subject to local suppliers quoted price falling within the margin (20%) of purchase preference and the contract shall be awarded to such local supplier subject to matching the L1 price.

iii. In case such lowest eligible local supplier fails to match the L1 price, the local supplier with the next higher bid within the margin of preference shall be invited to match the L1 price and so on and contract shall be awarded accordingly. In case none of the local suppliers within the margin of purchase preference matches the L1 price, then the contract may be awarded to the L1 bidder.

(d). Applicability in tenders where contract is to be awarded to multiple bidders - In tenders where contract is awarded to multiple bidders subject to matching of L1 rates or otherwise, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:

i) In case there is sufficient local capacity and competition for the item to be procured, as notified by the nodal Ministry, only Class I local suppliers shall be eligible to bid. As such, the multiple suppliers, who would be awarded the contract, should be all and only 'Class I Local suppliers'.

ii) In other cases, 'Class II local suppliers' and 'Non local suppliers' may also participate in the bidding process along with 'Class I Local suppliers' as per provisions of this Order.

iii) If 'Class I Local suppliers' qualify for award of contract for at least 50% of the tendered quantity in any tender, the contract may be awarded to all the qualified bidders as per award criteria stipulated in the bid documents. However, in case 'Class I Local suppliers' do not qualify for award of contract for at least 50% of the tendered quantity, purchase preference should be given to the 'Class I local supplier' over 'Class II local suppliers'/ 'Non local suppliers' provided that their quoted rate falls within 20% margin of purchase preference of the highest quoted bidder considered for award of contract so as to ensure that the 'Class I Local suppliers' taken in totality are considered for award of contract for at least 50% of the tendered quantity.

iv) First purchase preference has to be given to the lowest quoting 'Class-I local supplier', whose quoted rates fall within 20% margin of purchase preference, subject to its meeting the prescribed criteria for award of contract as also the constraint of maximum quantity that can be sourced from any single supplier. If the lowest quoting 'Class-I local supplier', does not qualify for purchase preference because of aforesaid constraints or does not accept the offered quantity, an opportunity may be given to next higher 'Class-I local supplier', falling within 20% margin of purchase preference, and so on.

v) To avoid any ambiguity during bid evaluation process, the procuring entities may stipulate its own tender specific criteria for award of contract amongst different bidders including the procedure for purchase preference to 'Class-I local supplier' within the broad policy guidelines stipulated in sub-paras above.

(e). Minimum local content: The 'local content' requirement to categorize a supplier as 'Class-I local supplier' is minimum 50%. For 'Class-II local supplier', the 'local content' requirement is minimum 20%. Nodal Ministry/ Department may prescribe only a higher percentage of minimum local content requirement to categorize a supplier as 'Class-I local supplier'/ 'Class-II local supplier'. For the items, for which Nodal Ministry/ Department has not prescribed higher minimum local content notification under the Order, it shall be 50% and 20% for 'Class-I local supplier'/ 'Class-II local supplier' respectively.

3.21 **Public Procurement Policy for MSEs Order, 2012 :**

Any order issued by Central Government in relation to Micro, Small or other sections of Industries relevant to procurement shall be followed by Factories / Units . One such Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 is in force w.e.f 01.04.2012 and should be strictly adhered to. The Public Procurement Policy shall apply to Micro and Small Enterprises (MSEs) registered with District Industries Centres or Khadi and Village Industries Commission or Khadi and Village Industries Board or Coir Board or National Small Industries Corporation or Directorate of Handicrafts and Handloom or any other body specified by Ministry of Micro, Small and Medium Enterprises (MSME). Declaration of Udyog Aadhaar Memorandum (UAM) number by the MSME vendors on CPPP/Armoured Vehicles Nigam Limited e-procurement/GeM portal should be made. The MSE bidders who fail to submit UAM number will not be able to avail the benefits available to MSEs as contained in Public Procurement Policy for MSEs Order, 2012 for tenders invited electronically through CPPP/Armoured Vehicles Nigam Limited e-procurement portal as follows:-

(a) Tender set free of cost
(b) Exemption from the payment of Earnest Money (EMD)

(c) In tender, participating MSEs quoting price within price band of L1+15% shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a MSE and such MSE(s) shall be allowed to supply up to 20% of the total tendered value. Further order dated 09-11-2018 amended that

(i.) For the figures and word "20 per cent", wherever they occur, the figures and word "25 per cent" shall be substituted.

(ii) In addition after Para-4 of the said order, Para-4A was inserted
'4A. Special provision for Micro and Small Enterprise owned by women. Out of the total annual procurement from Micro and Small Enterprises, 3 per cent from within the 25 per cent target shall be earmarked for procurement from Micro and Small Enterprises owned by women (Ref: Micro and Small Enterprises (MSEs) Order No: [F. No. 21(22)-2018-MA} dated 09-11-2018).

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Part IV – Special Conditions of TE

Part IV of the TE contains the Special Conditions of the TE that will form part of the contract with the successful Bidder. The Bidder is required to give confirmation of their acceptance of Special Conditions of the TE mentioned below failing to do so may result in rejection of Bid submitted by the Bidder.

4.1 Performance Security Deposit (PSD):

a. Successful bidder will be required to submit performance security within 30 days of effective date contract for due performance of contract where the contract value is more than Rs.10 lakhs. The amount of performance security will be 5% of contract value in Indian Rupees or Foreign Currency stipulated in contract which amounts to .... (INR/FE).

b. Failure to submit performance security may entail cancellation of contract and EMD will be forfeited, whereas in case of others the concerned registering agency will be informed for appropriate action.

c. Indigenous suppliers: The performance security will be in the form of Account Payee Demand Draft/Banker's Cheque/Fixed Deposit Receipt drawn in favour of "ARMOURED VEHICLES NIGAM LIMITED (AVNL) - UNIT Name" from a Commercial Bank of India/Bank Guarantee in the prescribed format (enclosed) from a Commercial Bank of India and should be valid up to 60 days beyond the expiry of warranty period. Indemnity Bonds may be accepted as PSD from Central PSUs.

d. Foreign suppliers: The Seller will be required to submit a Performance Security by way of a Bank Guarantee (in the prescribed format enclosed) drawn in favour of "ARMOURED VEHICLES NIGAM LIMITED (AVNL) - UNIT Name" from International repute first class Bank for which counter guarantee is given by Indian Bank within specified date (normally 30 days after notification of the award of contract/ date of acceptance). Performance Bank Guarantee should be valid up to 60 days beyond the expiry of warranty period. The Performance Bank Guarantee shall be considered open upon receipt by the Buyer's Bank.

e. In case any claims or any other contractual obligations are outstanding, the Seller will extend the Performance Bank Guarantee as asked for by the Buyer till such time as the Seller settles all claims and completes all contract obligations. The Performance Bank Guarantee will be subject to encashment by the Buyer, in case the conditions regarding adherence to delivery schedule, settlement of claims and other provisions of the contract are not fulfilled by the Seller. The format of PBG is enclosed.

f. In the event of non-performance of the item and if Seller fail to attend the defects within reasonable period of time, the PSD will be forfeited /the Performance Bank Guarantee will be encashed.

g. Performance Security will be forfeited and encashed by the Buyer in the event of breach of contract by the Seller.

4.2 **Payment Terms:**

4.2.1 **Payment Terms for Indigenous Sellers:**

It will be mandatory for the Bidders to indicate their bank account numbers and other relevant e-payment details so that payments could be made through ECS/NEFT mechanism. The payment will be made as per the following terms, on production of the requisite documents:

a. 90% value of material plus 100% Taxes, Duties, if any, will be paid after acceptance in Pre-Despatch Inspection of machine at Firm's works and on receipt of machine in safe condition by consignee against submission of PBG / Warranty Bond amounting to 5% of contract value valid up to 60 days beyond the expiry of warranty period in the prescribed format. *(Note:- 5% of Performance Security Deposit (PSD)/ Security Deposit (SD)/ Performance Bank Guarantee (PBG) furnished by the supplier to the purchaser after award of contract as security for performance of contract including warranty obligation (+)Additionally 5% of PBG/ Warranty bond furnished by the supplier to the purchaser after delivery of the goods as security for performance of warranty obligations. Hence Totally 10% of order value must be submitted as security for performance of warranty obligations).* Freight charges will be payable on actual against documentary evidence but not exceeding as quoted by the firm and accepted by purchaser.

b. Balance 10% value of supply and including training charges at firm's premises, if any, plus 100% Erection & Commissioning (E&C) including supervision charges after commissioning and final acceptance of machine at purchaser's end.

4.2.2. In procurement through global tendering, especially in high value contracts, to have uniform payment clauses, in case domestic suppliers desire payment through Letter of Credit, then depending on the merits of the case, the same can be agreed to. However, payment to be made on FOR basis as per payment terms

4.2.3 Stage payments for government controlled autonomous institutions:

When stage payments are considered e.g. for turn-key projects and for procurement of machines from government controlled autonomous institutions like CMTI, following should be ensured:

(a) Stages (milestones) against which payments are to be made should be clearly defined.
(b) Necessary provision should be incorporated in the contract ensuring purchaser's ownership on the stages up to which work is completed and payment is made.
(c) Recovery of advance amount already paid (if any) should be made proportionately from the stage payments.
(d) Decision on No. of stages in case of foreign purchases may be decided mutually by the purchaser and seller.
(e) Unit to frame the payment terms.

4.2.4 **For machines like furnaces, heavy duty presses, plants, EOT Cranes, Electrical substations and Air pipe line systems in Air Compressors, for which functional PDI at Firm's premises is not possible:**

The payment terms will be modified to the extent that 80% payment shall be made against firm's Guarantee Certificate and self-inspection certificate for equipments, systems, subassemblies, etc instead of PDI certificate and balance 20% after commissioning and final acceptance.

4.3 **Payment terms for Foreign Sellers:**

(a) **For machines for which functional PDI at Firm's premises is possible:**

(i) Payment will be made through irrevocable Letter of Credit only for 100% value of the order established on a public sector bank in India. In case of payment through confirmed LC, the charges of confirmation will be borne by the contractor. Purchaser will establish LC only three months prior to the actual date of delivery/ shipment. In case contractor insists on establishment of LC immediately after conclusion of contract/ placement of order irrespective of delivery/ shipment schedule, LC will be established by the purchaser immediately after conclusion of contract for a period of three months with a provision in LC that cost of further extension of validity of LC will be borne by the beneficiary and the issuing bank will be advised accordingly while amending the LC.

(ii) If any extension of the Letter of Credit (LC) is required due to the fault of the supplier, the supplier will have to pay for such extension.

(iii) 90% payment for supply and services at firm's premises, if any, will be paid after acceptance in Pre Despatch Inspection (PDI) of machine at Firm's works against dispatch documents i.e. bill of lading / airway bill, acceptance certificate by PDI team, etc. against submission of PBG / Warranty Bond amounting to 5% of contract value valid up to 60 days beyond the expiry of warranty period in stipulated format. *(__Note:-__ **5% of Performance Security Deposit (PSD)/ Security Deposit (SD)/ Performance Bank Guarantee (PBG)** furnished by the supplier to the purchaser after award of contract as security for performance of contract including warranty obligation **(+) Additionally 5% of PBG/ Warranty bond** furnished by the supplier to the purchaser after delivery of the goods as security for performance of warranty obligations. Hence **Totally 10% of order value must be submitted** as security for performance of warranty obligations).*

(iv) Balance 10% value of supply and including training charges at firm's premises, if any, plus 100% Erection & Commissioning (E&C) including supervision charges after commissioning and final acceptance of machine at purchaser's end.

(b) **For machines like Process furnaces, heavy duty presses, plants, for which functional PDI at Firm's premises is not possible:**

The payment terms at Sl. (a) above will be modified to the extent that 80% payment shall be made against firm's Guarantee Certificate and self-inspection certificate for equipments, systems, subassemblies, etc instead of PDI certificate and balance 20% after commissioning and final acceptance.

(c) **For contracts involving Turnkey projects:** High value P&M procurement cases where stage payments are contemplated:
(To be framed by the Unit /TPC-I)
Note to Unit:

i) The Buyer, if satisfied that the throughput time and the value of procurement are very high, may then allow stage payment only against satisfactory completion of clearly identifiable physical milestones with the quantum of the stage payment being commensurate with the quantum of work completed up to the milestone, subject to the Seller submitting a Bank Guarantee in the prescribed format(enclosed) from a Commercial Bank of India (for Indigenous Sellers)/ Bank of International repute for which counter guarantee is given by Indian Bank (for Foreign Sellers), with validity up to additional period of 60 days beyond the delivery date of the completion of all contractual obligations, for an amount equivalent to the stage payment to be released.

ii) While framing the stage payment terms, following should be kept in consideration:
   (a) Stages (milestones) against which payments are to be made should be clearly defined.
   (b) Necessary provision should be incorporated in the contract ensuring purchaser's ownership on the stages up to which work is completed and payment is made.
   (c) Recovery of advance amount already paid (if any) should be made proportionately from the stage payments.
   (d) Decision on No. of stages in case of foreign purchases may be decided mutually by the purchaser and seller.
   (e) Unit to frame the payment terms.

4.4 Advance Payments: Ordinarily, payments for services rendered or supplies made should be released only after the services have been rendered or supplies made. However, it may become necessary to make advance payments in the following cases:-

- Advance payment demanded by firms against fabrication contracts, turn-key contracts etc costing more than Rs 5 crores (Unit to decide in TPC-I).

4.4.1 Advance payments may be made against appropriate Bank guarantee for 110% of advance amount.

4.4.2 Such advance payments should not exceed the following limits:

(a) Thirty per cent (30%) of the contract value to private firms;

(b) Forty per cent (40%) of the contract value to a State or Central Government agency or a Public Sector Undertaking (Reference: Rule 172 of GFR-2017)

4.4.3 In lieu of bank guarantee, Indemnity bond for equivalent amount is acceptable for Autonomous Bodies /PSUs under administrative control of Government of India.

4.5 **Part payment to suppliers:** Depending on the terms of delivery incorporated in a contract, part payment to the supplier may be released after it dispatches the P&M duly cleared in PDI and acceptance in good condition at purchaser's premises in terms of the contract.

4.6 **Documents for releasing Payment**:

4.6.1 **Indian Sellers**: The payment of 80%/90%bills will be made on submission of the following documents by the Seller to the Purchaser along with the bill:

i. Ink-signed copy of Commercial invoice / Seller's bill.

ii. Acceptance certificate in Pre-Despatch Inspection

iii. Acceptance in Joint Inspection Report after receipt of P&M.

iv. Claim for statutory and other levies to be supported with requisite documents / proof of payment such as GST challan, Warranty Bond (Bank guarantee) as per S.O. terms.
v. Details for electronic payment viz., Account holder's name, Bank name, Branch name and address, Account type, Account number, IFSC code, MICR code (if these details are not incorporated in supply order/contract).
vi. Any other document / certificate that may be provided for in the Supply Order / Contract.
vii. Provisional certificate of receipt by Purchaser.

(Note – From the above list, the documents that may be required depending upon the peculiarities of the procurement being undertaken, may be included in TE by Unit.)

viii. In addition to the existing entries, the firm shall submit following documents in support of claim on account of ERV along with the bill -
   a) Copies of import orders placed on the supplier.
   b) Bill of ERV claim enclosing working sheet.
   c) Banker's Certificate/ debit advice detailing FE paid, date of remittance and exchange rate.
   d) Invoice of supplier for the relevant import order.

4.6.2. **Foreign Sellers:** Paid shipping documents are to be provided to the Bank by the Seller as proof of Despatch of goods as per contractual terms so that the Seller gets payment from LC. The Bank will forward these documents to the Buyer for getting the P&M/Goods released from the Port/Airport. Documents will include:

i. Clean on Board Airway Bill/Bill of Lading
ii. Original Invoice
iii. Packing List
iv. Certificate of Origin from Seller or Seller's Chamber of Commerce.
v. Certificate of Quality and current manufacture from OEM.
vi. Performance Bond/ Warranty Certificate as per S.O.
vii. Insurance policy of 110% if CIF / CIP contract
viii. Certificate of Conformity & Acceptance at PDI/PDI waiver certificate from purchaser, if any.
ix. Any other document / certificate that may be provided for in the Supply Order / Contract.
x. Final payment shall be made against the successful commissioning & final acceptance certificate and submission of warranty bond as per terms of S.O.

4.7 Risk Purchase clause:

a. Should the stores or any installment thereof not be delivered within the time or times specified in the contract documents, or if defective delivery is made in respect of the stores or any installment thereof, the Buyer shall after granting the Seller 45 days to cure the breach, be at liberty, without prejudice to the right to recover liquidated damages as a remedy for breach of contract, to declare the contract as cancelled either wholly or to the extent of such default.

b. Should the stores or any installment thereof not perform in accordance with the specifications / parameters provided by the SELLER during the check proof tests to be done in the BUYER's country, the BUYER shall be at liberty, without prejudice to any other remedies for breach of contract, to cancel the contract wholly or to the extent of such default.

c. In case of a material breach that was not remedied within 45 days, the BUYER shall, having given the right of first refusal to the SELLER be at liberty to purchase, manufacture, or procure from any other source as he thinks fit, other stores of the same or similar description to make good:-

   i. Such default.

   ii. In the event of the contract being wholly determined the balance of the stores remaining to be delivered there under.

d. Any excess of the purchase price, cost of manufacturer, or value of any stores procured from any other supplier as the case may be, over the contract price appropriate to such default or balance shall be recoverable from the SELLER.

4.8. Force Majeure clause:

a. Neither party shall bear responsibility for the complete or partial nonperformance of any of its obligations (except for failure to pay any sum which has become due on account of receipt of goods under the provisions of the present contract), if the non-performance results from such Force Majeure circumstances as Flood, Fire, Earth Quake and other acts of God as well as War, Military operation, blockade, Acts or Actions of State Authorities or any other circumstances beyond the parties' control that have arisen after the conclusion of the present contract.

b. In such circumstances the time stipulated for the performance of an obligation under the present contract is extended correspondingly for the period of time of action of these circumstances and their consequences.

c. The party for which it becomes impossible to meet obligations under this contract due to Force Majeure conditions, is to notify in written form the other party of the beginning and cessation of the above circumstances immediately, but in any case not later than 10 (Ten) days from the moment of their beginning.

d. Certificate of a Chamber of Commerce (Commerce and Industry) or other competent authority or organization of the respective country shall be a sufficient proof of commencement and cessation of the above circumstances.

e. If the impossibility of complete or partial performance of an obligation lasts for more than 6 (six) months, either party hereto reserves the right to terminate the contract totally or partially upon giving prior written notice of 30 (thirty) days to the other party of the intention to terminate without any liability other than reimbursement on the terms provided in the agreement for the goods received.

4.9 **Export License**: The Bidders are to confirm that they have requisite export license from their Government to export the specified goods to India or shall be able to obtain the same within reasonable time (say three months).

4.10 **Delivery Period:**

a. Time is the essence of the contract. The bidder shall quote his best and earliest delivery so that machine is available at site at the earliest. The time schedule for the delivery of the plant and equipment, civil works, engineering erection and putting into commission as specified in technical specification should be indicated suitably in the tender.

b. Bidder will submit a BAR CHART in this regard, showing detailed activities for execution of the order and their time schedule, for consideration of the purchaser. The bidder will be responsible for co-ordinated delivery and erection of the complete plant, equipment and materials both from outside India and from indigenous sources and he shall ensure deliveries in the sequence in which they will be required for erection at site.

c. Delivery quoted should be guaranteed. The Contract can be cancelled unilaterally by the Buyer in case items are not received within the contracted delivery period. Extension of contracted delivery period will be at the sole discretion of the Buyer, with applicability of LD clause.

4.11 **Terms for Delivery:**
The applicable rules & regulations for transportation of goods will be as per the contemporary version of International Commercial Terms (INCOTERMS) evolved by International Chamber of Commerce, Paris. Delivery Date is defined by the delivery terms as given below:

Sl	Terms of delivery	Date of delivery
a	By Post Parcel	The date of postal receipt.
b	Dispatch by Air	The date of Air-way Bill.
c	FOB Port of Shipment	The date on which the Seller delivers the goods on vessel's board at the specified port of shipment. This date is reflected in Bill of Lading.
d	FCA Port of shipment	The date on which the Seller delivers the goods to the buyer-designated carrier at the named place.
e	DAP Destination /	The date on which the delivery is made at the destination mentioned in the contract.
f	Delivery at Site / OF….	The date on which the delivery is made at the site / OF…. mentioned in the contract.

4.12 **Consignee details:**

a. Indigenous item: General Manager, ……..(UNIT's name)

b. Imported item:

   i. Port Consignee: ………(Address of EHQ)

   ii. Ultimate consignee: ……………..(Address of UNIT)

4.13 **Transportation**: The following Transportation clause will form part of the contract placed on successful Bidder –

a. Indian firms: The stores shall be delivered DAP, …………(UNIT's name)

b. Foreign firms:

CIF/CIP: The stores shall be delivered CIF/CIP _______(Port of destination) (INCOTERMS 2010, or latest version). Seller will bear the costs and freight necessary to bring the goods to the port of destination. The Seller also has to procure marine insurance against the Buyer's risk of loss of or damage to goods during the carriage. The Seller will contract for insurance and pay the insurance premium. Seller is also required to clear the goods for export. The date of issue of the Bill of Lading shall be considered as the date of delivery. No part shipment of goods would be permitted. Trans-shipment of goods would not be permitted. In case it becomes inevitable to do so, the Seller shall not arrange part-shipments and/or transshipment without the express/prior written consent of the Buyer. The goods should be shipped by Indian vessels only (or, if not available, by vessels belonging to the conference lines in which India is a member country). However, the Seller can still utilize the services of the Govt. of India Freight Forwarding Agent details for which will be provided by the Buyer. Seller will be required to communicate the following information invariably by telex/fax/signed to Port Consignee well in advance before the Ship sails the port of loading:

iii. Name of the Ship
iv. Port of Loading and name of Country.
v. ETA at port of Discharge.
vi. Number of Packages and weight.
vii. Nomenclature and details of major equipment.
viii. Special instructions, if any stores of sensitive nature requiring special attention.

OR

FOB: The stores shall be delivered FOB .... (INCOTERMS 2010, or latest version). The stores shall be delivered to the Buyer by Indian Ships only. Shipping arrangements shall be made by the Chartering Wing, Ministry of Shipping, Notice about the readiness of Cargo for shipment shall be given by the supplier from time to time at least 6 (six) weeks in advance for finalizing the shipping arrangement, through Fax/Telex and courier, to the Chief Controller of Chartering (the head of Chartering Wing). Within 3 (three) weeks of receipt of the advance notice, as above, the said Chief Controller of Chartering / Shipping Coordination Officer will advise the supplier, through Fax/Telex and courier when and on board what vessels, these goods or such part thereof are to be delivered. If the advice for shipping arrangement is not furnished to the Seller within 3 (three) weeks as aforesaid or if the vessel arranged is scheduled to arrive at the specified port of loading later than 15 (fifteen) days of the date of readiness of cargo, as aforesaid, the Seller may arrange for such transport on alternative carriers with the prior written consent of the Buyer. Where the Seller is required under the contract to deliver the goods on FOB basis and to arrange on behalf and at the expense of the Buyer for ocean transportation on Indian flag vessels or vessels of conference lines in which India is a member country, the Seller may arrange for such transportation on alternate carriers if the specified Indian flag vessels or conference vessels are not available to transport the goods within the time period(s) specified in the contract, with the prior written consent of the Buyer. Should the goods or any part thereof be not delivered on the nominated vessel (except in case where prior written consent of the Buyer was obtained), the Seller will be liable for all payments and expenses that the Buyer may incur or be put to, by reason of such non-delivery including dead and extra freight, demurrage of vessels and any other charges, whatsoever incurred by the Buyer. The date of issue of the Bill of Lading shall be considered as the date of delivery. No part shipment of goods would be permitted. Trans-shipment of goods would not be permitted. In case it becomes inevitable to do so, the Seller shall not arrange part-shipments and/or transshipment without the express/prior written consent of the Buyer. The contact details of Chief Controller of Chartering are: Ministry of Shipping, Chartering Wing, Transport Bhavan, Parliament Street, New Delhi-110011 (Telegraphic Address: TRANSCHART, NEW DELHI-1, Telex "VAHAN" In 31-61157 OR 31-61158, Phone +91 11 2371 9480, Fax +91 11 2371 8614).

OR

FCA - The delivery of the goods by air transport shall be FCA _____ Airport (INCOTERMS 2010, or latest version). The Despatch of goods shall be made through Air India to port consignee. The Buyer shall advise full details of its freight forwarder to the Seller no later than 60 days prior to the delivery of the first consignment; otherwise the Seller may nominate the freight forwarder which shall be at the Buyer's expense. Any delay in advising or delay by the freight forwarder shall be at the responsibility of the Buyer. The date of issue of the Air Way Bill (AWB) shall be considered as the date of delivery.

4.14 **Air lift:** The following Airlift clause will form part of the contract placed on successful Bidder – Should the Buyer intend to airlift all or some of the stores, the Seller shall pack the stores accordingly on receipt of intimation to that effect from the Buyer. Such deliveries will be agreed upon well in advance and paid for as may be mutually agreed.

4.15 **Packing**: The following Packing and Marking clause will form part of the contract placed on successful Bidder –

a. The Contractor shall provide packing and preservation of the equipment and spares/goods contracted so as to ensure their safety against damage in the conditions of land, sea and air transportation, transshipment(if inevitable), storage and weather hazards during transportation, subject to proper cargo handling. The Seller shall ensure that the stores are packed in containers, which are made sufficiently strong, and with seasoned wood. The packing cases should have hooks for lifting by crane/fork lift truck. Tags with proper marking shall be fastened to the special equipment, which cannot be packed.

b. The Contractor must ensure that sturdy packing is used to withstand rough handling during transit by rail/road. In case the contractor fails to meet the qualitative requirements for packing, he must make good all losses arising out of his failure to meet contractual obligations. The contractor will be responsible for internal damages if any, when outwardly there is no damage to the package.

c. For imported machines, the packing must be such that it is able to withstand the vagaries of weather, shipping and roughness of handling by port labour, cranes and fork-lifts. The consignments as far as possible must be shipped in containers (FCL/LCL).

d. One copy of the packing list/ invoice in English and pre-despatch inspection certificate shall be inserted in each cargo package, and the full set of the packing lists shall be placed in Case No.1 painted in a yellow colour.

4.16 **Marking:**

a. **Indigenous Supplies**: The following markings on two opposite faces and top side should be stenciled in legible ink on the packing cases containing the consignments at the time of dispatch:

i. Contract No & Date:
ii. Name of the consignee:
iii. Full address of consignee:
iv. Total No of packages & Sl No of package:
v. Up right arrow.
vi. Gross weight:
vii. Special marking for case.
viii. Brief nomenclature of equipment:
ix. Slinging position.

b. **Imported Supplies**: The Seller shall mark each package with indelible paint in the English language as follows:-

i. EXPORT
ii. Contract No & Date:
iii. Consignee:
iv. Port / airport of destination:
v. Ultimate consignee:
vi. SELLER:
vii. Total No of packages &Sl No of package:
viii. Gross/net weight:
ix. Overall dimensions/volume:
x. Up right arrow.
xi. Special marking for case.
xii. Brief nomenclature of equipment:
xiii. Slinging position

c. If necessary, each package shall be marked with warning inscriptions: <Top>, "Do not turn over", category of cargo, etc.

d. **Despatch of components as per input drawings**: The delivery of input components shall adhere to the mutually agreed schedule. The supplier shall intimate the requirement of input component in synchronizing with the readiness of the machine. The input components being supplied shall be duly inspected by Unit/QC as per specified parameters before dispatch.

4.17 **Pre-Despatch Inspection:** The following Pre-Despatch Inspection clause will form part of the contract placed on successful Bidder –

a. The Buyer's representatives will carry out Pre-Despatch Inspection (PDI) of the machines/equipment to check their compliance with specifications as per S.O. Upon successful completion of such PDI, the Seller and Buyer will issue and sign a Certificate of Conformity.

b. The Seller shall intimate the Buyer at least 30days (Indigenous) / 90 days (Imported m/c) before the scheduled date of PDI.

c. The list of Buyer's representatives together with their particulars including name, title, date and place of birth, passport numbers with date of issue and date of expiry, address, etc.

shall be communicated by the Buyer in advance to apply for the necessary authorizations and clearances to be granted.

d. The Buyer reserves the right not to attend the PDI or to request for postponement of the beginning of the PDI by a maximum of one month from the date fixed for such PDI in order to allow his representative(s) to attend such tests, in which cases he shall inform in writing the Seller within 15 days before the date of the beginning of the PDI. Should the Buyer request for such postponement, liquidated damages, if any, shall not apply. In case the Buyer informs the Seller within the period mentioned hereinabove that he cannot attend the PDI or in case the Buyer does not come at the postponed date requested by him for performance of the PDI as mentioned above, the Seller shall be entitled to carry out said tests alone as scheduled. The Certificate of Conformity and the Acceptance Test Report will be signed by the Seller's QA representative alone and such documents bearing the sole signature of the Seller's QA representative shall have the same value and effect as if they have been signed by both the parties. In case Buyer does not elect to attend the PDI, the Buyer shall intimate the Seller in writing that it does not wish to attend the PDI.

e. The Seller shall provide all reasonable facilities, access and assistance to the Buyer's representative for safety and convenience in the performance of their duties in the Seller's country.

f. Ideally, the PDI of the P&M is required to be carried out at OEM premises. Hence Armoured Vehicles Nigam Limited Units can depute the PDI team to OEM's premises. All costs associated with the stay of the Buyer's Representative(s) in the country where the PDI is to be carried out, including travel expenses, boarding and lodging, accommodation, daily expenses, shall be borne by the Buyer.

In case, subsequently, OEM desires PDI to be carried out at other places also, then the OEM will take the responsibility of arranging the same at his cost.

g. In case, the m/c is rejected during the 1st PDI, the cost of subsequent PDIs shall be borne by the supplier. Preferably, the original PDI team will carry out subsequent PDI(s). The expenditure for subsequent PDI(s) shall be initially be incurred by the buyer and will be deducted from the supplier's 1st claim.

4.18 **Joint Receipt Inspection**: When boxes or containers received by the Buyer are opened for assembly/installation, joint checking will be done by Buyer and Seller for conformance to quantity and description mentioned in the invoice. In case of any discrepancy, the Seller shall make good the same at his cost.

4.19 **Insurance:**

a. Where delivery of imported goods is required by the purchaser on CIF basis, the supplier shall arrange and pay for marine/air insurance, making the purchaser as the beneficiary. The Insurance Policy shall be for 110% value of goods for coverage on "all risks" basis including war risks and strike clauses. The date of insurance should be dated prior to the date of shipment. The insurance policy should mention the name of ship, merchandise details, number of packages, name of vessel, number of voyages, port of shipment, port of destination/destination warehouse and the details on Insurance documents should not contradict the stipulation in Bill of Lading or Invoice. The insurance policy shall be forwarded to the purchaser sufficiently before despatch of the consignment.

b. Where delivery is on FOB/FCA basis, marine/air insurance shall be the responsibility of the purchaser.

c. In case of turn-key supply of plant/machines, if any supplies or part thereof are damaged during the process of erection and commissioning of the plant/machines until the final acceptance, the same will have to be replaced at site by the supplier free of all costs to the purchaser, including the erection and commissioning cost in the event of the plant/machines having been erected.

d. In the above case, the supplier shall be responsible for insurance of the plant/machines during erection and commissioning. In this connection, the supplier shall arrange "Erection All Risks Insurance" of sufficient amount along with coverage for construction/erection equipment as well as third party claims in respect of property damage or bodily injury. The supplier shall also be responsible for insurance for personnel engaged by them in the erection work.

4.20 **Guarantee:**

The supplier shall guarantee among other things the following:

a. Satisfaction of technical and other parameters mentioned in the specification and contract.

b. Quality and strength of materials used in the manufacture of the equipment considering the applicable codes of practice and regulation.

c. Adequate factors of safety for all parts of the equipment to withstand the mechanical and/ or electrical stresses developed therein under specific operating conditions.

d. Performance data furnished/ specified for the equipment should be actually obtainable when the equipment is installed and tested at site.

4.21 **Warranty:**

a. The supplier shall warrant that the plant/machine (including associated works constructed by the supplier) will be free from defects in design, material or workmanship. Supplier's obligations under the warranty shall involve repair, rectification and making good at site any defect, imperfection or fault attributable to defective design, *material or workmanship.*

b. The supplier shall furnish PBG / Warranty Bond for 5% of contract price valid for two months after warranty period, as security for its warranty obligations (Note:- 5% of Performance Security Deposit (PSD)/ Security Deposit (SD)/ Performance Bank Guarantee (PBG) furnished by the supplier to the purchaser after award of contract as security for performance of contract including warranty obligation (+) Additionally 5% of PBG/ Warranty bond furnished by the supplier to the purchaser after delivery of the goods as security for performance of warranty obligations. Hence Totally 10% of order value must be submitted as security for performance of warranty obligations).

c. The following Warranty clause will form part of the contract with the successful bidder:

1. The contractor/seller hereby warrants that the plant/equipment sold/supplied to the purchaser under this contract shall be of the best quality and workmanship and new in all respects and shall be strictly in accordance with the specifications and particulars contained/mentioned in the said contract.

2. The contractor/seller further warrants that the plant/equipment would continue to conform to the specified description and quality and would be free from any non-conformity with the requirements of the contract (hereinafter referred to as a 'defect') due to faulty design, materials or workmanship, for a period called 'warranty period' or 'defects liability period' as defined below:

   12 months from the date of commissioning and acceptance of the plant/equipment at the purchaser's site, in case of turn-key supply contracts, or

   12 months from commissioning and final acceptance of the plant/equipment at the purchaser's site or 18 months from the date of delivery for indigenous equipment or21 months from date of delivery (i.e. Despatch from connected foreign port by FOB) for imported equipments, whichever is earlier, in case of other contracts.

3. If the commissioning/acceptance of the plant/equipment is delayed due to fault of contractor/seller, the warranty period will automatically get correspondingly extended.

4. Notwithstanding the fact that the purchaser (or his representative) may have inspected and/or approved the plant/equipment, if any defect is discovered in the plant/equipment during the aforesaid warranty period and the decision of the purchaser in that behalf shall be final and binding on the contractor/seller, the purchaser shall be entitled to call upon the contractor/seller to rectify such defect.

5. Defects shall be notified by the purchaser to the contractor/seller in writing without undue delay after the defects are noticed, and in any event not later than thirty (30) days after the expiry of the warranty period.

6. Upon receipt of notice from the purchaser about any defect that occurs during the warranty period, the contractor/seller shall respond within a maximum period of 2 (two) weeks for attending and rectification of faults during the warranty period, without any charges and costs to the purchaser.

7. If a defect appears, requiring immediate action due to the risk of resultant damage, and if the contractor/seller cannot make immediately good the defect, the purchaser is entitled to apply all necessary measures to prevent or limit damage.

8. This warranty is not applicable if the defect is attributable to normal wear and tear or incorrect operation or negligence or willful damage on the part of the purchaser.

9. Parts replaced or repaired under the above provisions shall be subject to the same warranty from the contractor/seller, and under the same conditions as apply for the rest of the plant/equipment, for a period of one (1) year after such replacement or repair has been effected. The warranty period for the rest of the plant/equipment shall be extended only by the time during which it was out of operation as a result of defects covered by the above provisions. Nothing contained in this clause shall however extend the warranty period by a period beyond two (2) years after the commissioning and acceptance of the plant/equipment.

10. Defective parts which is required to be replaced, shall be made available by the seller/contractor without cost. However, the seller/contractor shall be responsible for lifting the defective parts and transporting the same at his cost from purchaser's place within mutually agreed time period.
11. In case of failure on the part of the contractor to fulfill any warranty obligations, the contractor/seller shall pay to the purchaser such compensation, as may arise from the breach of the warranty as mentioned below:
    (a) Maximum allowance of down time during the warranty period will be 10% (Ten percent) calculated on quarterly basis.
    (b) A penalty of 0.5% (Zero point five percent) per week of the contract value will be levied for delay in response time for attending and rectification of faults beyond specified time during the warranty period as detailed above.
    (c) Maximum penalty to be levied on account of warranty failure will be 5% (Five percent) of the contract value calculated during whole of warrantee period and after that if there is any delay on the part of supplier, purchaser shall be entitled for encashment of performance warrantee bonds. In such cases, the bad performance of firm during the warranty period, the same would be recorded and circulated to all OFs. The same would be given due regard in deciding future orders on the firm and when evidence to the contrary is not available, the firm's offer may be even rejected.

4.22 **After sales support**: The contractor shall provide after sales service of the Equipments for at least ten years after the expiry of warranty period, which will comprise of the following:

a. To render free technical advice on any matter of the equipment.
b. To quote and supply all spare parts/accessories/sub-assemblies at a reasonable price and delivery schedule.
c. To make available the services of suitable specialists on reasonable terms.

4.23 **Guarantee to provide Spares:**

a. The Vendor shall be committed to make available the spares for 10 years period from the completion of the warranty period.
b. Acceptance of tender for the supply of machine against this TE will be subject to bidders certifying that they have adequate servicing and spare parts facilities in respect of the machine tendered for by them or that they shall arrange to provide such facilities simultaneously with the supply of the machine.
c. Bidders shall also undertake that supplies of necessary maintenance equipment and spare parts will be made available for life of the machine on a continuous basis.
d. The successful bidder shall warranty that before going out of production of the spare parts he will give adequate advance notice to the purchaser so that the later may order his requirements of spares in one lot, if he so desires.
e. The successful bidder shall further guarantee that if he goes out of production of spare parts, then he will make available blueprints, drawings of the spare parts and specifications of materials at no cost to the purchaser as and when required in connection with the machine to enable the purchaser to fabricate or procure spare parts from other sources.

f. In case spares are also ordered with the machine, bidder will undertake to offer spares for delivery along with the main equipment only and not before.

4.24 **Manufacturer's Recommended List of Spares (MRLS). –**

Bidders are requested in following format.

EQUIPMENT: ....
Original Equipment Manufacturer (OEM): ....

Manufacturer's Part No	Source of Supply	Nomenclature	Nos fitted in one equipment	Spare Parts List (ISPL) as per TE	Unit Cost	Recommended scale for spare parts		Total Cost		REMARKS
						Unit	Cost	As per T.E.	As per Recommended list of spares	
Total Cost										

Notes:

1. Maintenance spares/stores like lubricants, sealing compound, gases should be given separately giving source of supply.
2. In 'Remarks' column following information (if applicable) be given

   (a) If an item has a shelf / operational life it may be indicated.

   (b) Matching set of components be indicated.

   (c) Items which cannot be manufactured in India due to sophisticated design/technology may be indicated.

   (e) If a component/ assembly is common to other similar equipment offered by the OEM earlier these should be indicated.
3. Modules / assemblies should be listed and their components should be included under them so as to relate each item of spare to their module / assembly.

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Part V – Evaluation Criteria & Price Bid Format

5.1 **Evaluation Criteria** - The broad guidelines for evaluation of Bids will be as follows:

a. Only those Bids will be evaluated which are found to be fulfilling all the pre-qualification / eligibility criteria of the TE, both technically and commercially. Offers received without EMD shall be summarily rejected, if the bidder does not meet the valid EMD exemption criteria.

b. The techno-commercial Bide-submitted by the Bidders will be evaluated with reference to the technical specifications of the P&M as well as the various commercial clauses of the TE.

c. A "Comparative Statement of Tender" i.e., CST shall be prepared based on the basis of compliance statement and other documents furnished by bidders for analysis of the discordance and the impact of the same. Comprehensive analysis of the techno-commercial offers will form the basis for subsequent decision.

d. The Price Bids of techno-commercially suitable/acceptable Bidders will only be opened.

e. In cases where only Indian bidders are competing, GST and local levies on P&M and related works will not be considered for ranking purpose i.e., in determination of L-1.

f. When tenders are received from consortia of foreign and Indian firms, the ranking of bids (consortia) shall be assessed on CIF basis for foreign supplies & services and ex-works basis for Indigenous supplies & services, offloading the taxes and duties.

g. In cases where all the offers are from foreign suppliers, ranking will be assessed on CIF basis.

h. All the foreign quotes will be brought to a common denomination in Indian Rupees by adopting the exchange rate as BC selling rate of the State Bank of India on the date of the opening of Price Bids.

i. In cases where both foreign and indigenous Bidders are competing, following criteria would be followed: –

- In case of foreign Bidders, the basic cost (CIF) quoted by them, after converting into Rupees, would be the basis for the purpose of comparison of various tenders.
- In case of indigenous Bidders, the ex-works cost would be considered, after offloading the taxes and duties.

j. However, order if any, on foreign bidders will be on FOB basis and on indigenous bidders on DAP destination basis including GST and other local levies, Transportation Charges etc.

k. For ranking of offers, price of complete scope of supply as detailed in technical specifications excluding the price of spares, optional items (if any) and taxes & duties, will be considered.

l. If there is a discrepancy between the unit price and the total price that is obtained by multiplying the unit price and quantity, the unit price will prevail and the total price will be corrected. If there is a discrepancy between words and figures, the amount in words will prevail for calculation of price.

m. The Buyer reserves the right to evaluate the offers received by either loading offers appropriately or by using Discounted Cash Flow method at a discounting rate of the lending rate of the Government of India on loans given to the State Government as notified annually by the Budget Division of Ministry of Finance. In case cash flow involves more than one currency, the same will be brought to a common denomination in Indian Rupees by adopting exchange rate as BC Selling rate of the State Bank of India on the date of the opening of Price Bids.

n. The Lowest Acceptable Bid will be considered further for placement of contract / Supply Order. Negotiation with the bidder(s) is an exception rather than a rule and will be resorted to only in exceptional circumstances as per instructions of the Ministry of Defence /CVC issued time to time. Therefore, bidders in their own interest should quote the most competitive rates at the first instance itself while responding to the tenders.

o. The Buyer will have the right to award contracts to different Bidders for being lowest in particular items, in case more than one type of P&M is combined in a single tender.

p. The consideration of taxes and duties in evaluation process will be as follows:

   i) The Bidders are required to spell out the rates of Customs duty, GST and local levies in unambiguous terms; otherwise their offers will be loaded with the maximum rates of duties and taxes for the purpose of deciding CFA.

   ii) If reimbursement of Customs duty / GST is intended as extra, over the quoted prices, the Bidder must specifically say so. In the absence of any such stipulation it will be presumed that the prices quoted are firm and final and no claim on account of such duties will be entrained after the opening of tenders.

   iii) If a Bidder chooses to quote a price inclusive of any duty and does not confirm inclusive of such duty so included is firm and final, he should clearly indicate the rate of such duty and quantum of GST included in the price. Failure to do so may result in ignoring of such offers summarily.

q. Any other criteria as applicable to suit a particular case.

r. **Public Procurement (Preference to Make in India) Policy:** Provisions contained in Public Procurement (Preference to Make in India), Order 2017 issued by DIPP, Ministry of Commerce & Industries vide letter No. P-45021/2/2017-B.E-II dated 15-06-2017 along with MoD I.D No. 59011/8/2015-D(HAL-II) dated 19-07-2017 and subsequent amendments issued by DIPP dated 28.05.2018,29-05-2019, 04-06-2020 & 16-09-2020 shall be followed. (Refer Para-3.20 of Part-III of Standard Bid Documents).

s. **Public Procurement Policy for MSEs Order, 2012** :Any order issued by Central Government in relation to Micro, Small or other sections of Industries relevant to procurement shall be followed by Factories / Units . One such Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 is in force w.e.f 01.04.2012 and should be strictly adhered to. Further order dated 09-11-2018 amended that (i.)For the figures and word "20 per cent", wherever they occur, the figures and word "25 per cent" shall be substituted. (ii) In addition after Para-4 of the said order, Para-4A was inserted '4A. Special provision for Micro and Small Enterprise owned by women. Out of the total annual procurement from Micro and Small Enterprises, 3 per cent from within the 25 per cent target shall be earmarked for procurement from Micro and Small Enterprises owned by women (Ref: Micro and Small Enterprises (MSEs) Order No: [F. No. 21(22)-2018-MA} dated 09-11-2018). (Refer Para-3.21 of Part-III of Standard Bid Documents).

5.2. **Price Bid Format**:

(A) A sample Price Bid Format is given below for reference which Unit will customize as per the requirements in the TE specification and Bidders are required to quote strictly as per price bid template without any ambiguity:

Sl. No	Item	Unit	Qty	Price	Total Price
1	Machine				
2	Accessories				
3	Erection works (mechanical/ electrical/ instrumentation)				
4	Supervision of Erection and Commissioning				
5	Civil Works				
6	Training				
7	Technical documents				
8	Spares				

(B) Is GST extra? If yes, mention the following –

b. Total value of items on which GST is leviable:
c. Rate of GST (item-wise if different GST is applicable):
d. Total value of GST payable:

(C) Any other Taxes / Duties / Overheads / Other costs:

(D) Grand Total:

[Note: The format or template for price bid is dependent on scope of supply.]

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CHAPTER – 4

SUPPLIER RELATIONSHIP MANAGEMENT

4.1 Supplier Relationship Management comprises the following functions:
i) Ensuring compliance of suppliers to the Code of Integrity for Public Procurement and Integrity Pact (CIPP) if stipulated in Bid Documents;
ii) Holiday listing, banning/debarment of firms.

4.2 Code of Integrity for Public Procurement (CIPP)

Public procurement is perceived to be prone to corruption and ethical risks. To mitigate this, the officials of Procuring Entities involved in procurement and the bidders/suppliers must abide by the following Code of Integrity for Public Procurement (CIPP). All Procuring officials may be asked to sign declarations to this effect periodically and in various Procurement decisions (including Need Assessment). The bidders/suppliers should be asked to sign a declaration about abiding by a Code of Integrity for Public Procurement in registration applications and in bid documents, with a warning that, in case of any transgression of this code, its name is not only liable to be removed from the list of registered suppliers, but it would be liable for other punitive actions such as cancellation of contracts, banning and blacklisting or action in Competition Commission of India, and so on. (Rule 175 of GFR 2017)

4.3 Punitive Provisions:

Without prejudice to and in addition to the rights of the Buyer to other penal provisions as per the bid documents or contract, if the Buyer comes to a conclusion that a (prospective) bidder/supplier, directly or through an agent, has violated this code of integrity in competing for the contract or in executing a contract, the Buyer may take appropriate measures including one or more of the following:

i) **If his bids are under consideration in any procurement:**
- a) Forfeiture or encashment of bid security;
- b) Calling off of any pre-contract negotiations; and
- c) Rejection and exclusion of the bidder from the procurement process.

ii) **If a contract has already been awarded:**
- a) Cancellation of the relevant contract and recovery of compensation for loss incurred by the Buyer;
- b) Forfeiture or encashment of any other security or bond relating to the procurement;
- c) Recovery of payments including advance payments, if any, made by the Buyer along with interest thereon at the prevailing rate.

iii) **Provisions in addition to above:**
- a) Banning/debarment of the bidder from participation in future procurements of the Buyer for a period not less than one year;
- b) Initiation of suitable disciplinary or criminal proceedings against any individual or staff found responsible.

4.4 Grades of Debarment of Suppliers:

4.4.1 Supplier's eligibility to participate in Buyer's procurements is subject to compliance with Code of Integrity for Public Procurement and good performance in contracts.

Following grades of debarment from participation in Buyer's procurements can be considered against delinquent bidders/suppliers:

i) **Holiday listing (Temporary debarment or suspension):** In less serious cases, a supplier (including their related entities) may be temporary debarred from the Buyer's procurements for short periods up to 12 (twelve) months;

ii) **Removal from list of registered vendors:** Debarment of a delinquent supplier(including their related entities) for a period of time (one to two years) from the Buyer's procurements, due to severe deficiencies in performance or other serious transgressions; and

iii) **Banning from Ministry/Country-wide procurements:** For serious transgression of CIPP, a delinquent supplier (including their related entities) may be banned/debarred from participation in a procurement process of any Buyer for a period not exceeding three years commencing from the date of debarment.

The list of all the debarred suppliers should be displayed on the website of Buyer as well as on Central Procurement Portal. In case of country wide debarment, Department of Commerce shall maintain such list which will also be displayed on the website of Central Public Procurement Portal. All procuring entities after checking the status of the participating bidder(s) from the above mentioned lists.

4.5(A) Banning & Suspension of Business Dealings with the Contractors

a. Business dealings with a firm may be ordered to be suspended or banned, in public interest by the Head of Unit, based on the information available with them or under direction from Armoured Vehicles Nigam Limited / MoD.

b. Grounds for Suspension of Business Dealings with Firms

Suspension of business dealings may be ordered where pending full enquiry into the allegation, it is considered not desirable that business with the firm should continue. Such an order may be passed: -

i. If the firm is suspected to have doubtful loyalty to India.

ii. If the Central Bureau of Investigation or any other investigating agency recommends such a course in respect of a case under investigation and

iii. If a prima- facie case is made out that the firm is guilty of an offence involving moral turpitude in relation to business dealings which, if established, would result in business dealings with it being banned.

4.5(B) Grounds for Banning of Business Dealings

The grounds on which banning may be ordered are: -

i. If security considerations including question of loyalty to the State so warrant.

ii. If the proprietor of the firm, its employee, partner or representative is convicted by a court of law following prosecution for offences involving moral turpitude in relation to the business dealings.

iii. If there is strong justification for believing that the proprietor or employee or representative of the firm has been guilty of malpractice such as bribery, corruption, fraud, substitution of tenders, interpolation, mis-representation, evasion or habitual default in payment of any tax levied by law; etc.

iv. If the firm continuously refuses to return government dues without showing adequate cause and the Government is satisfied that this is not due to reasonable dispute which would attract proceeding in arbitration or court of law, and

v. If the firm employs a government servant, who has been dismissed or removed on account of corruption or employs a non-official convicted for an offence involving corruption or abetment of such an offence, in a position where he could corrupt government servants.

Detailed guidelines for banning/suspension in business dealings with the firms as per MoD ID Note of even number dated 21.11.2016 and MoD ID No. 31013/1/2016-D (Vig) Vol.II dated 30.12.2016. Details givens in **Appendix – 10 & Appendix – 10A**

4.6 Integrity Pact (IP):

The Pre-bid Integrity Pact is a tool to help Governments, businesses and civil society to fight corruption in public contracting. It binds both buyers and sellers to ethical conduct and transparency in all activities from pre-selection of bidders, bidding and contracting, implementation, completion and operation related to the contract. This removes insecurity of bidders, that while they themselves may abjure bribery, but their competitors may resort to it and win contract by unfair means. Ministry of Finance, Department of Expenditure have mandated to incorporate Integrity Pact depending on the nature of procurements/contracts above a threshold value. The Pre-contract Integrity Pact should be signed between the purchaser and the bidder as per provision and format placed **at Appendix 17 A & B**.

4.7(A) Procurement of P&M of Imported origin:

i) For machines of imported nature, Indian bidders are permitted to offer against Indian Rupee payment only. If foreign plant supplier insists that purchases can be made through their Indian counterpart/collaborator (not agent), purchase can be made against Indian Rupee payment, but the tenderer shall arrange the import clearance and the Indian collaborator shall arrange inspection/training in India and provide after sales service.

ii) For machines of imported nature, where Indian subsidiary/India office is submitting the bid on behalf of OEM and where the PDI is possible only in OEM premises, bids shall be in foreign currency, the order shall be placed on Foreign OEM directly and payment shall be to OEM directly. The firm will provide specific confirmation that quoted price does not include payment of Agency Commission to any third party.

Against such offer, if statutory requirement demands clearance from concerned Government, the Tenderer shall confirm in their offer that they shall arrange export licence in that respect.

4.7 (B) Procurement of P&M through Consortium of foreign & Indian firms:
Any partner of the consortium can be prime bidder (share of prime bidder in a consortium to be deliberated).

The sole responsibility of execution of contract, after sales service/technical support and all associated activities shall be with OEM. Prime Bidder shall furnish the copy of the collaboration agreement or MOU between all the partners. The MOU must have provisions defining the following:

(i) Technical design & process guarantee responsibility of Technology provider.

(ii) Distribution of work / responsibility amongst various partners in the consortium for the scope specified in the TE.

Different partners of the consortium shall be responsible for the Design, Engineering and all associated activities for the equipments and other responsibilities as specified in MOU/quoted in Bid. All the certificates confirming the P&M to tendered specifications shall be submitted by Prime bidder duly supported by certification from respective partners.
It shall be incorporated in the Contract that the supplier shall confirm that prices quoted by them does not include payment of any Agency commission to any third party whatsoever.

In case of an Indian firm quotes as Prime bidder in collaboration and under authorization by a foreign firm (technology provider), the foreign firm (technology provider) shall have to be responsible for design, engineering and supply of imported equipments, if any, supervision during PDI, erection & commissioning of the P&M. If the major P&M is manufactured by Indian firm under supervision of the foreign firm (technology provider), Indian bidder shall submit certificate from the foreign bidder that ordered P&M has been manufactured as per their design.

Payment can be made in foreign exchange to foreign firms only and in Indian Rupees to Indian firms as per respective share of works.

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CHAPTER – 5

FORMS OF SECURITIES AND PAYMENT TERMS

5.1 Forms of Security:

5.1.1 Earnest Money Deposit (EMD) or Bid Security:

a) Refer Rule 170 of GFR 2017 and as amended by Govt. from time to time. Details are available in Standard Tender Document (STD) at Para 1.6.

b) The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range between two percent to five percent of the estimated value of the goods to be procured. The amount of bid security should be determined @2% of the estimated value of the P&M subject to a ceiling of Rs. 50 Lakhs at Organization. Absolute value of EMD shall be indicated in the tender documents.

c) When the value of procurement is over Rs 5 Cr EMD shall be in the form of IPBG, as detailed in Standard Tender Document (STD) at para 1.6.

d) Offers received without EMD shall be summarily rejected. They will not be processed even for technical evaluation/acceptance.

(e) EMD need not be taken necessarily in PAC/SKS/STE cases, since there is no other alternative source available and factories have no other option rather than to purchase from that single firm to meet production target. However, for such cases exemption will be granted by higher CFA.

5.1.2 Forfeiture of EMD

EMD shall be forfeited if the tenderer withdraws or amends its tender or impairs or derogates from the tender in any respect within the period of validity of its tender. Further, if the successful tenderer fails to furnish the required performance security within the specified period, its EMD will be forfeited.

5.1.3 Performance Security:

i) To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract. Performance Security should be for an amount of five to ten percent of the value of the contract as per GFR-2017 (Rule-171).

In case of procurement of P&M in Armoured Vehicles Nigam Limited Units, the PSD value is 5% of the contract value for the supply and warranty obligations.

Details regarding forms of PSD and validity etc. are available in the STD at 4.1.

ii) In case of severable contract, PSD value shall be 5% of Total contract value to safeguard the interest of State.

iii) In case of procurement cases valuing more than Rs. 100 Crs, PSD will be obtained in addition to IPBG. For details, refer STD (para 3.10).

The forms of Performance Security acceptable are as follows:

Sl No	Drawn in favour of	Forms of deposits/conditions thereof	Retention
1.Demand Drafts/ Banker's Cheque of Scheduled banks issued by a commercial bank	ARMOURED VEHICLES NIGAM LIMITED (AVNL) - UNIT Name	Interest free deposits held by Units Account Payee DD shall be taken.	ARMOURED VEHICLES NIGAM LIMITED (AVNL) - UNIT Name
2. Fixed deposit reception Scheduled banks issued by a commercial bank	-do-	The bank shall certify on it that it can be withdrawn only on demand or sanction of the pledge. The bank shall also agree that on receipt of signed challan and withdrawal order from the pledge, they will deposit the amount into the AVNL Unit A/c and send the receipt thereof to the purchaser.	-do-
3. Bank Guarantees (PBG)	-do-	• BG on non-judicial stamps paper may be retained, along with revalidation papers. It shall be valid for a period of 60 days beyond DP or period of performance. • Performance Security deposit payable to the Purchaser is furnished by the Supplier in the form of a Performance Bank Guarantee (PBG) in the prescribed format within thirty days from the date of contract. The bank guarantee is to be issued in the prescribed format by a commercial bank. • In foreign procurement, PBG may be issued by an Indian Public Sector Bank or a Private Sector Bank authorized to conduct Govt. Business or any International Bank for which counter guarantee is given by an Indian Bank acceptable to the purchaser or First Class International bank of repute located abroad, but it is to be confirmed by a Scheduled Bank preferably State Bank of India. If BG is received through the supplier, the issuing branch should be requested to immediately to send by Regd. Post (A.D.) an unstamped duplicate copy of the BG, so that UNIT can compare and confirm that the BG is in order. The name, designation and code numbers of bank officers signing the Bank Guarantee may be verified from Regional/Zonal branches of the banks at Delhi, Mumbai, Chennai and Calcutta.	Shall be retained as valuable document. Firms will be asked to extend validity as & when required.

5.1.4 Refund / Forfeiture of Performance Security:

(i) Performance Security shall be refunded to the supplier without any interest, whatsoever, after it duly performs and completes the contract in all respects but not later than 60 days of completion of all such obligations under the contract. The contractor is expected to submit an Application-cum-cash bill for refund of Security Deposit. Where the deposit has been en-cashed by Unit Finance & Accounts , the same will be refunded from their end. When it is in custody of the purchaser, the same shall be released to the contractor.

(ii) Performance security shall be forfeited and credited to the AVNL Unit account in the event of a breach of contract by the supplier, in terms of the relevant contract. Bank guarantees may also be invoked in case of specific breach and strictly in terms of the agreement. The decision shall be taken by the office who accepts the Bank guarantee or higher authority. In case of delay in getting the guaranteed money, which might enable a firm to obtain legal measure to prevent such encashment, request may be made to Central Office of the Bank to investigate and fix responsibility. Administrative decision may be taken to debar acceptance of BG from such banks and from such firms. If the machine fails to perform at the level proved at the time of commissioning, due to any major problem and the problem is attributed to the bad workmanship of the supplier, the supplier shall rectify the problem and restore to its original level. The warranty period and validity of warranty bond shall be extended by period of breakdown. Format of warranty bond is given in the **Appendix-15.**

(iii) When a Performance Security refund is not claimed for three full years, it is retained/ credited to AVNL Unit A/c. Unit maintain detailed account of deposits themselves, the age for the purpose shall be reckoned with reference to the provisions in the concerned authorized Finance & Accounts regulations.

5.1.5 Verification of the Bank Guarantees

Bank Guarantees submitted by the tenderers / suppliers as EMD / Performance Security (Formats are given in **Appendix-12 / Appendix-13**) need to be immediately verified from the issuing Bank before acceptance.

5.1.6 Safe Custody and Monitoring of Bank Guarantees & Other Instruments

Engineering Office of the UNIT shall ensure safe custody and monitoring of EMDs, Performance Securities and other Instruments. The dealing staff shall put up position to superiors for timely action. Monitoring shall be done on monthly basis for review of all Bank Guarantees and other instruments expiring after 3 months, along with a review of the progress of the corresponding contracts. Extension of Bank Guarantees and other instruments, where warranted, shall be sought immediately and implemented within their validity period.

5.1.7 Special concession for Autonomous Bodies / PSUs.

For Autonomous Institutions/PSUs under the administrative control of Central Government (e.g. CMTI, Bengaluru), indemnity bond may be accepted in lieu of bank guarantee i.e. Advance Bank Guarantee (ABG), Performance Bank Guarantee (PBG) or Warranty Bond. Format of indemnity bond is given in the **Appendix-28**.

5.2 Payment Terms: For details, refer Payment Terms of STD.

5.3 Currency

The tender documents are to specify the currency (currencies) in which the tenders are to be priced. As a general rule, domestic tenderers are to quote and accept their payment in Indian currency; costs of imported goods, which are directly imported against the contract, may be quoted in foreign currency (currencies) and paid accordingly in that currency; and the portion of the allied work and services, which are to be undertaken in India (like installation & commissioning of equipment) are to be quoted and paid in Indian currency.

5.4 Firm & Fixed Price Contract

Contracts for P&M should be concluded on firm and fixed price basis by inviting tenders accordingly.

5.5 Special Terms of Payment:

For contracts involving Furnaces, Metallurgical plants, Heavy duty presses and Chemical plants or any turnkey projects of high value: In such P&M, the functional PDI at Firm's premises is not possible. Payment terms will be 80% against firm's Guarantee Certificate and self-inspection of material, equipments, systems subassemblies, etc and submission of 5% B.G.. Balance 20% shall be paid against successful erection & commissioning of the plant. 5% B.G. submitted at the time of 80% payment will remain valid till two months after the warranty period *(**Note:- 5% of Performance Security Deposit (PSD)/ Security Deposit (SD)/ Performance Bank Guarantee (PBG)** furnished by the supplier to the purchaser after award of contract as security for performance of contract including warranty obligation **(+) Additionally 5% of PBG/ Warranty bond** furnished by the supplier to the purchaser after delivery of the goods as security for performance of warranty obligations. Hence **Totally 10% of order value must be submitted** as security for performance of warranty obligations).* The F.O.R and F.O.B conditions as elaborated for normal P&M will accordingly be modified to cater for such cases.

(a) For contracts involving Turnkey projects where stage payment is contemplated:
Payment terms may be arrived at UNIT PFC meeting in consultation with Finance representative and the same may be got approved by PFC/ Armoured Vehicles Nigam Limited along with the mode of tender. Payment terms so decided must be part of Tender Enquiry

5.6 Advance Payment : As per STD, Part-IV, Sl. No. 4.5

i. Any advance made to suppliers will be interest free within original delivery period of the contract, but shall carry interest beyond this period if delay is due to the contractor. The rate of interest shall be 12-month LIBOR + 100 basis points for payment in foreign currency and SBI's Base rate plus 200 basis points for payment in Indian Rupee.

ii. Advance payment shall be given against an unconditional Bank Guarantee called Advance Bank Guarantee (ABG). The amount of ABG (Format is given in **Appendix-14)** shall be 110% of the advance amount as per CVC guidelines, so as to enable recovery of not only principal amount but also the interest portion, if so required due to default on the part of the supplier.

iii. The ABG shall be from an Indian Scheduled Bank duly authorized by RBI to handle Government transactions, provided by the suppliers. In case of foreign vendors, it may be from 1st Class International Bank to be confirmed by a Scheduled bank, preferably the State Bank of India.

iv. Advance Payment shall be adjusted in full at one go, or set off pro-rata against the successive payments due to the supplier, if so insisted upon by the supplier in his offer. If ......% advance has been given, the set off is to be given @ ....% of invoice value.(% will be decided at the time of TE issue)

5.7 CVC has issued various circulars from time to time on the subject matter which may be followed strictly:

i) If the Management feels its necessity in specific cases, then it shall be clearly stipulated in the tender document and its recovery shall be time based and not linked with progress of work.

ii) The amount of mobilization advance; interest to be charged, if any; its recovery schedule and any other relevant detail shall be explicitly stipulated in the tendered documents upfront.

iii) Machinery and Equipment advance, insurance and hypothecation to the employer shall be ensured.

iv) Utilization certificate from the contractor for the mobilization advance shall be given in installments and subsequent installments shall be released after getting satisfactory utilization certificate from the contractor for the earlier installment.

v) The advance payment may be released in stages depending upon the progress of the work and mobilization of required equipments etc.

vi) There shall be a provision in the contract for adjustment of advance progressively even as the bills are cleared for payment.

vii) The Bank Guarantee etc. taken towards security of "Mobilization Advance" shall be at least 110% of the advance so as to enable recovery of not only principal amount but also the interest portion, if so required.

viii) A clause in the tender enquiry and the contract of cases providing for interest free mobilization advances may be stipulated that if the contract is terminated due to default of the contractor, the " Mobilization Advance" would be deemed as interest bearing advance at an interest rate of .... % (to be stipulated depending on the prevailing rate at the time of issue of NIT) to be compounded quarterly.

Note: Contract Management- Risks and Mitigations:

Risk	Mitigation
Advance payments: This is an area of risk in public procurement with undue and unintended benefits to the contractor, which vitiates the original selection criteria.	Any mobilization or other advance payments should be interest bearing and should be only for justifiable cases. Terms of such advances should be expressly stated in the NIT/bid documents. The advance payment may be released in not less than two stages depending upon the progress of the contract. Advance should be progressively adjusted against bills cleared for payment. Interest should be charged on delayed recoveries irrespective of the reason stated.
Contract changes and renegotiations: This is also a risk area, where the Procuring Entity may not get what it contracted and paid for or may pay for what it has not received. On the other hand, the contractor may not get timely or proper amendments due to changes asked by the procuring entities.	Contract modifications and renegotiations should not substantially alter the nature of the contract. It should not vitiate the basis of the selection of the contractor. It should not give undue or unintended benefits to the Contractor. However, for any changes caused by the Procuring Entity, the contractor should be adequately and timely compensated within the contractual terms.
Supervising agencies/individuals are unduly influenced to alter the contents of their reports so changes in quality, performance, equipment and characteristics go unnoticed.	A contract management manual or operating procedure should be prepared for large value contracts. There should be inbuilt systems of checks and balances. All large contracts should be formally reconciled for closure to ensure that the scope of the work and warranty/defect liability period is completed. This should include the dispute resolution forum for resolving disputes in a fixed timeframe with provision of escalation level. All payments/recoveries should also be reconciled. It should also be ensured that material/assets loaned to him including security passes are accounted for.
Contractor's claims are false or inaccurate and are protected by that in-charge of revising them.	
Payment to the contractor is delayed intentionally or otherwise.	
Contractor gets final Payment, but contract closure has not been formally done. As a result material/assets loaned to him are not accounted for.	
Every dispute lands up in arbitration or court cases, since the Procuring Entity is reluctant to grant compensation for its own lapses to the contractor.	
Agents/Sub-contractors and partners, chosen in a non-transparent way, are unaccountable or are used to channel bribes.	Agents should only be as per the terms of the contract. Sub-contracting of the contract should normally not be allowed in procurement of goods.

5.8 Modes of Payment

(a) Payment to Domestic Suppliers

It will be mandatory for the Bidders to indicate their bank account numbers and other relevant e-payment details to enable payments and refunds of various natures through ECS/ NEFT mechanism. A copy of the model mandate form prescribed by RBI to be submitted by Bidders for receiving payments through ECS is enclosed as annexure.

(i) In such of those cases where there has been global tendering, in order to have uniform payment clauses, if domestic suppliers, especially against high value contracts for sophisticated equipment/machinery, desire payment through Letter of Credit, the same, may be agreed to.

(b) Payment to Foreign Suppliers

(i) Payments to foreign suppliers are ordinarily made by Letters of Credit (LC) opened by the State Bank of India or any other scheduled/authorized Bank. While opening the Letters of Credit, factories should follow the provision of Uniform Customs and Practices for Documentary Credit (UCPDC).

(ii) For contracts below USD 1,00,000, it is preferable to make payment to the seller through Direct Bank Transfer (DBT) for which buyer has to ensure that payment is released only after the receipt of the prescribed documents. Accordingly, it may be specified in the TE that the payment would be made through DBT for contracts of value below USD 1,00,000.

(c) e-Payment

(i) NEFT: National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. For being part of the NEFT funds transfer network, a bank branch has to be NEFT- enabled. The list of bank-wise branches which are participating in NEFT is provided in the website of Reserve Bank of India at http://www.rbi.org.in/scripts/neft.aspx

(ii) ECS: Electronic Clearing System (ECS) is an electronic mode of payment / receipt for transactions that are repetitive and periodic in nature. ECS is used by institutions for making bulk payment of amounts towards distribution of dividend, interest, salary, pension, etc., or for bulk collection of amounts towards telephone / electricity / water dues, cess / tax collections, loan installment repayments, periodic investments in mutual funds, insurance premium etc. Essentially, ECS facilitates bulk transfer of monies from one bank account to many bank accounts or vice versa. Format for ECS mandate is given in **Appendix-27**.

5.9 Payment by Letter of Credit

(a) Letter of credit is a documentary credit. Two banks are involved for payment to the supplier by Letter of Credit –purchaser's bank and supplier's bank. The purchaser is to forward the request to its bank in the prescribed format as formulated by State Bank of India, along with all relevant details including authenticated copy of the contract. Based on the same, the purchaser's bank opens letter of credit on behalf of the purchaser for transacting payment to the supplier through the supplier's bank. Care shall be taken to ensure that the payment terms and the documents to be produced for receiving payments through letter of credit are identical with those shown in the contract. Generally, irrevocable letter of credit is opened so that the supplier is fully assured of its payment on fulfilling its obligations in terms of the contract. In case, the delivery date of the contract is extended to take care of delay in supply, for which supplier is responsible, the tenure of the letter of credit is also to be extended, but the expense incurred for such extension (of letter of credit) is to be borne by the supplier. Formats for Letter of Credits are given in **Appendix-16A & Appendix-16B.**

b) The common types of LCs are:

(i) Irrevocable Letter of Credit: This most commonly used Letters of Credit cannot be cancelled without the consent of all parties concerned. In contrast, revocable letters of credit can be cancelled/amended by issuing bank at any time, except that it has to honour payment liabilities before notice of cancellation. Revocable LCs are not generally issued by banks in India unless specially permitted and therefore unless specified, all LCs are irrevocable.

(ii) Confirmed Letter of Credit: Sometimes a bank in the country of the beneficiary does confirmation. This is done at the instance of the beneficiary, an undertaking by the confirming bank in addition to issuing bank. Generally confirmed Letter of Credit will be discouraged. If the seller invites/desires for confirmed Letter of Credit the cost of confirmation may be borne by them.

(iii) Sight Credit: Under this Credit, the beneficiary receives payment upon presentation of documents to the paying/negotiating bank, after due examination by the bank.

(iv) Revolving Credit: Under this Credit a commitment is made by the issuing bank to restore the credit to the extent of amount utilized. In cumulative revolving credit, the unutilized amounts, in a period, can be added to the amount during next period. In the non-cumulative credits, the unutilized amounts lapses, if not used. The permissible duration and period of utilization of these credits are specified in letters of credits.

(v) Acceptance Credit: The beneficiary draws a time draft and the draft is accepted by banks for payment as a discountable instrument upon presentation of document. The seller may get the draft discounted against guarantee of issuing/confirming banks and the payment is debited to the buyer on maturity.

(vi) Deferred Payment Credit: Both are retired after a period specified in the contract, after documents are presented. It is a financing instrument for the buyer and ensures payments by buyer on the due date.

(vii) Transferable Credit: In this arrangement, the first beneficiary, transfers his rights and obligation to one or more (second) beneficiary/beneficiaries only once. Subsequent transfers to third beneficiaries are not permitted. Wherever partial shipments are permitted, fractions of a transferable credit can be made available.

c) The parties to a Letter of Credit are:

(i) **Applicant**: It is normally the buyer, who applies to the authorized dealer to open a Letter of Credit. He shall ensure that the items under import are not included in the negative list of Export - Import Policy 1992-93.

ii) **Issuing Bank**: It issues the letter of credit and undertakes to make the payment. As per provisions of Exchange Control Regulations of RBI, only Authorized Dealers are permitted to open letters of Credit on behalf of their customers who are parties to the trade.

(iii) **Beneficiary**: He is the seller of goods to receive the payment. He could be the first or more (second) beneficiary in case of transferable LC.

(iv) **Advising Bank**: A bank normally in the country of the beneficiary who advises the LC, thereby assuring genuineness. As per Foreign Exchange Control practices, if the advising bank does not involve itself in the process of checking, they must say so to the beneficiary.

(v) **Confirming Bank**: It confirms and adds its guarantee to the credit of another bank. It stays in and allows reimbursement/payment on behalf of opening bank. The cost of confirmation is ordinarily borne by beneficiaries.

(vi) **Negotiating Bank**: It is the bank nominated to negotiate the documents or pay the proceeds of the bill against presentation of documents specified.

(vii) **Reimbursing Bank:** It is designated by the issuing bank to reimburse to the negotiating bank when payment is claimed against retirement of bills. Normally opening/issuing bank has accounts to which such reimbursements are to be debited.

(d) The Letter of Credit shall contain the following:

(i) Name and address of the applicant

(ii) Name of issuing bank or the credit document on preprinted stationery

(iii) The dates of issuance of credit, and the date and place of expiry of credit shall be stated

(iv) Name and address of beneficiary (or beneficiaries in case of transferable credit)

(v) Whether if it is confirmed, revocable or not. In case of confirmed credit, the name and address of confirming bank shall be mentioned.

(vi) The terms of despatch i.e. FOB, CIF and FAS etc shall be mentioned.

(vii) The documents to be presented for payment.

(viii) The credit amount and its currency are to be stated. Amounts shall be in figures and words. The expression "circa" and "about" may be construed as 10% above and less than the amount stated.

(ix) Credit is negotiable with any bank of beneficiary's choice, unless it is stated explicitly in the credit as to which bank shall negotiate.

(x) The credit also states modes of payment like "at sight" or "deferred payment" terms.

(xi) If the import bill for payment has not been drawn up as specified on letter of credit, or drawn up on acceptance basis, the same is referred to importer for their acceptance, before any bills are paid by the negotiating banks.

(xii) In case final payments are to be accepted by the buyer, depending upon the pending claims to be settled, it must be mentioned in the LC. This would help in settling all pending claims of the purchaser before final payments are made.

e) Opening of 'Letter of Credit' and keeping the same alive costs money to the purchaser. Therefore, all efforts shall be made to open the same as close as possible to the date of delivery (within a quarter of the proposed delivery). If any extension of the LC is required due to the fault of the supplier, the supplier shall be made to pay if any additional cost is involved for such extension.

f) Documents related with Documentary credits:

(i) Bill of Lading: The negotiable copies of bills of lading are required to be transacted through banks. However, the original copy of bill of lading ought to be transmitted to Embarkation Headquarters for early release of consignment without paying wharf ages/demurrages and delay due to transmission through banks is avoided. It shall show "on board" date prior to last date of shipment stipulated in LC. It shall be made in the name of party in LC and the description of goods shall tally with invoice and with details of LC. The port of shipment, port of destination, Consignee, Consignor, carrying vessel, terms of payment like FOB/CIF and payment made towards freight etc shall find mention in the Bill of Lading. The bill of lading shall be clean. It shall not be claused, received for shipment unless marked "on board" with date, "On deck" etc. It shall be signed manually by Steamship Company or its authorized agent and is properly stamped.

(ii) Insurance documents: Generally Insurance policy, and not cover notes, duly stamped as per laws of the country, is required, if so specified in the LC. They are negotiated through banks, if needed, for payment purposes. They shall be endorsed in favour of the bank/buyer as the case may be. Third party policy is not acceptable. The date of insurance shall be dated prior to the date of shipment. The insurance policy shall mention the name of ship, merchandise details, number of packages, name of vessel, number of voyages, port of shipment, port of destination/destination warehouse and the details on Insurance documents shall not contradict the stipulation in Bill of Lading or Invoice.

(iii) Invoices: It is a signed document signed by the beneficiary of the LC made in the name of buyer (who has opened LC) containing description of goods which shall correspond with all details of the description as in LC. It shall tally with price and quantity as per LC. All negotiable copies shall be submitted to the bank and an extra copy for exchange control copy shall be sent to the port consignee. The marking and number of packages shall be identical as given in the LC. The terms of payment like FOB, CIF etc are to be mentioned in the invoice. Any other certification/endorsement required shall also be mentioned and the invoice shall be certified as correct by the beneficiary.

(iv) Inspection Certificate: It shall contain description of goods, shipper's name and the authority issuing the certificate, which shall be as per LC. The date of drawing of samples shall be mentioned. The samples drawn shall relate to the goods shipped.

(v) Certificate of Country of Origin: It is required for the purposes of Exchange control. It is generally issued by the Chamber of Commerce of the country concerned and is as stipulated by LC. The description of goods shall agree with that in the Invoice.

(vi) Packing list: It gives the details of items packed, their volume/size of packing and their approximate quantities. This gives advanced information on planning their unloading and despatch to the ultimate consignee.

g) As a general requisite, all documents, as stipulated in the LC, are submitted. They are issued by the authority as specified in the LC and contain the details as stipulated in the LC. Documents shall be submitted within the due date. The details in LC are:

(i) The Credit may be allowed on trans-shipment or partial shipment basis.

(ii) The particulars of insurance, if required, especially in case of CIF contracts.

(iii) Mode of transportation, the originating point and destination shall be mentioned.

(iv) Brief description of goods shall find mention. 'Circa' or 'about' unit prier means 10% tolerance on high or low sides. Generally, 5% variation on quantity on either side is permissible. For fixed quantities, definite quantity is stipulated.

(v) It shall specify documents and nature of documents and their distribution for the purpose of their negotiation by the negotiating bank.

(vi) Necessary reimbursement instructions like whether reimbursement is available with transmission or on actual receipt of documents after negotiation.

h) The applicant/importer shall categorically instruct the bank on the above issues to avoid amendments etc. at a later date, for which banks charge service charges as per FEDAI Rules. They shall also ensure that permission of RBI is obtained wherever LC permits advance payments. The importer shall ensure that Original Exchange Control copy of bill of Entry/Postal wrapper etc. as evidence of import, are submitted within prescribed period from date of effecting remittance. The authorized dealers compile lists of defaulters every three months. The last date of transshipment shall not exceed 15 days from the date of licence or importation period, wherever so allowed.

i) **Documentary evidence of Import**:

The extract of RBI's advice to Armoured Vehicles Nigam Limited on the subject is reproduced below:

"It is advised that Exchange Control copy of B/E being the conclusive proof of import, triplicate copy of B/E cannot be accepted as documentary evidence of import. You are therefore requested to insist on submission of Exchange Control copy of B/E for home consumption.

Alternately, a certificate from statutory Auditor of O F Board, indicating that the goods have actually been imported as per bank of accounts may be forwarded to the control".

In case the EC copy of bill of entry or Postal/Courier wrapper is not available a certificate by Director, Audit (OF) shall be submitted to the authorized dealer for the purpose.

j) Confirmation by foreign banks:

i. Various agencies have been requesting SBI to open LCs abroad and have the same confirmed by foreign banks. Such confirmation not only affects the credibility of SBI but also is to material disadvantage. Not only Indian Banks abroad shall be used for opening letters of credit but in the event of not doing so, approval of Govt. be obtained.

ii. The cost of confirmation shall be borne by the supplier.

iii. Imports other than FOB/FAS basis: As per procedure laid down by the Govt. of India, import contracts of Central/State Govt. and PSUs etc, are required to be done on FOB/FAS basis. For contracts entered into on terms other than FOB/FAS, a No Objection Certificate from the Ministry of Surface Transport would be required to be obtained. Authorized dealers would ensure that a No Objection Certificate is obtained by the concerned Govt. organizations in cases of import contracts made on terms other than FOB/FAS before opening import letters of credit on releasing foreign exchange. A copy of the aforesaid "No Objection Certificate" issued by the Ministry of Surface Transport, Govt. of India is to be obtained in the event of approaching SBI with any proposal for opening of Letter of credit on terms other than FOB/FAS.

5.10 Deduction of Income Tax, Service Tax, etc. at Source from Payments to Suppliers

This will be done as per the existing law in force during the currency of the contract.

5.11 Recovery of Public Money from Supplier's Bill

Sometimes, requests are received from a different DPSU/Ministry/Department for withholding some payment of a supplier out of the payment due to it against a contract. Such requests are to be examined by the UNIT which has received the request on the merits of the case for further action. It will however, be the responsibility of the respective DPSU/Ministry/Department asking for withholding of payment to defend the concerned UNIT/AVNL against any legal procedure arising out of such withholding as also for payment of any interest thereof.

5.12 Refund from Supplier

Sometimes, the suppliers, after claiming and receiving reimbursements for GST, custom duty etc. from the purchaser, applies to the concerned authorities for refunds, on genuine grounds, of certain portions of such duties and taxes paid by it and receives the allowable refunds. Such refunds contain the purchaser's share also (out of the payments already made by the purchaser to that supplier). The tender enquiry document and the contract are to contain suitable provisions for obtaining such refunds from the supplier.

5.13 Payment against Time Barred Claims

Ordinarily, all claims against UNIT/AVNL are time barred after a period of three years calculated from the date when the payment falls due unless the payment claim preferred has been under correspondence. However, limitation is saved if there is an admission of liability to pay, and fresh period of limitation starts from the time such admission is made. The drill to be followed while dealing with time barred claims will be decided by the UNIT concerned in consultation with the Paying Authority. The Paying Authority is to ensure that no payment against such time barred claim is made till a decision has been taken in this regard by the competent authority.

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CHAPTER- 6

EVALUATION OF TENDERS

6.1 Evaluation of bidders is one of the most signification areas of Purchase Management. The entire process of tender evaluation and placement of contract must be transparent. All the aspects, which are to be taken into account for evaluating the bidders, including the method to be adopted for evaluation of bidders and the techniques for determining the lowest evaluated responsive tender for placement of contract are to be incorporated in the tender enquiry document, in clear and comprehensive manner without any ambiguity and or confusing stipulations therein, so that the interested vendors can formulate their competitive offers in a meaningful manner and participate in the tendering process with confidence.

6.2 All the bidders shall be evaluated strictly on the basis of the terms & conditions incorporated in the tender enquiry documents (based on which offers have been received) and the terms, condition etc. stipulated by the bidders in their bidders. No new condition shall be brought in while evaluating the bidders. Similarly, no tender enquiry condition (specially the significant/essential ones) shall be over looked while evaluating the bidders. It shall be ensured that no tenderer gets undue advantage at the cost of other bidders and or at the cost of Armoured Vehicles Nigam Limited. The evaluation of bidders is done in different phases.

6.3 Technical CST:

After opening of technical bids, online clause-wise Technical Comparative Statement of Tenders (Technical CST) on each tender term / specifications will be generated. The clause-wise compliance statement submitted by the firms shall be considered and shall be verified from the supporting documents as applicable in that particular TE .The online Technical CST so generated forms the basis for seeking clarification or confirming acceptability of offers. After receipt of all clarifications from the firms, it shall be duly updated to complete the Technical CST within seven days. In case of procurement of plant & machinery of imported origin, following additional information is submitted by the foreign firms and the same shall be verified:

i) Penalty for use of undue influence
ii) Agent/Agency Commission
iii) Access to the Books of Accounts
iv) Conduct of Arbitration proceedings in India under the Arbitration & Conciliation Act, 1996.within a maximum period of seven days.

The above are only indicative and all details are required to be compiled with a view to assist proper decision taking in the TEC at Unit and Armoured Vehicles Nigam Limited level.

6.4 Preliminary examination of Technical Bids:

a. EO shall forward Technical CST immediately manually/online to Technical Committee (TC) for scrutiny. The Technical Committee (TC) consisting of CO/User Section - Chairman; GO/DO of User -Member, GO/DO of Mech. Maint. and GO/DO of Elec. & Electronic Maint. – Member(s) Electronics shall scrutinize the technical bids with respect to the technical specifications of tender enquiry and shall submit the detailed scrutiny report to the Engg Office within maximum 15 days.

b. Simultaneously, EO shall scrutinize the offers with respect to all tender clauses i.e. both commercial and technical parts. After receiving the comments of Chairman/TC, EO shall seek clarifications, as considered necessary, on complete techno-commercial specifications from the Bidders. After receiving replies from the Bidders, EO shall update the Technical CST and forward the updated technical CST duly signed by GO/DO of EO and user to TC for their recommendations.

Thereafter, TC shall immediately send recommendations under signature of its Controlling Officer to EO.

c. In case, the firm is required to give some clarifications and may require a discussion, the firm shall be called by a letter/mail indicating a specific date by which the firm will submit their clarification.

d. For getting expeditious clarifications from bidders, a technical meeting may be organized at UNIT either physically with the firm or through VC. The full TC is required to be involved in the discussion. Minutes of meeting shall be prepared including all clarifications and shall be signed by all including the representatives of the firm.

e. If further clarifications are required, the minutes of discussion shall indicate specific date by which the firm shall submit their clarifications. The firm shall be informed. It shall be recorded that in case, they fail to submit the clarifications by the specific date, their offer is likely to be ignored.

6.5 The compliance of TE conditions is assessed at the TEC stage. Estimated value of the demand decides TEC level. The scope of supply is freezed at TEC stage and no change is permitted after opening of price bid.

6.6 Cost of lowest acceptable offer after opening of price bid decides the level of TPC. If this cost involves sanction of additional fund, relevant delegation of financial power shall be exercised before finalization of the contract.

6.7 Technical Evaluation Committee (TEC) meeting at UNIT:

a. Engg. Office shall circulate a brief of the case for TEC meeting in the prescribed format indicating major/minor deviations and the recommendations of TC among all concerned members well before the TEC meeting is held.

b. The respective TEC-I/II at UNIT level is empowered to scrutinize and approve technical selection of firms for P&M under delegated financial powers of CGM/GM. Minutes of the TEC (Format is given as **Appendix-18A**) are prepared authorizing the Engg. Office to open the price bids of technically acceptable offers.

c. TEC shall see whether the offers are technically suitable and whether the tenderers have agreed to the main / essential conditions incorporated in the tender enquiry, for example, terms of payment, liquidated damages clause, warranty clause, dispute resolution mechanism or arbitration clause, applicable law and any other important condition having significant bearing on the cost/utility/performance of the required P&M.

d. The aim of TEC will be to firm up the desirable criteria, optional offers, tooling required, etc. and freeze all techno-commercial clauses, so that all the offers are on equal footing before Price Bids are opened. Deviations may be accepted to the commercial clauses having impact on the price, provided it is possible to apply suitable loading on the offered prices for equitable comparison of the tenders. Such loading criteria shall be decided by TEC before opening of the price bids. If TEC decides that further clarifications / confirmations are required to be obtained from the firms for proper evaluation of the offers, the same are obtained and suitable decision is taken by TEC thereafter.

e. For cases exceeding CGM's powers, Unit / TEC recommendations shall be forwarded to Armoured Vehicles Nigam Limited for approval. The Unit / TEC recommend the technical suitability of offers received against the tender, indicating reasons in detail about the offers not considered technically acceptable. The minutes of meeting is prepared as per the prescribed format (given in the Appendices) and sent to Armoured Vehicles Nigam Limited along with the technical bids in original, catalogues if any, Technical CST and tender specifications (& drawings, if any) for approval of TEC/Armoured Vehicles Nigam Limited. If Unit / TEC feels that there are unresolved points requiring discussion with the bidders or decision of Armoured Vehicles Nigam Limited. A deviation statement containing specifically such points shall also be enclosed.

6.8 Minor Informality/Irregularity/Non-Conformity: Some minor informality and/or irregularity and/or non-conformity may be found in some bids. These may be waived provided the same does not constitute any material deviation from the tendered specifications or have financial impact and, also, does not prejudice or affect the ranking order of the tenderers. Wherever necessary, observation on such 'minor' issues may be conveyed to the tenderer by registered letter/speed post etc. asking the tenderer to respond by a specified date also mentioning therein that. If the tenderer does not confirm Unit/ Armoured Vehicles Nigam Limited's View or does not respond at all by that specified date, its tender will be liable to be rejected. Depending on the outcome, such bidders are to be ignored or considered further. Details of all the bidders, which have been declared unresponsive and ignored as per above analysis, and also the ground for their becoming unresponsive are to be accurately recorded in the purchase file.

6.9 An undertaking to be given by all the TEC/TPC members as per CVC guidelines (CVC instructions vide circular no. 005/VGL/66, dated 09/12/2006) that "no TEC/TPC members has any personal interest in the in the instant case on the companies/agencies participating in the tender process.

6.10 Disagreement with Finance Member:

(a) In case of disagreement with Finance Member, the CGM as the Competent Financial Authority (CFA) can overrule the Finance Member under intimation to the next higher CFA giving reasons for overruling the financial advice.

(b) Secretary/TPC shall send a copy of such TPC, where the Finance Member was overruled to Director/Finance of Armoured Vehicles Nigam Limited for analysis for any system improvement. However, the decision of the CFA for the procurement shall stand.

6.11 Technical Evaluation at Armoured Vehicles Nigam Limited:

(a) The respective Section of the Operations directorate at Armoured Vehicles Nigam Limited, on receipt of the TEC proceedings and technical offers, will scrutinize for correctness of entries and compliance of instructions related to TEC proceedings. Conformance to the specifications, appropriateness of selection is examined abinitio and the comments of the Operating Divisions are elicited in order to either endorse the recommendations of the Unit or seek further details, for a proper technical evaluation.

(b) After TEC / Armoured Vehicles Nigam Limited meeting, all members of TEC/Armoured Vehicles Nigam Limited shall sign the minutes, authorizing the factories to open price bids of technically acceptable offers in respect of cases under Armoured Vehicles Nigam Limited.

6.12 Opening of Price Bids and Evaluation by TPC at the Unit:

a. On receipt of approval of TEC/Armoured Vehicles Nigam Limited, in respect of cases under Armoured Vehicles Nigam Limited Delegation of powers and Unit TEC-I/II in respect of cases under CGM/GM's power, price bids of only the technically acceptable offers are opened in presence of bidders' representatives. It shall be ensured that the price bids of offers which are technically rejected need not be opened. The bidders, whose price bids are to be opened, are to be duly informed about opening of their price bids.

b. Factories should impress upon the bidders to ensure that their offers must be kept valid. The price bids of offers which are technically rejected need not be opened. The bidders, whose price bids are to be opened, are to be duly informed about opening of their price bids.

c. On opening of price bids, an online spot CST will be generated. A complete Ranking statement giving full details shall be prepared subsequently to include all relevant information necessary for assessing the price at destination and ranking of different bidders.

d. DO / GO of Engg Office shall verify and sign the final CST/Ranking Statement and Finance & Accounts Officer shall authenticate the same. There should not be any overwriting or corrections.

For ranking of offers, Price of complete scope of supply as detailed in technical specifications excluding the price of spares and taxes & duties, will be considered.

e. In cases where all offers from foreign suppliers are under consideration, ranking shall be assessed on CIF basis at port of entry on SBITT exchange rate prevailing on date of price bid opening.

f. To convert foreign currency into Indian Rupee, the SBITT selling rate for foreign currency prevailing on date of price bid opening will be considered.

g. In case, the decision on price-bid is not taken within 3 months of price bids opening, the rate of exchange prevailing on the date, when the actual decision would be taken will be applicable. The requirement creates complex situation if the decision is not taken within 3 months of opening of price

bids in the event of change of the ranking position based on fluctuations in rate of exchange after 3 months of opening of price bids.
(Authority: MOF, Dept. of Economic Affairs letter No. 4 (1)/Feb.1/94 Dt. 30.07.92)

h. TPC selects the lowest offer among the technically suitable offers for placement of supply order in the form of minutes of meeting confirming the reasonability of the cost.

i. TPC shall record the Man-days requirement for PDI & training (if any) at firm's premises and indicative constitution of PDI team which shall be subsequently finalized after receipt of PDI call from the firm. While finalizing the PDI team, due diligence to be given so that members of PDI team possess the required competency level.

j. For cases under CGM /GM's power, Unit/TPC decides the cases for placement of Supply Order. For cases under Armoured Vehicles Nigam Limited's power, minutes of meeting (in the format given in the **Appendix 18B**) along with Price bids, financial CST, etc are sent for approval of TPC/Armoured Vehicles Nigam Limited.

6.13 Non-conformities between the figures and words of the Quoted Prices – Sometimes, non-conformities/errors are also observed between the quoted prices in figures and that in words. The same is to be taken care of as indicated below:

a. If, in the price structure quoted for the required goods, there is discrepancy between the unit price and the total price (which is obtained by multiplying the unit price by the quantity), the unit price shall prevail and the total price corrected accordingly, unless in the opinion of the purchaser there is an obvious misplacement of the decimal point in the unit price, in which case the total price as quoted shall govern and the unit price corrected accordingly.

b. If there is an error in a total corresponding to the addition or subtraction of subtotals, the subtotals shall prevail and the total shall be corrected; and

c. If there is a discrepancy between words and figures, the amount in words shall prevail, unless the amount expressed in words is related to an arithmetic error, in which case the amount in figures shall prevail subject to (a) and (b) above.

If there is such discrepancy in an offer, the same is to be conveyed to the tenderer with target date on the above lines and if the tenderer does not agree to the observation of the purchaser, the tender is liable to be ignored.

6.14 Reasonability of price:

a. The reasonableness of the prices quoted by the lowest technically acceptable tenderer shall be ascertained based on Last Paid Rate or Budgetary Quotation based on which the demand estimated cost was assessed, or latest order placed on some reputed firms for similar plant & machinery.

b. Before placing the contract on the lowest evaluated responsive tender (L1), it shall be ensured that the price to be paid is reasonable. The broad guidelines for judging the reasonableness of price are as under:

i. Last purchase price of same (or, in its absence, similar) machines
ii. Current market price of same (or, in its absence, similar) machines
iii. Price of raw materials, which go into the production of the machines
iv. Receipt of competitive offers from multiple sources
v. Quantity involved
vi. Terms of payment
vii. Delivery conditions
viii. Cost analysis (material cost, production cost, over-heads, profit margin, ERV)

In this regard, suitable Indices can be accessed from the website of Ministry of Industry www.eaindustry.nic.in.

c. **Negotiations:**
Negotiation should generally be avoided. However, in exceptional circumstances where valid logical reasons exist, then negotiations, if inescapable, may be held only with the L1.

In PAC/ SKS/ STE / RST procurements where there is lack of competition since there is only one source, negotiations may be held after carrying out detailed cost/ price analysis

6.15 Sanction of additional fund for procurement of P&Ms under RR, NC or sanctioned project shall be governed by the latest Delegation of Financial Power. The Unit is required to process the case for approval of Armoured Vehicles Nigam Limited /PFC with justification.

6.16 The SOs for P&M to be purchased under CGM/GM's powers are placed based on decisions taken in the respective Unit TPC-I/TPC-II meetings on connected issues and on approval by a Competent Financial Authority.

6.17 For cases beyond the financial power of CGM's /TPC recommendation shall be forwarded to Armoured Vehicles Nigam Limited clearly indicating all the points where Armoured Vehicles Nigam Limited's decisions are needed.

6.18 Salient points for scrutiny of Bids:

(i) Processing of Plant and Machinery cases shall be carried out keeping in view the delegation of financial powers to CGM /GM's and Armoured Vehicles Nigam Limited issued By Armoured Vehicles Nigam Limited concerned authority from time to time.

(ii) It may be checked whether EMD has been deposited by the tenderer or exemption has been asked as per latest Government Orders.

(iii) Due care shall be taken to prepare the Compliance Statement for technical as well as commercial bids. As far as possible, each system/sub-system shall be shown separately and the compliance from the bidder shall be asked system/sub-system wise. In case, the Compliance Statement of the offer has not been submitted by the firm as per the compliance format and requires further clarification, the same may be obtained from the bidder by TC provided it does not have financial repercussions.

(iv) In the CST and in the TPC, brief name of the firm and Model No. of the item shall be written clearly. Information obtained after clarification shall be included in the technical CST.

(v) It is required to be very careful in rejecting an offer. The technical details will have to be studied and if required, the firm shall be told the specific points indicating whether they can comply with the required specification. Once a reason for rejection has been indicated against a firm, it shall be seen whether the same has been confirmed by the acceptable tenderer.

(vi) Once the Tender has been opened, no change in the specification shall be resorted to. Minor variations without any financial repercussion, if any, may be considered, provided it is accepted in the TEC/TPC.

In exceptional cases having limited competition, if TEC feels that certain minor changes are required for equitable comparison of offers, necessary justification shall be provided in the minutes of TEC. In such cases, supplementary price bids pertaining to only the changes shall be taken from the Bidders.

(vii) Reasons for rejections are to be recorded in the TEC Minutes with reference to the tender specification and also from functional point of view.

(viii) In case of OTE/GTE, capacity/capability of the bidders and the performance of P&M offered shall be ascertained before deciding upon the technical acceptability of offers of the bidders.

(ix) In case, any firm raises a technical doubt on the specification after opening of tender bids, the same shall be studied with diligence and necessary action taken, if there shall be sufficient grounds for authenticating the parameters framed in the specification. Deliberations in this regard may be recorded in TEC minutes.

(x) Taxes &Duties as applicable, P&F charges, etc. shall be clearly specified by the firm. In case of nil taxes, the same shall also be specified. In case, they have not confirmed in the technical bid, the same shall be asked before holding of final Technical Acceptance.

(xi) All clarification/confirmations shall be asked before the opening of the price bid. No correspondence shall be made with the firm, seeking clarifications, after opening of the price bid.

6.19 Lack of Competition – Sometimes sufficient number of tenders may not be received. A situation may also arise where, after analyzing the tenders, only one responsive tenderer is obtained. In such situations, it is to be first checked whether, while floating/issuing the tender enquiry, all necessary requirements like standard tender enquiry conditions, industry friendly specifications, wide publicity, sufficient time for formulation of tenders, etc. were fulfilled. If not, the tender shall be re-issued/re-floated after rectifying the deficiencies. However, if after scrutiny it is found that all such aspects were fully taken care of and in spite of that there is only one responsive tender, then contract may be placed on that tenderer provided the quoted price is reasonable.

6.20 Tender Purchase Committee Meeting at Armoured Vehicles Nigam Limited:

a. For P&M to be purchased under Armoured Vehicles Nigam Limited's powers, The TPC recommendations of The Unit may be forwarded To Armoured Vehicles Nigam Limited in the prescribed format (given in the **Appendix 18B**) with copies of CST/Ranking Statement in quadruplicate, enclosing copies of price bids etc.

b. The concerned section in Armoured Vehicles Nigam Limited will scrutinize the ranking statement with the Unit/TPC recommendations and the tender documents, other clarification obtained by Unit. The brief, duly prepared, having all connected particulars will be submitted for consideration of appropriate TPC.
c. After TPC/Armoured Vehicles Nigam Limited's decision, minutes of TPC shall be prepared. TPC decision shall be communicated to the UNIT for placement of Order or further action as advised. The detailed TPC minutes shall have necessary decisions of TPC for finalizing contractual terms of the S.O.

d. In submitting TEC and TPC recommendations/decisions, the processing Section shall ensure that they are complete and in conformity with the latest guidelines issued.

6.21 Award of Contract

(a) After approval of procurement by relevant TPC or CFA, a sanction order shall be issued mentioning the code head of expenditure. This shall be vetted by associated Finance before issue. This will be the basis of placing supply order on the selected bidder.

Before expiry of the tender validity period, the UNIT shall issue Letter of Intent (LOI) i.e. notify the successful tenderer in writing, by suitable foolproof method, that its tender (briefly indicating therein relevant details like quantity, specification of the goods ordered, prices, delivery period, etc.) has been accepted. In the same communication, the successful tenderer shall be instructed to furnish the required Performance Security within a specified period (generally one month). This will help the contractor for planning his activities. Such communication must contain the price, delivery date and other salient particulars. S.O. shall be issued within 1 month from the date of issue of letter of Intent except in those cases involving sign of contract by both parties. In latter cases, this period is 3 months.

(b) Promptly after the above notification (within one month), UNIT shall also issue the supply order to the successful tenderer asking therein, inter alia, to send its unconditional acceptance of the contract within fifteen days. It shall also be made known to the successful tenderer that in case, it does not furnish the required performance security or does not accept the contract within the stipulated target dates, such non-compliance will constitute sufficient ground for forfeiture of its EMD and processing the case for further action against it (the successful tenderer).

(c) Supply Order shall be placed in standard format along with specifications as enclosed with tender enquiry as well as conditions of supply. If any modification is required to standard format for any individual order, then it shall be done as per approval recorded in the concerned TPC minutes.

(d) The numbering system for the SOs will have eight-digit alpha-numerical code as follows:

Each SO no. will be prefaced by "CAP" to signify Capital Order. This will be followed by a three digit numeric code of the UNIT, followed by slash, followed by two zeroes "00" to mean SO for RR/NC item. This will be further followed by a slash and then by three digit numeric code for the project for which the item is being purchased. Where the item is being purchased as NC and not for any project, it will be "001". This code in parenthesis will precede the SO number of the UNIT.

(e) If standard format cannot be used for supply order, as in case of turn-key projects, CGM of the Unit shall sign a contract with the successful bidder. Legal and financial advice shall be taken in drafting the clauses in the contract. The draft contract shall be got vetted by the Finance Division/Armoured Vehicles Nigam Limited in cases of value exceeding CGM's powers. It shall also be vetted by the Legal Adviser. Signing of contract shall be done within three months of issue of LOI.

(f) Delivery period as per tender enquiry/firm's quotation shall be agreed mutually and to be mentioned in the supply order. Normally, deviations in respect of payment terms or waival of penalty or some other terms and conditions are not considered. In case, the firm(s) do not agree to abide or comply some of the terms and conditions of the tender but due to urgency of the machines re-tendering is not possible, in that case, the concerned TEC/TPC may consider certain deviations of commercial terms based on the merits of the case and with recorded reasons in the TPC minutes, for accepting the same.

(g) Any payment due to foreigners, for erection and Commissioning of Plant and Machinery, is liable to be taxed under the Income Tax Act and the recipients are liable to pay the amount. It shall be made known to the contractor's personnel for deduction to be made at source by the purchaser.

6.22 Extension of Tender Validity Period

The entire process of scrutiny & evaluation of tenders, preparation of ranking statement and notification of award must be done within the original tender validity period. The validity period shall not be unreasonably long as keeping the tender unconditionally valid for acceptance for longer period entails the risk of getting higher prices from the tenderers. If however, due to unavoidable circumstances or some unforeseen reasons, UNIT is unable to decide placement of the contract within the original validity period, it shall request, before expiry of the original validity period, all the responsive tenderers to extend their tenders up to a specified period. While asking for such extension, the tenderers shall be asked to extend their officers as it is, without any changes therein. They may also be told to extend the validity of the EMD for the corresponding additional period (which is to be specified in the request). A tenderer may not agree to such a request and this will not tantamount to forfeiture of its EMD. But the tenderers, who agree to extend the validity, are to do so without changing any terms, conditions etc. of their original tenders.

6.23 Time Limit for Procurement & Accountability:

a. The ill-effects of delay in processing and clearance of various procurement activities needs no emphasis. The decentralization of decision making mechanism and delegation of financial powers are aimed at facilitating faster decision making and obtaining best value for money. However, the delegation of powers also implies "authority with accountability". Every individual in the chain of the procurement process is accountable for taking action in a specified time period so that the requirements are met on time.

b. Approval of PFC/Armoured Vehicles Nigam Limited is being issued for a two year block at a time, so that UNIT may plan and may take action in advance. The meeting date of PFC/Armoured Vehicles Nigam Limited shall be taken as the date of sanction for issue of TE. The following timeframe for processing of procurement proposals after approval of PFC/Armoured Vehicles Nigam Limited should be followed:

Sl No	**Activity**	**Time frame**
1.	(i) Finalization of UNIT TEC. (ii) Submission of TEC/UNIT recommendation to TEC/ Armoured Vehicles Nigam Limited.	Within 3 months from the date of approval
2.	Issue of TEC/Armoured Vehicles Nigam Limited - Level-I / II approval	Within1 month
3.	(i) Finalization of UNIT TPC. (ii) Forwarding of TPC/UNIT recommendation to TPC/Armoured Vehicles Nigam Limited LEVEL-I / II	Within 1 month
4.	TPC/Armoured Vehicles Nigam Limited-LEVEL-I / II approval	Within 1 month

The timely procurement action by the Units is necessary for expeditious modernization of Unit/Plant.

CHAPTER – 7

CONTRACT MANAGEMENT

7.1 Introduction:

The purpose of contract management is to ensure that the contract delivers the desired outcomes as per the terms and conditions of the contract. It also ensures that the payments made to the contractor match the performance. Implementation of the contract should be strictly monitored and notices issued promptly whenever a breach of provisions occurs. Monitoring should ensure that contractor adhere to contract terms, performance expectations are achieved (such as timely deliveries, quality of P&M supplied, adherence to proper procedure for submitting invoices etc.) and any problems are identified and resolved in a timely manner. Without a sound monitoring process, there can be no assurance that "we get what we pay and contract for and pay for only for what we get".

7.2 Text of Contract:

The very first requirement for ensuring a trouble free contract management is placement of contract with unambiguous and transparent terms & conditions, which have already been agreed to by both the purchaser and the supplier in black & white.

7.3 Performance Security:

The purchaser shall ensure that the supplier receiving the contract furnish the required Performance Security in the prescribed form by the specified date, failing which necessary action including forfeiture of the Earnest Money Deposit is to be taken against the supplier.

7.4 Acknowledgement of Contract:

The supplier shall acknowledge and unconditionally accept the contract within the specified days from the date of issue of contract. While acknowledging the contract, the supplier may raise some issues and/or ask for some modifications against some entries in the contract; such aspects shall be immediately looked into for necessary action and, thereafter, supplier's unconditional acceptance of the contract obtained. If both the parties (viz. the purchaser and the supplier) simultaneously sign the contract across the table, further acknowledgement from the supplier is not required.

7.5 Contract Effective Date and Commencement Date:

a. The contract effective date is the date from which the contract comes into effect i.e. the date of signing the contract.

b. The commencement date is the date with reference to which the delivery obligations of the supplier shall start under the contract. The commencement date is generally indicated in contracts with foreign firms and is conditional upon the completion of certain activities by both parties as mentioned in the contract. [Earlier, such a date was called effective date of contract. However, to avoid legal complications, it is now preferable to call the date of signing as the effective date of contract.]

c. Some examples of activities on which the commencement date is based are:

(i) Date of signing of the contract.

(ii) Furnishing of End User's Certificate by the purchaser.

(iii) Obtaining Export Licence by the seller and sending a copy to the purchaser.

(iv) Furnishing of performance bond by the seller in terms of performance security.

(v) Receipt of Bank Guarantee for advance payment from the seller.

(vi) Receipt of advance payment by the seller.

7.6 Monitoring and Coordination:

a. All the authorities, who are entrusted with some responsibilities and duties to perform in terms of the contract, shall work in unison in a coordinated manner to ensure completion of the contract without any time overrun, cost overrun and related legal complication. It is, therefore, necessary for the Unit/ Armoured Vehicles Nigam Limited to keep a proper watch and coordinate all such activities to avoid any bottleneck or problem in the execution of the contract.

b. With respect to laid down time frame and targets for expenditure, regular monitoring is done at the site, Unit level and Armoured Vehicles Nigam Limited through weekly, monthly, quarterly reports as relevant in each case.

7.7 Amendment to Contract:

(a) Many a times, due to various reasons, changes and modifications are needed even in a duly concluded contract. Either party to the contract can request for an amendment. If the proposed amendment is acceptable to other party to the contract, then amendment can be issued.

(b) Requests for such changes and modifications mostly emanate from the supplier. Immediately on receiving such a request, the Unit/ shall examine the same and take action as necessary with the approval of the competent authority.

(c) No variation in the terms of a concluded contract shall normally be made, unless the contract specifically provides for it.

(d) Any amendment to contract terms requested by the supplier may have, inter alia, financial impact and/or technical impact and/or legal impact. Therefore, before agreeing to the request of the supplier, the Unit shall scrutinise the issue on its merits to ensure that the requested amendment will not have any adverse effect on the Unit. Financial concurrence shall be obtained before issuing any amendment having financial implications/repercussions. Otherwise, TPC may take appropriate decision.

(e) Further, there may be an occasion where consultation with Legal Adviser will be necessary before issuing the proposed amendment. Such issues shall be processed, as deemed fit, depending on the merit of the case.

(f) Amendment to delivery period (DP) should be issued in stipulated formats (enclosed in the Appendices) with right to impose LD as per the contract conditions.

7.8 Payment to the Supplier:

UNIT shall ensure that all the payments due to the firm including release of performance security are made on priority basis without avoidable delay.

7.9 Sequencing:

(a) If more than one item is ordered on one supplier, for individual plant and machinery or a group of system and sub-systems, it becomes necessary that the manufacture and supply follow a regulated sequence. Many manufacturers subcontract readily available materials to the OEMs and it might be possible that the hydraulic power pack, coolant system and Conveyor system etc are delivered ahead of the rest and the main machines are delivered long afterwards. Even if the main machine is delivered, the vital accessories are delayed leading to delay in commissioning after part payments are made.

(b) It would, therefore, be required that on placement of contract, the supplier shall be asked to schedule delivery and inform the purchaser accordingly. It shall be obligatory for the supplier to pre-programme the delivery schedule and obtain purchaser's approval before proceeding with the manufacture and supplies.

7.10 Termination of a Concluded Contract:

A contract may be terminated in the following circumstances:

a. When the supplier fails to honour any part of the contract including failure to deliver the contracted P&M in time.

b. When the contractor is found to have made any false or fraudulent declaration or statement to get the contract or he is found to be indulging in unethical or unfair trade practices.

c. When both parties mutually agree to terminate the contract.

d. When the item offered by the supplier repeatedly fails in the inspection and/or the supplier is not in a position to either rectify the defects or offer items conforming to the contracted quality standards.

e. Any special circumstances, which must be recorded to justify the cancellation or termination of a contract.

7.11 Closure of Purchase File:

On completion of all activities against a contract, the purchase file shall be preserved in the record room and destroyed after expiry of the applicable mandatory retention period with the approval of the competent authority.

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CHAPTER 8

DELIVERY, TRANSPORT & RELATED TERMS

8.1 Introduction

a. In this chapter, the issues concerning Delivery Schedule including Transportation & Transit Insurance and various aspects covering Delays in Supply have been discussed.

b. Despatch is an important activity in the process of procurement, where another agency or third party is involved – the Carrier. This calls for coordinated action by the purchaser and the supplier to ensure that the machine purchased is despatched safely, satisfactorily and commissioned as per schedule.

c. Despatch can be by road, rail, sea or air. Each carrier has its own set of practices and regulations for meeting the operational requirements and conditions.

8.2 Linkage between Terms of Delivery & Date of Delivery:

(a) Delivery dates in respect of contracts incorporating standard and commonly used terms of delivery shall be deemed to be as follows:

i. **Ex-Works**: The date the supplier delivers the P&M/goods to the purchaser at its (supplier's) UNIT/premises.

ii. **FOR, Station of Despatch**: The date on which the goods are placed by the supplier on rail with clear RR (Rail Receipt).

iii. **FOR, Destination**: The date on which the ordered goods reach the destination railway station specified in the contract.

iv. **CIP / DAP, Destination**: The date on which the delivery is effected at the destination mentioned in the contract.

v. **Local Delivery at Site**: The date on which the delivery is made at the consignee's site mentioned in the contract.

vi. **FAS, port of shipment**: The date on which the supplier deliver the goods alongside the vessel at the specified port of shipment. This date is reflected in the Bill of Lading.

vii. **FOB, port of shipment**: The date on which the supplier delivers the goods on vessel's board at the specified port of shipment. This date is reflected in the Bill of Lading.

viii. **CIF, port of destination**: The date on which the P&M/goods arrived at the destination port.

ix. **FCA, port of shipment**: The date on which the supplier delivers the goods to the buyer-designated carrier at the named place.

(b) The FAS, FOB & CIF terms of delivery are applicable for goods which are directly imported from foreign countries against the subject contract and not imported already by the supplier under its own arrangement. The CIP/DAP terms of delivery may be applied both for domestic as well as imported supplies.

8.3 INCOTERMS

Unless otherwise specifically agreed to by the purchaser and the supplier and incorporated in the contract, the applicable rules & regulations for transportation of goods from foreign countries will be as per the contemporary version of International Commercial Terms (INCOTERMS) evolved by International Chamber of Commerce, Paris. INCOTERMS are the official rules for worldwide interpretation about the duties, obligations, etc. of the buyer and the seller for transportation of the goods from seller's country to buyer's country. INCOTERMS are recognised by the United Nations Commission on International Trade Law (UNCITRAL) as the global standard for such interpretation.

8.4 Air Consignment

As per the extant directive of the Government, airlifting of any goods from abroad by UNITs will be done through the authorized Air Cargo Carrier wherever available. However, before processing any contract involving import of goods through air by Units, contemporary instructions in this regard may be ascertained and followed. In case the consignments are dispatched by vendors at their cost, the selection of Airline etc. will be at their discretion.

8.5 Insurance

a) Wherever necessary, the goods supplied under the contract, shall be fully insured against loss or damage incidental to manufacture or acquisition, transportation, storage and delivery in the manner specified in the contract. If considered necessary, the insurance may be done for coverage on "all risks "basis including war risks and strike clauses. The amount to be covered underinsurance should be sufficient to take care of the overall expenditure to be incurred by the purchaser for receiving the goods at the destination.

b) Insurance of imported goods/equipment would need to be arranged on a very selective basis and only for cases where the value of individual shipment is expected to be in excess of Rs. 1 Cr. Where delivery of imported goods is required by the purchaser on CIF/ CIP basis, the supplier shall arrange and pay for marine/ air insurance, making the purchaser as the beneficiary. Where delivery is on FOB/ FAS basis, the marine/ air insurance shall be the responsibility of the purchaser.

8.6 Shipping Procedure:

(a) Long-term Contract for Transportation in case of Import through ocean/sea route Long-term (up to 5 years) contract for transportation in case of import of general liner cargoes (project cargoes, heavy lift, container, break bulk cargoes etc) may be concluded by Armoured Vehicles Nigam Unit or a nodal Unit nominated by Armoured Vehicles Nigam Limitedon FOB (Free on Board)/FAS (Free Alongside Ship) or C&F (Cost & Freight)/CIF (Cost, Insurance & Freight) basis through ocean / sea route. The Office Memorandum No. SC-18013/1/2013-ASO-I dated 08.09.2015 or amended from time to time on the matter issued by Ministry of Shipping may be referred (As given in **Appendix-22**).

(b) The concerned Unit shall make the following documents available directly to EHQ Mumbai, or EHQ Chennai for consignments arriving through respective ports.

i. Original Bill of Lading.
ii. Non-negotiable copies of Bill of Lading: 4 copies.
iii. Invoice/packing account – 5 copies;
iv. Specification to Invoice where necessary – 1 copy.
v. Packing List – 1 copy.
vi. Packing note – 1 copy in addition to one in the package.
vii. Insurance policy, if the stores are insured – 1 copy.
viii. Specification/Certificate of quality – 1 copy.
ix. Bank endorsement on Bank's letter head.
x. Consignee release order.
xi. A copy of Certificate of Country of Origin may also be despatched for clearance.
xii. The supplier is also required to send a sketch of the consignment along with outward dimensions and gross weight etc along with the despatch documents.

8.7 Despatch by Air

(a) As per the extant directive of the Government, airlifting of the imported goods from abroad will be done only through authorised Air Cargo Carrier. All air freight charges, which are shown on the relevant consignment note as chargeable to the consignee, are to be paid to authorized Air Cargo Carrier in Rupees. However, before processing any contract involving import of goods through air, contemporary instructions in this regard may be ascertained and followed.

(b) For Air Consignments following documents are to be furnished.
(i) Air Way Bill (AWB) / Copy of AWB
(ii) Cargo Arrival notice
(iii) Banker's endorsement on Banker's Letter Head
(iv) Consignee's release order
(v) Invoice / packing list

(c) The above documents shall be made available to EHQ Mumbai or EHQ Chennai, as necessary, 14 days in advance for effecting timely clearance. A suitable clause is to be incorporated in the supply order to the effect that, if clearance is delayed for non-receipt of documents from the supplier in time, the supplier shall make good the losses towards payment of extra wharfage.

(d) On receipt of the Commercial invoices from the supplier, Embarkation Headquarters prepares five copies of convoy notes and forward the same to the consignee, in duplicate. The consignee thereafter prepares their ledger entry/ receipt vouchers for audit and sends back one copy of convoy note to Embarkation Headquarters. This indicates receipt of the consignment by the consignee. If no discrepancy is reported back to Embarkation Headquarters within a month, it is presumed that the goods have been received correctly.

(e) Consignee UNIT shall make very close liaison with EHQ, Mumbai or EHQ Chennai and monitor activities relating to clearance of consignment and assessment of custom duty for ensuring timely clearance and correct assessment of custom duty.

8.8 Packing and Marking:

(a) The supplier shall forward the complete packing details preferably 3 months prior to despatch for arrangement of sea and inland transportation by the Unit.

(b) The packing of the consignments shall be done carefully and appropriately so as to prevent any damage to the P&M in the accepted means of transport.

(c) The packing shall be weather-proof and sea-worthy (if dispatched by sea). Components inside shall be padded fastened securely and overall covered/sealed with tough polythene sheets. Hygroscopic material in sealed packets may be kept inside to avoid ingress of moisture in sea environment. The supplier will be fully responsible for suitability of packing material to withstand rough handling and exposure to sea conditions.

(d) Sophisticated/delicate machines/components of delicate nature, likely to be damaged during transit or small and urgent consignments may be air-lifted after obtaining approval of competent authority.

(e) Each package is to be marked by the supplier with indelible ink, prominently indicating-

- (i) Contract number and date.
- (ii) Full address of consignee
- (iii) Port of landing, station of dispatch as applicable
- (iv) Arrow showing upright position
- (v) Care mark for glass/fragile items
- (vi) Brief nomenclature of items inside
- (vii) Marking for special slinging positions in block English letters
- (viii) Each package shall contain packing list, Invoice, packing note giving cost of each item contained, a copy of pre-delivery inspection certificate, identification tag on each item.
- (ix) Each of the packages shall ordinarily be less than 5m in length, 2.5m in width and 2.5m in height, and less than 10T in weight.

8.9 Inland despatch of machines:

(A) Despatch by road:

(a) The machine suppliers often resort to transport by road for early delivery of machines, due to less likelihood of damage or loss in transit as in extended transit times of railways. The transit risks are either covered by the transporter or by the supplier. Since the delivery is at the door of the purchaser, in-transit handling is nil thus reducing chances of damage. This is the preferred mode of despatch for the purchaser as well.

(b) Generally (especially for machines requiring installation and commissioning at site by the supplier), the desirable terms of delivery are CIP destination or Delivery at site, so that the supplier remains responsible for safe arrival of the ordered goods at the site. Therefore, Ex-works or FOR Despatching station terms should be avoided.

(c) As the transport contracts do not generally include loading and unloading of consignments, during the unloading the purchaser has to assist in lending the services of skilled personnel and mechanical devices, free of cost or chargeable basis as per terms of Contract.

(d) On receipt at the UNIT, the external packing is thoroughly checked and if found in order, the delivery of the consignment, duly packed is accepted. A provisional receipt is issued in the following format: "This is a provisional certificate. It is only a token of receipt of goods by the consignee and is without prejudice to his right of inspection and rejection under the general conditions of contract. It is issued on 'as is where is basis', the Contractor remaining responsible for proving the total quantities actually delivered."

(e) In all cases of transport by road, payment is released to the Supplier subject to:-

- i) Receipt of the consignment at the UNIT in good condition;
- ii) Joint Inspection along with representative of Supplier for verification of the items as per Packing List;

(f) Liability of loss:

If the term of delivery as per the supply order is FOR destination, the title of the property passes on to the consignee only on delivery of the consignment. Therefore, transit losses will be borne by the supplier.

In many cases, even though the consignment has been booked FOR station of despatch, the supplier remains responsible for arrival of consignment in good condition. The supplier stands responsible to supply the deficient quantities.

8.10 Installment Delivery

In case, number of machines to be ordered is more than one and these are being designed/supplied for the first time, a provision may be made in the contract that the balance machines should be only supplied after successful commissioning and acceptance of the first machine after exhaustive trials at UNIT. Interest of the State should be safeguarded.

(a) The goods ordered in a contract to be delivered by installments may be an “entire” contract or a “severable” contract as per illustrations given below:

i) **Entire Contract**: Total number of Units of the required goods is 100.
Delivery Schedule: Delivery to commence after 30 days of placement of contract and to be completed within 4 months @ 25 Units per month i.e., completion by 30.06.2006 or earlier.

ii) **Severable Contract**: Total number of Units of the required goods is 100.
Delivery Schedule: 25 Units by 31.03.2006; 25 Units by 30.04.2006; 25 Units by 31.05.2006; 25 Units by 30.06.2006.

(b) In the case of a severable contract, each installment constitutes a separate contract and extension in delivery period, if needed is to be done for each installment separately. If goods are accepted after expiry of the delivery date of a particular installment without extension in delivery period being given with reservation of right to liquidated damages etc., the purchaser will not be legally entitled to claim the liquidated damages etc. Therefore, in case of severable contract, the purchaser should watch delivery position of each installment as per the specified date for that installment, and, whenever necessary, extend the corresponding date for the installment in question or cancel that installment, in which there is delay in supply.

8.11 Delay in Supplies for which Supplier is not responsible

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

(i) Cases where the manufacture of goods is dependent on the approval of the advance sample and delay occurs in approving the sample though submitted by the supplier in time.

(ii) Where extension in delivery period is granted on account of some omission on the part of the purchaser which affects the due performance of the contract by the supplier.

(iii) Cases where the purchaser controls the entire production.

(iv) Delay in sending PDI team or Shipping arrangement for Shipment by purchaser

(b) The delivery cannot be re-fixed to make a contract a 'severable' contract without the specific agreement of the supplier, if the delivery originally stipulated in the contract was in the form of an 'entire' contract.

8.12 Remedies to Purchaser for delay in Supply/Non-Supply for which Supplier is responsible

The purchaser has the following options depending upon the circumstances of the case:

(i) Extend the delivery with imposing of liquidated damages and other denial clauses

(ii) Forfeit the performance security

(iii) Cancel the contract

(iv) Impose other available sanctions/penalties

8.13 Applicability of Consequential Damages:

In turn-key contracts in addition to liquidated damages, an attempt should be made to have a provision for consequential damages also on account of time and cost overruns.

In all cases involving turn-key contracts the aforesaid direction of CCEA may please be borne in mind and complied with.

(Ref. DoE/MoF F. No. 1(2)/PF.II/99, dated 13.11.2000)

8.14 Review of Performance:

(a) Review of performances periodically is a means of deciding those ones which need timely corrective action one of such contingency is when the supply does not materialize within the delivery period. The options available are:

i. Extend delivery date

ii. Re-fix delivery date

iii. Cancel the contract and repurchase the quantity.

(b) Whether to extend or cancel the contract depends upon if the purchaser is convinced that the supplier would come forward during the extended period. If there is no possibility, it would be advisable to cancel the contract and repurchase, if the requirement exists.

(c) The extension to DP is to be as asked for by the firm and mutually agreed. The letter and spirit of application for extension by the firm would have to be considered rather than only end dates. The supplier shall get effective time for performance of contract. The purchase officer is competent to grant extension for contracts if it falls within his power of purchase. Such extensions are however conditional upon right to levy liquidated damage and denial for increase in prices, duties etc. Copies of extension shall be given to Inspector concerned.

(d) If there is no response to the contract by the firm, the purchase officer may issue a notice-cum-extension letter (Performance Notice) in specified proforma. If there is no response within 15 days, Cancellation Notice may be issued to the firm. Shall the trend continue, the Purchaser would be in a position to cancel the contract after a notice period of 15 days. The original delivery date would remain as the date of breach.

(e) If the firm despatches the material without getting DP extended, it will be at its own risk. The purchaser is free to cancel the contract and no claim will lie even if the material is taken delivery of the material can be rejected if delivered beyond delivery period. The RR and other despatch documents shall be returned to the firm.

(f) By a written notice of default sent to the firm, the purchaser can cancel the contract. The performance security deposited shall be forfeited and the purchase will procure elsewhere. The contractor is however free to perform to the extent the contract is not terminated.

8.15 Despatch of Goods after expiry of Delivery Period

(a) As per the contract terms, the supplier is not to supply the goods when there is no valid delivery period. In case the supplier makes any supply after expiry of delivery period, the purchaser/consignee can reject the supplies and inform the supplier accordingly; the purchaser shall also have the right to cancel the contract (w.r.t. unsupplied goods) in terms of the contract.

(b) If, however, the purchaser / consignee requires the goods (which has been supplied after expiry of the delivery period), the purchaser may accept the goods and issue a delivery extension letter with usual LD clause and denial clauses, as mentioned earlier, to regularize the transaction.

8.16 Correspondence with the Supplier after Breach of Contract

The purchaser or its authorized representative is not to enter into correspondence after expiry of the delivery date stipulated in the contract because such a correspondence will make the contract alive. This situation will not allow the purchaser to cancel the contract straight away without first serving a performance notice to the supplier. However, even after expiry of the delivery period of the contract, the purchaser may obtain information regarding past supplies etc. from the supplier, simultaneously making it clear to the supplier that calling of such information is not intended to keep the contract alive and it does not amount to waiving the breach and that it is without prejudice to the rights and remedies available to the purchaser under the terms of the contract.

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CHAPTER – 9

INSPECTION OF PLANT & MACHINERY

9.1 Introduction

Before accepting the ordered P&M, it must be ensured that they have been manufactured as per the required specifications and are capable of performing the functions as specified in the contract. To achieve the same, the tender document and the subsequent contract should specify the details of inspection and tests to be carried and stages and manner for carrying out the same. Due diligence to be given so that members of PDI team possess the required competency level. Inspection Authority subjects these machines to physical inspection at the Pre-despatch inspection stage and only accepted ones are despatched to the consignee. The machines are also inspected at the site after erection and commissioning to ensure conformance to the stipulation made for post commissioning quality requirements.

9.2 Stages of Inspection / Acceptance:

[Ref: Erstwhile OFB letter No 122/DP/E/M Dated 12th July 2000]

(A) MANUFACTURER'S QUALITY CONTROL:

a. During manufacture various parts of the equipment are to be subjected to inspection/tests to ensure quality of the product according to relevant National/International standards.

b. Results of such tests whether carried out by the machine manufacturer or his subcontractors are to be made available to the purchaser. The vendor must indicate in his offer, the stages where such inspection will be carried out and the standards to which such tests will conform.

c. Test certificates for such tests will have to be forwarded to the purchaser or his authorized Inspector wherever desired.

d. The manufacturer will submit a Guarantee Certificate in the prescribed proforma for having satisfied themselves of the quality of manufacture of the equipment.

e. The purchaser may reserve the right to depute Inspector/representative to witness any of the tests at manufacturer's works being carried out as parts of manufacture's quality control.

(B) PRE-DELIVERY INSPECTION (PDI):

a. After assembly of the equipment at the vendors works pre-delivery inspection will be carried out to ascertain that the equipment so offered for inspection, meets the Purchaser's specifications broadly and there is fair chance of the equipment passing the final performance tests at the purchaser's works.

b. Pre-delivery Inspection will consist of static accuracy tests, dynamic load tests and actual trial on sample jobs for which the equipment is tooled up to determine jobs accuracies and rated out-put/cycle time etc.

c. Specific tests that are to be carried out will be agreed upon jointly by purchaser and vendor and before delivery. Completeness and correctness of equipments as per contract in general will be determined at this stage.

(C) PRELIMINARY ACCEPTANCE:

As soon as the erection of equipment with auxiliary facilities is completed, the representatives of the purchaser and the supplier shall jointly proceed with the preliminary checking and conduct necessary tests to ascertain that the unit has been completely delivered, properly erected and is fit to be operated. This will include no-load and load trials of equipment, onsite testing of all important elements of equipment for the functioning and verification of provision of necessary safeguards/facilities to satisfy the statutory requirements. As soon as the tests have been carried out and the results are found to be satisfactory, the purchaser he shall record his preliminary acceptance and proceed with startup runs for the plant/equipment as a whole.

(D) TAKING OVER:

The equipment shall be deemed to be taken over by the purchaser after clearance in preliminary acceptance tests. Taking over in any manner or transfer of title of the equipment to the purchaser in no manner relieves the vendor of his obligation under the contract. Taking over means taking over physical possession with full rights to operate the equipment without prejudice to acceptance tests, guarantee and warranty and other obligations of the vendor. If agreed and mentioned in the contract, "Taking Over Certificate" (TOC) may be issued at this stage. Format of this certificate is in the **Appendix-23**.

(E) PERFORMANCE TESTING OR ACCEPTANCE TESTS:

a. Tests at this stage will cover accuracy of machine, accuracy of product, out turn capacity and sustenance of performance under tropical condition over specified period.

b. The equipment will normally be put under on tests for two successive weeks (single 8 hrs shifts) unless otherwise stated in the particular Technical specification. The equipment will be subject to tests for 5 days continuously and the sixth day will be utilized for preventive maintenance.

c. Cycle time for completing the job as tooled up will have to be proved during this test period. Apart from adhering to the individual cycle-timings it has to be proved that the machine will continue to achieve the agreed cycle time at 80%, or as agreed, efficiency of machine time utilization.

d. All time for tool changing, breakdown, maintenance, adjustment etc. will be included for arriving at 80% efficiency. However, downtime due to non-availability of power compressed air, water and other service facilities will be excluded.

e. A machine capable of giving rated out-turns at "zero defect" or at the agreed process capability of equipment in terms of accuracy of product is the requirement of the Purchaser. However, if the vendor has quoted for any rejection percentage, which is accepted by the

Purchaser at the time of placing order, tests will cover checking of such rejection percentage at this stage.

In some cases, the contract has provision for 'minimum performance levels' i.e. the minimum performance parameters below which the plant shall not be accepted. It is also agreed and laid down in the contract conditions that for every 1% shortfall performance from the guaranteed levels (e.g. capacity and consumption figures), the contractor will pay back 1% of contract cost, to the purchaser for compensating the losses, and not by way of penalty, subject to a maximum of 5% / 10% of total contract price. This is in addition to any other damage being recovered like recovery for delay in supplies.

In case the shortfall in capacity and/or other performance figures is above 5% / 10% (as stipulated in the contract), the purchaser shall have the right to reject the plant.

Note: Whenever required, Unit **may incorporate the subject clause suitably in the TE-Part-II of STD (technical specification).**

f. Performance Endurance under tropical condition will involve satisfactory working under production run for two weeks during summer. The vendor may opt to witness the trials or otherwise. This may or may not be part of final acceptance tests. If it is not part of the final acceptance tests, then it should be kept part of the contractor's obligations in the contract and should be performed in the warranty period.

g. All facilities as made available for erection and commissioning will also be made available to vendor's Engineer/Representative during acceptance testing period also.

(F) FINAL ACCEPTANCE:

Final Acceptance Certificate (FAC) as proof of successful commissioning of the equipment will be issued by the purchaser as soon as the equipment passes the acceptance tests in satisfaction of all the contract conditions. Format of this certificate is in the **Appendix-24**.

9.3 Inspection authority and their functions:

(a) Inspection is required to follow a pre-specified charter, known as Inspection schedule, to assure the purchaser that the plant/P&M under procurement is in conformance with the required standards of performance. Thus, all payments are made only after stage wise inspection procedures are complied with, if incorporated in tender and Contract. The contractor shall inform the inspector when the Plant and Machinery is ready for inspection.

(b) Pre-despatch inspection constitutes a very important stage in the procurement process of P&M. The Supply Order clause governing pre-despatch inspection shall clearly spell out the basis on which the Pre despatch inspection will be carried out by Officials authorized by General Managers of the factories.

(c) Officials authorized by General Managers of the factories shall function as Inspection Authorities as per terms and conditions of the supply orders. The Inspector shall ensure that he has all particulars, drawings, specifications etc. He shall make administrative arrangements for such inspections and where test facilities are not made available with the firm, arrangements for quality certification of the components used may be done at reputed institutions, where such tests may be conducted.

(d) On completion of preliminaries, the Inspecting Officials may be deputed to the firm's premises to carryout Pre-despatch inspection. The inspection shall normally follow a pre-decided schedule, governed by Contract conditions. The Inspecting Officials may ask for reports of the firm and carryout inspection in accordance with the national and international standards for machine components for their dimensional and geometrical features. The performance of machine in producing P&M to specified accuracies and repeatability etc. shall also be tested at the firm's premises. Tests carried out on similar machines, the inspection standard and method adopted elsewhere can act as guidelines for planning and carrying out inspection.

(e) Notwithstanding any such inspection and clearance accorded by the purchaser, the seller remains responsible for final testing and acceptance at site. Nevertheless, the purchaser's acceptance at firm's premises indicates compliance to the desired quality standards and performance by the machine so offered. Therefore, a conditional acceptance based on incomplete pre-despatch inspection is not in the interest of the purchaser. The suppliers also highlight lapses on the part of purchaser on the subsequent modes of transport, receipt of machines, storage, erection, commissioning etc. Therefore, a plant accepted on the basis of Pre-despatch inspection gets finally commissioned albeit with delays and protracted correspondences, rectifications in final performance trials, often stretching the purchaser's resources.

9.4 General Conditions of Inspection:

(a) Facilities for test and examination: The contractor shall, at his own expense, afford to the Inspector all reasonable facilities and such accommodation as may be necessary for satisfying him that the goods are being and/or have been manufactured in accordance with the particulars. The Inspector shall have full and free access at any time during the execution of the contract to the contractor's works for the purpose aforesaid, and he may require the contractor to make arrangements for inspection of the goods or any part thereof or any material at his premises or at any other place specified by the Inspector and if the contractor has been permitted to employ the services of a sub-contractor, he shall in his contract with the sub-contractor, reserve to the Inspector a similar right.

(b) Cost of test: The contractor shall provide, without any extra charge, all materials, tools, labour and assistance of every kind which the Inspector may demand of him for any test, and examination, other than special or independent test, which he shall require to be made on the contractor's premises and the contractor shall bear and pay all costs attendant thereon. If the contractor fails to comply with the conditions aforesaid, the Inspector shall, in his sole judgment, be entitled to remove for test and examination all or any of the goods manufactured by the contractor to any premises other than his (contractor's) and in all such cases the contractor shall bear the cost of transport and/or carrying out such tests elsewhere. A certificate in writing of the Inspector that the contractor has failed to provide the facilities and the means for test and examination shall be final.

(c) Delivery of Goods for Test: The contractor shall also provide and deliver for test, free of charge, at such place other than his premises as the Inspector may specify such material or goods as he may require for tests for which contractor does not have the facilities or for special/independent tests.

(d) Liability for costs of special or independent tests: In the event of rejection of goods or any part thereof by the Inspector in consequence of the sample thereof, which is removed to the laboratory or other place of test, being found on test to be not in conformity with the contract/or in the event of the failure of the contractor for any reason to deliver the goods passed on test within the stipulated period, the contractor shall, on demand, pay to the purchaser all costs incurred in the inspection and/or test. Cost of test shall be assessed at the rate charged by the Laboratory to private persons for similar work.

(e) Method of testing: The Inspector shall have the right to put all the goods or materials forming part of the same or any part thereof to such tests as he may think fit and proper. The contractor shall not be entitled to object on any ground whatsoever to the method of testing adopted by the Inspector.

(f) Goods expended in test: Unless otherwise provided for in the contract, if the special or independent test proves satisfactory and the goods or any installment thereof is accepted, the quantity of the goods or materials expended in test will be deemed to have been taken delivery of by the purchaser and be paid for as such.

(g) The Inspector as the Final Authority to certify performance shall have the following power:

(i) Before any goods or part thereof are submitted for inspection to certify that they cannot be in accordance with the contract owing to the adoption of any unsatisfactory method of manufacture.

(ii) To reject any goods submitted as not being in accordance with the particulars.

(iii) To reject the whole of the installment tendered for inspection, if after inspection of such portion thereof as he may in his discretion think fit, he is satisfied that the same is unsatisfactory.

(iv) To mark the rejected goods with a rejection mark so that they may be easily identified if re-submitted.

9.5 Inspection of Imported Items

(a) The excerpt of the recommendations of the 'Expert Committee to Streamline the Procedure of Import of Defence Equipments' has been communicated to Armoured Vehicles Nigam Limited. The recommendations of the Committee have been accepted by the erstwhile OFB and an excerpt of the report is as follows:

> "Considering the high stakes involved in large value equipment imports, it shall normally be obligatory to depute our inspection teams to the seller's premises for purposes of carrying out acceptance inspection. The Committee observed that import Contracts generally contain this stipulation. At the same time, it is conceivable that our inspectors are not fully versed in

carrying out inspection of complex state-of-the art equipment/systems being imported. This would require a certain training effort before the inspection organization feels reasonably well equipped to carry out such inspections. Consequently, it would be desirable to incorporate a proper provision in the contract for imparting training to our inspectors together with the provision for training users/operators and maintenance personnel. It would be desirable to synchronize such that training effort is accomplished at the point of time when the system is being offered for inspection".

(b) Normally, PDI shall be restricted at the firm's premises. For cases where PDI is to be carried out at multiple locations for same P&M, the same shall be brought by the bidder in technical bid. Accordingly, S.O. should clearly indicate the location where the PDI shall be carried out.

9.6 Outside Testing Laboratories

(a) Sometimes it becomes necessary for the purchase organization to conduct type test, acceptance test or special test at outside laboratories, when facilities for these tests are not available in-house with the supplier or carrying out of confirmatory tests is considered desirable before accepting the goods. It should be ensured that such tests in reputed NABL accredited laboratories.

(b) In cases where the samples are to be tested at supplier's cost on account of non-availability of their own testing arrangements, the responsibility of depositing the testing fee, etc. would rest with the supplier.

9.7 Handling of Inspection Stamps/Inspection Documents

Each Inspecting Officer shall be supplied with Acceptance stamps, Lead Seals, Pliers, Rubber Stamps, Stencils, Labels, Stickers, Holograms etc. according to the requirements, for sealing and marking the inspected goods in terms of the contract. He will be responsible for safe keeping of these articles and shall ensure that they are not misused by unauthorized persons.

9.8 Acceptance of Goods against Supplier's In-house Inspection Report and Warranty

(a) In case of goods to be imported from abroad, pre-despatch inspection of goods at supplier's premises involves considerable expenditure to the purchaser. In such a situation, the purchaser may substitute pre-despatch inspection by its own inspector with manufacturer's in-house inspection report and warranty.

(b) However, before adopting this procedure, the nature and cost of the goods ordered, the reputation of the supplier, etc. should also be kept in view and appropriate decision taken.

9.9 Purchaser's Right of Rejection

Purchaser has the right to reject the goods on receipt at site during final inspection though the goods have already been inspected and cleared at pre-despatch stage by the purchaser's inspector. However, such rejection should be strictly within the contractual terms & conditions and no new condition should be adopted while rejecting the goods during final inspection.

9.10 Acceptance of Goods vis-à-vis Warranty Provisions

Inspection by purchaser's representatives at various stages would not relieve the supplier of his obligations under the warranty.

9.11 PDI of the P&M shall be carried out at supplier premises. Unit can depute the PDI team to supplier premises. All costs associated with the stay of the Buyer's Representative(s) in the country where the PDI is to be carried out, including travel expenses, boarding and lodging, accommodation, daily expenses, shall be borne by the Buyer.

In case, supplier desires PDI to be carried out at other places also, then the supplier will take the responsibility of arranging the same at his cost.

In case, the M/c is rejected during the 1st PDI, the cost of subsequent PDIs shall be borne by the supplier. Preferably, the original PDI team will carry out subsequent PDI(s). The expenditure for subsequent PDI(s) shall be initially be incurred by the buyer and will be deducted from the supplier's 1st claim.

9.12 Thrust areas of training:

The thrust areas of training need in respect of various categories of P&M may vary based on criticality and familiarity of the technology involved. It would require careful analyzing and firming up by a Competent Committee. However, the broad areas of training need would generally be on operation, process-control, and process-safety, maintenance consisting of mechanical, electrical, electronics, and hydraulics etc., based on the competency available within the Organization/UNIT.

9.13 Training at manufacturer's premises during assembly of P&M:

(a) The necessity of associating a training team at the time of machine building at Manufacturer's premises or at the premises of other firms as recommended by the supplier is essential for some of the P&M involving intricate assembly and interfacing of a variety of mechanical, electrical and electronics, hydraulic and pneumatic sub-systems to have first-hand information and exposure. This would help the training team to effectively identify and rectify the problems likely to be encountered during operation/maintenance of P&M at the UNIT.

(b) Depending on the complexity of the P&M, Inventors may be required to include the above training schedule in the tender, so that the tenderer may be able to include the same in the tender along with the cost or free-of-cost. Once this has been done, further discussion may be made during the pre-bid conference with the manufacturer and after tender opening, which may be recorded in the TEC/TPC regarding the composition of training team and the duration for consideration of Armoured Vehicles Nigam Limited's approval.

9.14 Training of personnel during Pre-despatch inspection:

In this category, the training is meant for those machines which are already working in the Factories and the training team is already conversant about certain features of the previous models/technology. Therefore, the thrust of training would be generally to update the training cum pre-despatch inspection team on the new development/features of the machines before/while carrying out pre-despatch inspection of P&M. The training may be concurrently imparted along with trial, testing and proving of components at the supplier's premises, depending on the case. The duration of training cum PDI team may be for 3 to 5 days, whereas, the composition may vary from 2 to 4 persons depending upon the quantum of activities involved in PDI. The above training schedule must be indicated in the tender, so that the tenderer may be able to comply with the same in the tender along with cost or free-of-cost.

9.15 Training of personnel during commissioning at user's premises:

Training of this category is required for all types of P&M including those for which either exclusive/comprehensive training has already been catered or clubbed with PDI team or otherwise. The schedule of training and composition of team shall be spelt out specifically considering the type of P&M, technology etc. in the Tender/S.O. The trained personnel along with others may be associated at the time of erection and commissioning by the suppliers so as to acquainting themselves and gaining proficiency in the use of various systems/sub-systems of P&M. It helps in absorption of technology and spreading the knowledge gained during training to operatives at different levels.

9.16 Methodology for dissemination of knowledge:

The methodology to be adopted for dissemination of knowledge acquired by the trained personnel to other members of Factories or sister Factories is as follows:

(i) A comprehensive and self-contained report may be prepared by the persons after completion of training. A copy of report may be kept with production as well as maintenance group of the UNIT. A copy may be also kept at the Technical Library of the UNIT for reference.
(ii) Training material in the form of hard-copy/soft-copy may be collected from the Suppliers by the team during the training at the Suppliers' premises and kept in the Technical Library for reference.

(iii) The trained Officer/Staff shall be engaged as faculty on the relevant topic at Armoured Vehicles Nigam Limited Institute of Learning (AVNL IOL) etc. to dissipate their knowledge to others.

(iv) A presentation by trained personnel may be made to all the Officers of the UNIT so that they can have an overall view about the operations, maintenance, technology, applications, safety etc. of the P&M. The same presentation may be made to the group of employees engaged in the operation, maintenance etc. of P&M.

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CHAPTER- 10

RECEIPT, ERECTION & COMMISSIONING

10.1 Receipt of machines:

(a) Machines are either received through road or by sea, as per contractual conditions. It may be transshipped from the port or supplier's works and in exceptional circumstances due to urgency may also be air-lifted.

(b) On receipt of machine, the packages are to be inspected. The package can be opened if no outward damage is observed. Often the base plank of the package is supported with cross pieces and provided with anchor bolts for the purpose of slinging and shifting. They shall be generally used for shifting of the package. Wire ropes of suitable size, depending upon the gross weight can also be used for lifting and shifting by crane. Rollers and trailers may also be used. Base plank with lifting devices are kept with the machine until dismantled for putting the machine in its proper place for erection.

(c) Application of excessive force on the package and shifting it by weak members, will not only damage the package, but also the contents as well. The packages shall therefore be opened systematically at the points tightened with bolts, steel strips or nailed. In case of any doubt that the contents may not be in good condition or with the observation of damage on the package, the supplier's representative may be called to witness the opening. If the consignment is with separate transit insurance, the representative of Insurance agencies may also be informed. Depending upon contractual condition with transporter they also may be informed to witness the opening. It is a good practice therefore that information on opening schedule, for costly machines, is given to suppliers.

(d) The contents of the package shall be tallied with the packing slip/packing note/copy of invoice with the package. Packing note/invoice shall contain the cost of individual items in the package, for claiming recovery if any of it is found lost or damaged. A joint statement is made in case any damage is observed with the carrier's representatives and with the Insurance representatives. On making a joint signed statement claim is lodged with Railways/Insurance Agencies/Carrier. The firm may pursue the matter with carrier agencies to recover the loss. Therefore, the supplier is often contracted to effect door delivery at the UNIT even though the title of the machine may have passed on to the purchaser.

10.2 Civil Works for Erection:

(i) General-purpose machine tools are generally grouted on shop floors constructed to bear the working load of the machine. They are grouted with the help of anchor bolts. For special purpose and heavy-duty plant and machinery like presses, high-speed blowers, compressors and machines requiring vibration free foundation special foundations are necessary. The foundation shall not only bear the working load, but dampen the vibration being transmitted to nearby machines, without affecting the rigidity of its own support. The supplier is required to furnish foundation diagram that will meet their design operational conditions. The requirement shall be a part of the contract. To enable designing the foundation required, soil test reports at various depths shall be kept ready to be furnished to the supplier. With the estimated design load, the supplier shall be able to make a safe design of the foundation details, and furnish it to the purchaser as per the agreed schedule.

(ii) Often erection needs underground chambers to accommodate electrical equipment and lift out cylinders of hydraulic presses. This may need sheet piling to protect column foundations.

(iii) Underground cellars and foundations may need water proofing, if grunting is required all supports, protrusions, castings are to be completed before hand.

(iv) In air conditioning plants, enough headspace is to be left even after laying the ducting.

(v) Special lead lining is laid around x-ray room. This requires special anchorage to lead.

(vi) The traverses around the explosive buildings do not permit cuttings later to lay piping. It is a good practice therefore to insert hollow pipes to leave an opening for the purpose.

10.3 Services / Utilities for Erection:

(a) **Battery Limits**: The technical specification to the tender shall specify the supply of services at required points. The quality of water, steam and air, pressure and volume required by the machine will have to be specified by the supplier. The points at which such of the services are required are generally pre-decided and the supplier is generally advised to furnish these details, known as battery limits, in advance of the actual delivery of the equipment. The purchaser has to lay the necessary power and services network in advance, to be in readiness; so as to adhere to the time frame required for erection and commissioning.

(b) **Power Supply:**

(i) The type of load and diversity are important in designing electrical distribution system, panel boards and isolation equipment. Equipment with heavy electrical load at the end of the bus shall in general be avoided. Overhead or underground power distribution shall be decided in advance.

(ii) Unacceptable harmonics in the electrical circuits would cause perpetual problems for the maintenance of the equipment. Care shall be taken to suppress it.

(iii) CNC machines are to be connected to panels with steady power requirement and preferably with separate earthing to prevent data corruption.

(c) **Water** :

Water conservation is ensured through re-circulation of water. Sometimes emergency water supply is provided for cooling water for induction heating furnaces to meet the contingencies of power failure. Since the discharge pressure of different equipment is different, it is common to have sumps and pumps with pressure reduction valves to ensure proper distribution of water. The scheme is to be integrated with the erection of plant and machinery.

(d) **Steam**:

It shall provide for the peak loads. The piping size shall limit pressure drops. Steam lines shall have good slopes, lagging, steam traps and to the extent possible low pressure piping (outside IBR) within the building. The road crossings shall have enough clearance.

(e) **Air Conditioning**:

Since the buildings where such machines would be positioned would need to have false ceilings, the equipment will have to be erected before the roofing is done.

(f) **Compressed Air**:

It shall be free of moisture, oil and of adequate pressure. The air filters shall be housed close to the equipment. Separate layout shall be made for high pressure duty and low pressure lines.

(g) **Fuel Oil**:

It is often necessary to store enough oil to run boilers and heating furnaces without interruptions. They are to be stored in conditions recommended by the oil companies. Adequate fire fighting facilities are to be provided. Stem tracings may be provided from service tanks to the boilers, in cold climates to avoid pumping difficulties. Bulk storage shall follow safety regulations, especially in explosive Units.

(h) **Miscellaneous:**

(i) In case instrumentation, cables and piping require a separate structure, it shall also be decided in consultation with supplier.

(ii) Safety and pollution control requirement, drain pits, and sometimes cooling towers for coolant, local water treatment and refrigerant system etc are required to be set up for the machine exclusively. These will require additional Civil Works. They are to be ascertained from the machine layout diagram and erected as soon as the equipment arrives. They do not need special foundation generally.

(iii) The erection may be departmentally executed or through contract. The vendor shall understand the intricacies of the erection process. He shall have approved welders and fitters. There shall be enough space for erection. It is a good idea to insure the equipment from store yard till the completion of erection.

(iv) It is necessary therefore, that the supplier shall furnish the services requirements and structural much ahead of the delivery of the equipment, at least as per the agreed schedule.

(v) Civil works require long execution time and is often on the critical path.

10.4 Responsibility of Erection:

(i) Unless otherwise specified, the purchaser's liability is to the extent of supply of labour, tools and tackles as mutually agreed. The erection is done under the supervision of the supplier and he remains responsible for satisfactory erection.

(ii) The supplier therefore has to inspect the erection work and advise any rectification if any. He has to supply all special equipment required to erect and assemble the plant. Detailed stage-wise assembly and inspection schedule has to be furnished by supplier with diagrams. The wiring and piping will be labeled and identified by the supplier to facilitate easy identification during erection.

(iii) Generally, however, suppliers do not engage their skilled workmen or claim any remuneration for these services.

(iv) At the end of the Erection therefore, it is necessary to check the following:

(a) P&I diagram and ascertain its conformance to the firm's requirement.

(b) Machine layout, its accessories and auxiliaries including operator's and swarf space.

(c) Proper alignment of machine components. The method for checking alignment, references used and permissible error, level of machine, its bed, reference surfaces etc. so as to avoid excessive wear and tear is to be informed by the firm. The purchaser shall ensure compliance of the above features within limits and prepare a joint statement with firm's representative.

10.5 Obligations of Purchaser for Erection & Commissioning:

The purchaser has to offer the following facilities for erection and commissioning of the equipment:

(i) To provide suitable storage space to all supplies made by the supplier. If the supplier has affected supplies as laid down in the contract, the title passes on to the consignee and the purchaser, in his own interest must provide proper storage till erected at site.

(ii) Supply different utilities free of cost to the supplier during erection and commissioning.

(iii) Work areas shall be illuminated.

(iv) Provide lodging, on chargeable basis, to the supplier's engineers for supervision of erection and commissioning.

(v) Security of material if within the UNIT premises.

(vi) Construction of various foundations as per supplier's drawings.

(vii) First aid, emergency medical attention if required.

(viii) To provide access for supplier's material handling equipment and transport for equipment.

(ix) Allow the supplier's personnel to enter the UNIT and work at the site of erection and commissioning as per the security procedures.

(x) Supply skilled workmen, as available and agreed to, with tools and tackles for erection and commissioning trials.

(xi) Ensure the coordination and dovetailing of all requirements so that no delay takes place.

10.6 Obligations of Supplier for Erection & Commissioning:

As contractual obligation, the supplier has to tender the following services:

(i) Firm will detail competent persons to identify supplies and advise and oversee the erection work being undertaken by the Purchaser. They shall also confirm satisfactory completion.

(ii) They will make available consumables, commissioning spares, perishables for trial runs; special tools and tackles etc. as and when necessary to facilitate unimpeded progress of erection and commissioning.

(iii) Their personnel will follow STEC/IE rules/ other safety guidelines, apprise themselves of it and will not jeopardize theirs and other's safety while working.

(iv) Pay for any supply required over and above mutually agreed free supplies. The material consumed/rejected during supplier's rectification trials or beyond agreed quantities for acceptance trials will have to be paid for if not agreed for free supplies earlier.

(v) Arrange / assist in obtaining clearance from statutory bodies like Pollution Control Boards, Electricity Departments, CFEES, etc.

(vi) Train purchaser's personnel to a reasonable competence in handling, operating and maintaining the equipment. If any period has been laid down in the contract, it shall be the minimum duration of training to be imparted for the purpose of certification of its contractual completion.

(vii) The firm will be liable for the conduct of its personnel, and shall deploy those who have not participated in anti-national activities.

(viii) Contractor's personnel shall abide by the norms of security of the UNIT. Contractor will be liable to obtain their PVR cleared if so required.

(ix) Notwithstanding stage wise inspections being done by the purchaser's representative, it shall not relieve the contractor from his obligations of satisfactory erection and performance trials or warranty and guarantee.

(x) Unless the full supply is made as per contract, any part supply kept in the custody of the purchaser is at the risk of the supplier. The supplier shall send his representative for survey within 48 hours of receiving any intimation on arrival of consignments in damaged condition.

(xi) The supplier will pursue/assist in pursuance of any claim by the purchaser upon the carriers for damage/loss in transit cases.

10.7 Maintenance of daily logs for Erection & Commissioning:

A 'Work Diary' or 'Log Book' containing record of daily progress of activities, schedule of erection, planning, etc. will be jointly maintained and signed by supplier's and purchaser's representatives daily. The authority to sign the daily logs kept for the purpose shall be vested in authorized representatives only. Any excess material supplied, remaining unused at site after due erection and commissioning and which do not form a part of supplies under the supply contract, remain as supplier's property and shall be removed within three months from the UNIT's premises by the supplier.

10.8 Erection testing and Taking Over:

a. Before undertaking commissioning, the purchaser shall be fully satisfied that the erection is complete in all respects. The supplier representative shall inspect and confirm that the plant and machinery has been delivered completely. The items shall also be tallied consignment-wise with the invoices/packing slips to ascertain that no further shortages remain to be recovered within the Contract price.

b. The purchaser shall then undertake erection testing to check that the equipment has been completely supplied, properly erected and it is fit to be operated/taken over by the Purchaser. The erection testing will include the following steps:

i. Prima-facie get satisfied that the erection is complete. It could be a joint inspection with the supplier depending on the size, volume and complexity.

ii. Check all alignments of the equipment.

iii. Make sure that there is no foreign material in vessels, pipes, pumps etc. Erection materials like welding rod stubs and nuts may remain in the equipment. Similarly sand, concrete fallen during the concreting the foundation bolts shall be removed.

iv. Clean the hydraulic tanks with cloth or other suitable material before the oils are filled.

v. Make sure the electrical connections are dressed up and tagged for easy identification.

vi. Using Megger, do insulation resistance testing for motors before starting to ensure there is no deterioration in storage.

vii. Fill all gearboxes with initial fill. Also grease all the bearings and sliding surfaces.

viii. Functionally test the individual equipments like pumps and the instruments.

ix. Run the machines dry. Watch for unusual sounds, vibrations, heating and any other unusual occurrences. Rectify if necessary and run again to satisfaction.

x. If any defaults or deficiencies are noticed which do not allow the start up, the party responsible for such deficiencies shall remedy them within the shortest possible time, and a new inspection shall be carried out.

xi. The plant/machine is now ready for run with actual materials and components. It is therefore taken over by the purchaser. If stipulated in the contract, a 'Taking Over Certificate' (TOC) may be issued at this stage that the plant/equipment is erected and found satisfactory in preliminary checking. A specimen format for TOC is given in the Appendices. Minor defaults or deficiencies that do not hinder the start up shall not delay the issue of TOC, but they shall be mentioned in the TOC, together with the indication of the deadlines and actions that the defaulting party will take to remedy them.

10.9 Water run or dummy run for plants:

In addition to the above, water run or dummy run is done for chemical plants as part of erection testing. The following are done in this regard.

i. Run the plant with water, dummy materials, acids, etc as mutually agreed in the contract. Also admit service items like steam keeping one end open to purge all the foreign materials, rust and mulch that may me be in the pipelines.

ii. Close all openings and make the plant ready for run.

iii. Set controls of pressures, temperatures, levels and other parameters.

iv. Run the plant idle without actual raw materials to ensure that the individual equipments are running on load without exhibiting any unusual phenomenon.

v. Ensure that all required test facilities are available to test the raw materials as well as intermediates and final product.

10.10 Start Up Runs or Trial Runs:

(a) Commissioning of the equipment will be carried out immediately after erection. It is the supplier's responsibility to satisfactorily prove to the purchaser, the conformance to the performance parameters of the plant delivered.

(b) Unless otherwise agreed, the supplier remains responsible for supply of the equipment with the first fill of lubricants, oils, refrigerants, coolants etc, which however shall be mentioned in the general conditions to the tender. Tools including perishable tooling are to be ordered.

(c) The supplier shall apprise the purchaser about consumption of tools for trials, testing and for the normal operational consumption rates for purchase, in advance, for a reasonable period to be decided as per the technical assessment of the purchaser. The purpose of asking for consumables and tooling either as a part of the equipment cost or paid for separately, as the case may be, is to ensure that the plant is received in ready to operate condition.

(d) During commissioning, the plant / machine is operated by purchaser's personnel under the supervision and control of supplier's personnel. The purchaser shall supply services for operating the machine as a part of their own obligations. The purchaser shall also supply consumables, during operation of the plant by the purchaser, free of cost. All raw material and services shall be strictly to the specifications to avoid controversy in running the plant or in obtaining the outputs as per the assured quality, capacity, production cycle time and utilities consumption.

(e) A **'protocol'** for undertaking start up runs and performance test runs should be prepared first and signed by both the purchaser and the contractor. Further action should be taken as per this protocol. The plant is run initially to adjust all parameters of operation. When the operating conditions are adjusted, the plant is run continuously for a period mutually agreed to, in the steady condition of the plant. The operators also will get a feel of the plant during this period.

(f) The supplier remains responsible to supply free of cost, all components, parts etc damaged/broken during the erection and commissioning of the equipment done under overall supervision of the Suppliers' representative. The replacements will be carried out at site. However, if the equipment is in normal use by the UNIT, before furnishing an acceptance certificate and the period of warranty has expired, where consumption or damage is attributable to normal wear and tear due to prolonged use, free replacements cannot be insisted upon.

10.11 Guarantee Run for Final Acceptance:

(a) After the trial runs are over, the plant is run for the plant supplier to demonstrate the product, its quality, capacity and the consumption of raw materials and utilities. If these are satisfactory the supplier can offer to run the plant for the guarantee run for final acceptance of the plant. Guarantee run is also called Performance Testing or Performance Test Run (PTR).

(b) All the periods of runs (demonstration and guarantee) should be agreed in advance taking into account the amount of raw materials required to be provided and its cost, utilization of the product produced. For instance, if one produces large quantities of explosives with no immediate consumption it could be problem to store these. Similarly, if the product is not meeting the specifications, disposal could be a problem.

(c) Once the guarantee run is taken, the results are tabulated to compare the results with the guaranteed performance parameters as per the contract for taking over the plant. Training of the personnel can be undertaken thereafter. Generally, the supplier prefers to train the people after the guarantee run as he feels more relaxed and concentrate to the demand of the customer personnel after the plant is accepted.

(d) It is essential that all the set parameters and settings are recorded for future reference. If such records are not maintained when a plant is opened for maintenance it would be time consuming to get to the original parameters and operating conditions.

(e) The Final Acceptance Tests, in addition to above, will also include accuracy tests, generally measured in terms of process capability ratio. During long trial production runs as above, out-turns components are measured and either accepted or rejected. During measurement of dimensional values, the C_{pk} or C_p ratios are estimated. From the measurements of dimensions or features of the samples, the percentage rejection can be assessed statistically, which should conform to process capability ratios stipulated in the Contract.

(f) The equipment will be certified to have been commissioned if it has satisfactorily complied with the stipulated performance parameters. A specimen format for 'Final Acceptance Certificate' (FAC) is given in the Appendices.

(g) Deficiencies or shortcomings in the plant, that can be rectified by means of minor adjustments or additions or replacements and do not hinder the plant from being operated in accordance with the contract, shall not constitute any due reasons for not issuing the FAC. However, the deadlines for rectifying such deficiencies shall be recorded in the FAC.

10.12 Repeated Performance Testing:

(a) If performance test run reveals that the plant does not meet the 'guaranteed performance' i.e. the performance parameters to be achieved in the plant as specified in the contract, the contractor shall at his own cost and expenditure carry out rectification, modification, replacements and effect additional supplies to achieve the guaranteed performance. Subsequently, a second guarantee run will be carried out to achieve the contracted figures. The cost of maintenance of the establishment of the contractor will be borne by the supplier himself.

(b) In any case, the Performance Testing or repeated PTR must be completed within period stipulated in the contract, or such other period as may be agreed in writing by the Parties, from the date on which start up commenced.

(c) The equipment will be certified to have been commissioned if it has satisfactorily complied with the prescribed performance standards.

(d) In some cases, the contract has provision for 'minimum performance levels' i.e. the minimum performance parameters below which the plant shall not be accepted. It is also agreed and laid down in the contract conditions that for every 1% shortfall performance from the guaranteed levels (e.g. capacity and consumption figures), the contractor will pay back 1% of contract cost, to the purchaser for compensating the losses, and not by way of penalty, subject to a maximum of 5% / 10% of total contract price. This is in addition to any other damage being recovered like recovery for delay in supplies.

(e) In case the shortfall in capacity and/or other performance figures is above 5% / 10% (as stipulated in the contract), the purchaser shall have the right to reject the plant.

(f) If the contractor fails to abide by the agreed time schedule of erection and commissioning, the purchaser will have the right to erect the plant as per guidelines in technical documentation furnished by supplier and start the plant. This will however require issue of formal notice to the firm, intimating them about the breach in agreement. The trial run will be completed at the risk of the supplier.

10.13 Permission for visits of foreigners to factories / Armoured Vehicles Nigam Limited CO.:

(a) In the course of erection and commissioning of plant and machinery, it may become contractually obligatory to invite foreign nationals to purchaser's premises. The proposal to engage foreigners inside the premises is guided further by security considerations, for which necessary instructions of Armoured Vehicles Nigam Limited to be followed.

(b) Conduct of such foreign nationals within the factories shall be regulated by the principles of 'need to know' and 'need for minimum exposure'. They shall be accompanied at all times by officers. They shall be screened so that no view of strategic/sensitive areas is allowed other than the permitted area.

(c) Request for grant of permission for visits of Foreign Nationals is to be made in specified format (given in the **Appendix-25** of this Manual).

10.14 Time frame for commissioning:

(a) It is essential to ensure commissioning of Plant & Machinery in a time bound manner. For this purpose, UNIT shall give responsibility to the same team of officials which were involved in PDI of the P&M. In addition to the PDI team, Group officers of Production and Maintenance shall be included in the commissioning team and sign the final acceptance report. Based on the report, CGM or CO/GO of Engineering office would issue FAC/commissioning certificate.

(b) The Plant and machinery shall be commissioned as per time frame indicated in the contract agreement/supply order. If the time frame for commissioning is not complied with by the supplier due to their own failure, L.D. shall be levied as per terms and conditions of the contract.

10.15 Failure to Commission the Machines:

(a) No machine or equipment should be accepted unless performance tests and acceptance tests are conducted and machines satisfy these tests. In case, any plant or machinery fails these tests the CGM's should use their discretion and if the failure is to a major extent, the plant / machinery should be rejected and the rejection communicated to all concerned. This procedure is required to the scrupulously followed as otherwise it is observed that the firms after supply of Plant & machinery/equipment, keep on dilly dallying till the warranty period is over and then escape any penal provision of the contract. No informal understanding with the firm should be encouraged and if there is any meeting held with firm's representative or any tests conducted, the Minutes of the meeting and the results of the test should be recorded under the signature of the firm's representative as well as Unit representative and the copy of the minutes of the meeting or results of the test should be sent to Armoured Vehicles Nigam Limited Headquarters as well.

(b) In case where the firm has failed to commission the equipment and Unit is confident of commissioning the equipment due to their own experience of working with similar equipment, the Unit may try to commission the equipment at firm's risk &cost. The purchaser should seek legal advice to suitably protect the state interest of Unit (Ref: OFB letter no. 122/E/M dated 09.10.1987).

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CHAPTER – 11

SETTLEMENT OF DISPUTES

11.1 General

Normally, there should not be any scope of dispute between the purchaser and the supplier after entering into a mutually agreed valid contract. However, due to various unforeseen reasons, problems may arise during the progress of the contract leading to disagreement between the purchaser and the supplier. Therefore, the conditions governing the contract shall contain suitable provision for settlement of such disputes / differences binding on both the parties.

11.2 Mode of Settlement

Mode of settlement of such disputes/differences shall be through Arbitration. However, when a dispute/difference arises, both the purchaser and the supplier shall first try to resolve the same amicably by mutual consultation. If the parties fail to resolve the dispute by such discussions within a reasonable period or twenty-one days, then, depending on the position of the case, either the purchaser or the supplier shall give notice to the other party of its intention to commence arbitration. Unit shall write to Armoured Vehicles Nigam Limited for appointment of an arbitrator by the CMD. The standard Arbitration clauses are given below.

11.3 Venue of Arbitration

The venue of arbitration shall be the place from where the contract has been issued or New Delhi, as agreed and stipulated in the contract.

11.4 Applicable Law

The contracts shall be interpreted in accordance with the laws of the Union of India.

11.5 Legal Advice

Factories shall consult the Legal Advisor in all cases of arbitration.

11.6 Standard Clauses of Arbitration: Refer Standard Conditions of T.E relevant clauses 3.51, 3.52 & 3.53 of this manual.

11.7 Additional Guidelines:

(a) It is necessary that in cases of all contracts, the firm should agree to the stipulated arbitration clause.

(b) In some cases, notice under CPC 80 is issued by the contractor to enable the Purchaser to make amends and settle disputes amicably, to avoid litigation proceedings. The purchaser, in accordance with instructions of Legal adviser, will examine all facts under dispute, prepare para-wise comments and obtain comments of Legal adviser. Further course of action shall be taken as advised.

In the case of PSUs, all instances of disputes between AVNL UNITS and other PSUs will be referred to the AMRCD. In the event of any dispute or difference relating to the interpretation and application of the provisions of this contract, all disputes (other than those related to taxation matters) between CPSEs inter se and other Government departments /Organizations shall be taken up by either party for resolution only through the AMRCD. (Ref- Min. of HI & PE OM No. DPE-GM-05/0003/2019-FTS-10937 dt. 20/02/2020). The other provisions of the AMCRD guidelines dated 22-05-2018 will remain unchanged.

(c) Appointment of Arbitrator:

i. By request of firm: When a contractor makes a request to refer any dispute to Arbitration, the Purchase officer will make a self-contained note explaining each points put forward by the contractor, as well as all doubtful points that might affect the course of proceeding and seek legal advice from Legal adviser in whose jurisdiction the establishment falls. As per then advice the matter may be proceeded with for arbitration and appointment of Arbitrator.

ii. By the Purchaser: If the purchaser feels that a case should be referred for arbitration, a summary of the case will be prepared and advice of Legal adviser obtained. In case it is advised that a case fit for arbitration exists, case can be processed for appointing on arbitrator. It is the responsibility of the purchase officer however to ensure that the firm has adequate financial standing to pay the dues, if the claim is less than Rs. 5000.00. The verification of financial standing of the firm can be additionally done from Bankers. Income Tax Officers, Registrar of Companies, Wealth Tax Officers and District Administration etc. The details will be required to be filed in Courts of Law for execution proceedings.

(d) Pleadings before Arbitrators:

(e) Where AVNL UNITS is the complainant, the purchase officers will prepare a self-contained document giving reference to relevant records and quantify the amount to be claimed. Particulars will also be collected from Finance & Accounts and inspection establishments, as required. The list of officers who have dealt with such cases will also be prepared.

(f) Where AVNL UNITS is the respondent, the purchase officer has to explain every point brought out, denying or admitting each point categorically. The documents submitted will also be examined.

(g) The claims or counter claims will be submitted with help of Legal advisor (if required) for making the counter statement.. The Affidavits are to be sworn by officers who are acquainted with the facts of the case.

(h) The Awards in Arbitration could be as follows:

i. Declaratory Awards: - Only declares an interpretation of Contract but awards no sum of money either by cost or otherwise.
ii. Speaking Award: - The Arbitrator gives a reasoned award. This is applicable for claim of more than Rs 1 Lakh.

iii. Non speaking Award: - It does not give reasons for admission or rejection of claim.

(i) The awards are examined to find infirmities and defects for obtaining approval of Competent Authority to accept the Award. Request for correction, interpretation can be made within 30 days of receipt of award, unless another period is accepted.

(j) Follow up in awards in favour of AVNL UNITS:

i. In case the Award is fully in favour of AVNL UNITS or in case where Arbitrator dismisses the plea of contractor without any counterclaims by AVNL UNITS question of challenging does not arise and no reference is made to Legal adviser. If the Award is accepted, the court is moved to convert the Award to a rule of Court within 30 days. Where the parties have made the Award after the mutually accepted period, application is made to convert the Award to a rule of Courts.

ii. If an Award is sought to be set aside, an application will be made by the party making the application within 3 months of receipt of Award.

(k) The Purchase Officer will serve a notice on the Contractor for recovery of the amount under Award. It may also be explored if such recovery can be made from pending bills. In case no payment is made within 30 days, investigations are to be made through Civil Authorities to locate and identify moveable and immovable assets of the defaulter. On conversion of the Award to a Court decree, Execution proceedings can commence for attaching properties of the Contractor, with details of such properties listed in the Execution petition itself.

(l) In the case of pronouncement in favour of AVNL UNITS, efforts are made to recover the amount from pending bills. If it does not materialize or the firm does not respond to demands then proceedings can be initiated in Courts of Law, in consultations with legal adviser for committing the debtor to prison without any prejudice to subsequent recoveries. The time for recovery of decreed amount is for 12 years and execution proceedings may be initiated at suitable intervals for recovery of the amount due to Govt.

(m) Awards not in favour of AVNL UNITS :

i. When an award is made not entirely in favour of AVNL UNITS, and the parties accept it, payments are made and received and accepted without reference to the Courts.

ii. In case of award in favour of the contractor, it may be ascertained if such funds are available against pending bills or withheld amounts available to the purchaser. Or else, funds are to be provided against charged expenditure. Since in many cases, such payments are made with interests, even when decision is made to appeal against the award, funds are to be kept ready for payment when asked for Sanction for the amount should be obtained and bill prepared by the purchase will be submitted to GM - Finance & Accounts, who will effect payment through a crossed Cheque in favour of the party. In the event of a court decree, the payment will be will be made out in favour of court and the purchase will deposit it in the court. Where payment of interest is involved, case shall be progressed on priority.

(n) Legal Proceedings: Section 84 of Civil Procedure Amendment Act 1976 provides that there is no right to the defendant to defend the suit unless; (i) He enters appearance within 10 days of service of notice in the suit and (ii) Applies for leave to defend the suit within 10 days of service of summons for judgment served on the defendant after he enters/appears. Therefore, the purchaser should appropriately brief the counsel to act promptly in the manner, or else the court may make ex-parte decision on such matter against the purchaser.

(o) The purchaser may initiate the following legal proceedings:

i. Institute suits on behalf of AVNL UNITS for recovery of any amount due from the Contractor. Legal adviser and Finance & Accounts are to be consulted before institution of such proceedings.

ii. Defence of legal proceedings and appeals brought against AVNL which AVNL UNITS is to defend, and

iii. Appeals against court verdicts for which necessary approval is to be obtained from AVNL Corporate office and Legal adviser should be consulted.

(p) Privileges regarding production of official documents:

(q) Production of official documents before Arbitrator/Court are governed by Sections 123 and 124 of Indian Evidence Act, 1872. Section 123 says that nobody shall be permitted to give evidence from unpublished official records relating to the state except with permission of Head of the Department concerned who may give or withhold such permission. Section 124 lays down that no officer can be compelled to disclose communication made to him in official confidence when he feels that public interest would suffer because of it. It is also laid down that any witness, in possession of any document may bring it to the court, notwithstanding any validity to its production and the court may decide upon the validity of such objection. All communications other than those correspondences made with firms or received from them are categorized as "unpublished records".

(r) If privilege is to be claimed, it should be informed to the court in advance. An affidavit should be made in the form prescribed by Legal adviser. The officer may seek permission of Head of Department, if he feels that public interest would be affected by such disclosure. If only production of document is concerned, a subordinate officer may be sent with the document in a sealed cover. In case the claim for privileges is rejected after the court inspects the documents, time may be sought for moving High Courts while the document is submitted in sealed cover to the Court. In so far it is a matter related to state, the court is not entitled to inspect the document though the Court may take recourse to other means to decide the nature of the document. The witness is free to decline to answer questions related to his knowledge based on unpublished official records. He may claim privileges and unless the production of such document is ensured, he may decline to answer such questions.

(s) On receipt of Courts decree, further action will be taken by the purchase officer in consultation with Legal adviser and Finance & Accounts.

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CHAPTER- 12

DISPOSAL OF PLANT & MACHINERY

(Refer Rule 217 to 223 of GFR 2017)

12.1 Declaration of Surplus:

12.1.1 Obsolete: Equipment will be treated as obsolete on the following grounds:

(a) Technical inefficiency to carry out its required and intended role and non-justification for its retention in service.
(b) Its required role has disappeared and it is not in use for any other role.
(c) It has been completely superseded by improved equipment.

12.1.2 Serviceable: Any equipment that can be used for the purpose for which it is intended or any other alternative purpose is classified as serviceable.

12.1.3 Repairable: Any equipment which has been rendered unserviceable for use in its present form but can be used after economical repair.

12.1.4 Unserviceable: The condition of the plant/machinery/equipment has deteriorated to such an extent that it cannot be used either for the purpose for which it is intended or for any other alternative purpose economically. The vehicles declared unserviceable are categorized as Class VI, as per MVR 1965 and the inspection report of technical board is as per the form IAF(EME)-E-03(Rev).

12.1.5 Declaration of surplus: Identification and classification of machinery and equipment is a continuous process. This is done so that the capacity for production of the Unit is maintained. Any large scale de-rating of equipment can be detrimental to the unit's production efforts. A technical Board of Officers, associating representative of Finance &Accounts Office, will examine the condition of Plant and Machinery and declare them as:

(i) Serviceable (ii) Repairable (iii) Beyond Economical Repair and (iv) Unserviceable.

12.1.6 True Surplus:

(i) The serviceable/repairable surpluses so identified are circulated among sister factories under Mutual Aid Scheme. Simultaneously, they are also circulated to Defence indentors. If no response is received within six weeks of circulation, it is presumed that the equipment is no longer required. The true surplus is the quantity, which is surplus to the total requirement of all the branches of the organization. Therefore, the equipment found surplus to the requirements of Armoured Vehicles Nigam Limited Units and priority defence indentors can be taken up for the purpose of disposal in the open market. The machine declared Beyond Economical Repair or Unserviceable shall be disposed off and need not be circulated under Mutual Aid Scheme.

(ii) On meeting of the requirements of sister factories only, the requirements of defence indentors are to be considered.

(iii) Serviceable/Repairable surplus plant & machineries and vehicles are required to be referred to E/M Section of Armoured Vehicles Nigam Limited Unit together with the specified questionnaires. The proforma shall be duly completed and signed by the technical board, including Finance & Accounts office. Requirements of sister factories and Defence indentors will also be informed to Armoured Vehicles Nigam Limited. After scrutiny, Armoured Vehicles Nigam Limited may issue orders for issue of machines and vehicles to priority indentors, welfare/philanthropic institutions. The remaining items may be ordered for disposal. On receipt of Armoured Vehicles Nigam Limited's instructions, Units may proceed with disposal of said surpluses.

(iv) All Plant & Machineries declared unserviceable and Beyond Economical Repair with book value of less than Rs. 5 lakhs each case, may be disposed off by the General Managers under their own powers. Beyond it, approval of Armoured Vehicles Nigam Limited corporate will be obtained for its disposal.

(v) Once approved for disposal by Armoured Vehicles Nigam Limited, no P&M can be withdrawn from disposal. Therefore Unit may withdraw any machine from surplus list with the sanction of Armoured Vehicles Nigam Limited before final list is approved. As soon as the replacement of P&M is taken on charge, the condemned machine shall be removed from the Shop Floor and disposed off within a period of 6 months. In exceptional cases, a condemned P&M may be retained up to a maximum period of 3 years duly justifying the necessity for such retention with the approval of Director/Operations of Armoured Vehicles Nigam Limited.

12.2 Issues to Indentors/Organizations:

The release of plant & machinery to priority indentors is generally done at the book value with packing and incidental @ 5% of sale value charged extra. To this cost, actual cartage charges are also levied. On all such costs, taxes will be paid extra by the indentors, as leviable. The indentors would undertake that such items are not to be resold within 2 years from the date of purchase and the debit would be realized in the same financial year in which the material is being released. Universities, PSUs and Local bodies, etc may be asked to get their demands sponsored by their respective Department/ Ministries, for their demands to be considered.

12.3 Disposal through tender:

While disposing the goods through advertised tender, the following aspects shall be kept in view:-

(a) The principle for sale of such goods through advertised tender is ensuring transparency, competition, fairness and elimination of discretion. Wide publicity shall be ensured of the sale plan and the goods to be sold. All the required terms and conditions of sale are to be incorporated in the bidding document comprehensively in plain and simple language. Applicability of taxes, as relevant, shall be clearly stated in the document.

(b) The bidding document shall also indicate the location and present condition of the goods to be sold so that the bidders can inspect the goods before bidding.

(c) The bidders shall be asked to furnish bid security along with their bids. The amount of bid security shall ordinarily be ten per cent of the assessed or reserved price of the goods. The exact bid security amount shall be indicated in the bidding document.

(d) The bid of the highest acceptable responsive bidder shall normally be accepted. In this regard, OFB (MM) Circular no. 14/4/LP/Policy/MM /Stores dt 12-05-2008 shall be followed mutatis mutandis for P&M also.

Item	Authority and nature of Power
Unserviceable stores / Vehicle	CGM of the Unit can accept bids up to 50% below the reserve/ guiding price.

(e) Full payment, i.e. the residual amount after adjusting the bid security shall be obtained from the successful bidder before releasing the goods.

12.4 Matters incidental to disposal:

(a) **Lots on Sale**: The lots of surplus machinery on disposal through auction or sale shall form convenient lots. Materials of similar/identical quality shall be grouped in one or more lots. It shall be the endeavor to ensure that the items under disposal get the best price obtainable. For chemical plants having auxiliaries and piping connections etc may be disposed off in one lot. This may add value to the lot in consideration of subsequent use. However, in case of P&M identified for potential mis-utilisation after disposal, such P&Ms are required to be damaged before disposal action and disposed off as per existing guidelines as scrap. Identification of such P&Ms for potential mis-utilisation after disposal may be declared by condemnation committee as sensitive duly recording so after due diligence.

(b) Once a lot has been identified and formed, care shall be taken to ensure that the components and accessories do not deteriorate to reduce its sale price. It is necessary that the stockholder takes care to see that the lots presented to the bidders are maintained intact. Marking on the lots could be adopted to identify and segregate each lot and its constituents.

(c) **Ground rent**: The seller has the right to recover a charge for the storage space at @ 2% of the cost of material uncleared, per week or part thereof, with maximum ceiling of 25% of auction price. After lapse of 3 months, if it is found that bidder has not taken any action for lifting of goods, full amount shall be forfeited after sending a notice and giving 7 working days time to the bidder ..

(d) When the buyer fails to pay the sale value within the prescribed period, the seller is entitled to recover the difference between original sale value and earnest money paid and in addition all incidental expenses and the ground rent due.

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CHAPTER- 13

PROJECT PLANNING, MONITORING & CLOSURE

13.1 Introduction:

(a) There are four categories of Projects:

(i) Setting up of Greenfield Project for new product/stores.

(ii) Setting up of capacities for new stores in the existing factories.

(iii) Augmentation of existing capacities.

(iv) Modernization of existing facilities with state-of- the art technologies.

(b) The broad activities involved in a Project are:

(i) Site selection based on availability of land, water, and power supply and logistics infrastructure of Rail and Road connectivity

(ii) Preparation of Feasibility Report based on the following:-

(a) Clearance from Environment Authorities for setting up the Plant

(b) Approval from State Authorities;

(c) Approval from Forest Authorities;

(d) Rapid Environment Impact Assessment study.

(iii) The concerned CGM /Project Officer must exercise utmost care to make realistic assessment of the load requirement after taking into account all relevant factors i.e. time for procurement of plant and machinery, progress of civil works including accommodation and foundation, necessity of services, prospects of trained man-power and raw-materials etc. to arrive at the peak demand to be attained in a phased manner.

(iv) Preparation of Preliminary Project Report (PPR)

(v) Preparation of Detailed Project Report (DPR) and obtaining Project sanction. Consultancy firms may be engaged through normal tendering procedure (EOI+RFP) for preparation of DPR for green field projects. The Terms of Reference (TOR) for consultancy should include technical assessment and identification of facilities required in UNIT and township and detailed cost estimation. Generally, payment is made to such consultants in two stages, 50% after submission and approval of Draft DPR and 50% after submission of Final DPR.

(vi) Project planning related to project establishment matters i.e. sanction for staff and officers, budget, submission of periodical returns, procurement of raw materials, answering audit queries.

(c) DPR shall include the following:

i. Detailed process layout for each item of store.

ii. Finalization of list of Plant and Machinery with estimated cost and procurement thereof.

iii. Preparation of layout of shops and other works required and execution of the same.

iv. Bar Chart related to completion of Civil Works and procurement of P&M in consonance with the date of sanction of the project.

13.2 Preparation of Detailed Project Report (DPR):

The Detailed Project Report spells out in detail capacity planned, the requirement of P&M and Civil Works required for execution of the Project. It amplifies the projection made in Preliminary Project Report and Feasibility Report. It lists out the requirements of outlays in Capital Expenditure for P&M and Civil Works, Land and Rehabilitation package requirement if any, Deferred Revenue expenditure, approximate time frame, essential raw material required and external assistance if any. It may also contain requirement for engagement of consultant and agency for construction of civil works. It contains projected requirement of manpower and justification for services, energy and water requirements, need for infrastructural requirements etc.

13.3 In order to make uniform DPRs, the following general guidelines may be adopted.

(A) Introduction:

(i) Background leading to setting up of the capacity

(ii) Vetted capacity requirements from Armoured Vehicles Nigam Limited.

(iii) Justification for the project with reference to the requirement

(iv) The basis on which the Capacity parameters have been worked out

(v) Technical feasibility for setting up such facility explaining the technologies involved and available competence

(vi) Financial appraisal of the Project based on estimated cost of production at peak capacity. If the production is based on strategic requirement, it may also be spelt out.

(vii) Collaboration if required and the extent of collaboration required.

(viii) Whether the Project is against TOT

(B) Summary of Project proposals and Cost thereof:

(i) Capacity parameters detailing monthly and annual capacities and the number of shifts proposed per day;

(ii) Financial highlights - cost of production, IRR, Pay-back period

(iii) Summary of Cost under various heads of accounts i.e. P&M, Civil Works, Services, Railway works, Land acquisition and Rehabilitation package, Deferred Revenue, contingencies, escalations etc.,

(iv) Summary of Deferred Revenue to cover payment of wages during the project execution stage, ad-hoc requirement of site cleaning, soil testing, project planning, manpower training, Preliminary expenses for setting up of the Project Office.

Note: Projection of manpower for sanction in new projects: The requirement of Direct IEs is calculated taking SMH output of 2691* hours per annum per person. Indirect IEs can be projected from Direct IEs by applying appropriate Direct: Indirect ratio. * = (52*54*0.85-144) x 1.5/1.25; considering 52 weeks/year, 54 hours/week,15% absenteeism, paid holidays for 16 days (144 hours) and 50% piece work profit.

(C) Assumptions made during formulation of the project:

(i) Existing capacities, if any, assumed for arriving at the net requirements of Capital assets;

(ii) Realistic assessment of the reasonability of the cost estimate depending upon the project sanction time frame and the subsequent date of Govt. sanction;

(iii) Requirement of raw materials and technology, plant and machinery through import to enable establishment of final product.

(iv) Availability of indigenous raw materials and technology, plant and machinery to establish manufacture of the desired final product.

(D) Site selection of the Project:

(i) Site selection will require justification by a Competent Committee formed by CMD of Armoured Vehicles Nigam Limited.

(ii) Basis of choice of site-selection explaining availability of suitable land including private and Government, sufficient source of water and power supply, availability of Logistics infrastructure like Rail/Road services and clearance from Forest and Environment Authorities.

(iii) If the project is for augmentation of existing product or setting up new product in the existing UNIT, a schematic layout of the existing UNIT including the proposed site of new project including the requirement of existing infrastructure available like water, steam and power supply, movement of raw-material from one section to another to be indicated.

(E) Civil Works:

Civil Works requirement assessment covering the following subheads:

(i) The Civil works requirement for Production buildings depending upon the plinth area requirements, foundation for plant and machinery and type of structure will have to be projected. The DPR shall also give a list of plant and machinery with associated facilities to justify the plinth area requirements In case of chemical or explosive production/inter-stage storage buildings, the detailed requirement of safety distance and other requirements are to be indicated as per STEC/CEEFES guidelines..

(ii) Civil works of Non-Production buildings, consisting of Stores (both Main and inter-stage Stores), Inspection, Inspectorates and Maintenance buildings etc has to be included in the DPR. The main Office area, as per authorized scales along with change room for DB workers and security office in the case of chemical and explosive buildings shall be also contained in the DPR. The requirement of site Office also shall be included.

(iii) Civil Works required for residential buildings to cover the requirements of Allied establishments, as per authorized scales shall be mentioned in the DPR. The number of quarters as per Govt. scale to be built shall be supported by the number of employees estimated for the UNIT and authentic data collected for the Allied establishments.

(iv) Amenity buildings to cover shift rooms, Canteens etc within the UNIT and requirement of facilities within the estate viz. Market place, Co-operative stores, hospital, schools, recreation clubs, children park, stadium, bus stops, etc., (as per authorized scale wherever applicable) will have to be planned and catered for in the DPR. There shall be provisions in the Project to cater for Post Office, Kendriya Vidyalaya School Building, and Bank with ATM facilities, Police Out-Post etc. Also, service stations are to be provided if the Unit estate is in the remote area beyond 20 km from the nearby township.

(v) The requirements for fire-fighting facilities will have to be met from the Civil works as assessed and approved by the Fire Advisor of Ministry of Defence. This will consist of Static tanks, fire hydrants, main and sub-fire stations, and the water distribution systems, both in the UNIT and the Colony.

(vi) The requirements of Security, consisting of Security Offices, Perimeter wall, bastions, accommodation for DSC platoons, and their Offices, Security check posts etc will have to be envisaged at the time of project planning and have to be catered for in the DPR.

(vi) The basis of cost estimation will have to be defined in the DPR itself. The cost estimate received from MES/other agency, needs to be enclosed in the estimate. Assumptions made in regard to the time frame of completion of the buildings need to be brought out along with the escalation of costs in case of delay in completion.

(vii) Though not compulsory, it is preferable to hold Siting Board for getting RIC (Rough Indication of Cost) from MES/other agency. It has been experienced that if RIC is obtained without holding siting board, significant increase in the cost may occur due to changes in the scope of work after citing board is held.

(F) Justification for investment of P&M covering the following areas:

The investment for P&M shall be justified based upon the data given in the DPR as follows:

(i) The requirements of plant and machinery along with the support data and cycle time calculation, in respect of production machines.

(ii) The existing capacity assumptions while calculating the additional requirements.

(iii) The basis of assumptions of existing capacities.

(iv) The plant and machinery under replacement which will need to be reinstated for meeting the project capacities giving their year of purchase, their register no, cost of their requirements of machines/equipment for service sections like Tool Room, Surface Treatment Section, Quality Sections, Mechanical/Electrical/Civil/Estate Maintenance and other services like Hospitals, Industrial Canteens etc.

(v) Transport requirements during the project implementation and production stage

(vi) Requirement of tools, gauges and equipment for production.

(vii) Mechanical handling equipment for project execution and production.

(viii) Inventories like stores rack and bin, furniture for Offices, production and other miscellaneous inventory items.

(ix) A summary of cost separately for capital expenditure for P&M and Civil Works for production and maintenance required to be explained with the basis of realistic cost estimates. Cost estimates in RE and FE to be summarized, with the basis of estimation, the factor of escalation depending upon the time frame of completion and other contingencies are to be indicated.

(x) Wherever imported plant and machinery is absolutely necessary, the same may be explained in the Project Report with detailed justification of economies of using imported machines vis-a-vis, indigenous machines in terms of productivity, quality, and reliability. The source of origin and the exchange rates assumed while computing the rupee value ought to be brought out.

(G) Utilities required for the Project:

The utilities form a major consideration while assessing the Project investment and implementation. The assessment of requirements shall be in consultation with the plant suppliers. The DPR shall contain the following relevant details:

(i) The requirements will include water for process, firefighting and drinking purposes; bulk and distributed power supply and their cabling; compressed air, steam; chilled water, air conditioning; railway lines, loading and unloading platforms; telephones and communication networks; sewage treatment plants and effluent treatment plants conforming to the local environmental control norms, drainage systems etc which will need detailed planning. Measures to conserve energy, with its cost, shall also form a part of the utilities. Conservation in the use of water including recycling shall be considered.

(ii) Estimated cost of the utilities and the basis thereof.

(iii) Availability of power and water and their augmentation, contracts to be entered into with State Governments/supply agencies.

(iv) Roads, culverts and bridges etc required for the project area for enabling purposes and for the UNIT shall be planned.

(H) Deferred Revenue Expenditure:

Deferred Revenue Expenditure constitutes an essential part of project execution. Detailed assessment of the expenditure has to be made in the DPR. Some aspects are listed below:

(i) Requirements of training including foreign training have to be foreseen and spelt out.

(ii) Requirements of raw materials, components and Completely Knocked Down and Semi Knocked Down items (CKDs & SKDs) both indigenous and imported with cost assessments.

(iii) A separate Annexure detailing the Deferred Revenue Expenditure need to be enclosed.

(I) Time Frame:

The report shall also give brief outline of the envisaged time frame of completion. Implication on the cost in case of delay may also be brought out.

(J) Capital and Revenue Expenditure

The anticipated cost of Capital and Revenue Expenditure will have to be shown. It shall also highlight the phasing of cash flow both in FE, RE separately for plant and machinery giving the phasing of the project. It shall also phase out the FE commitment year wise.

(K) Manpower:

The Manpower requirement is an essential addendum in any project report. It shall be given in the following formats:

(i) Requirement of manpower at the site and in the Headquarters, during the planning and execution stages, category wise and the phasing thereof shall be contained in the report.

(ii) Requirement of IEs in the production and phasing thereof.

(iii) There shall be adequate justification in the report itself and net year wise requirement shall be annexed as an Annexure.

(iv) In case manpower will be organized from the existing strength of UNIT/sister factories, the same may be indicated.

(L) Economics of the Project

The Economics of the Project shall form an integral part of the project report. It may have the following:

(i) Comparison with a known cost from outside source, indigenous or foreign.

(ii) If the project is required on strategic requirements and the economies are of secondary considerations, it shall be brought out clearly.

(iii) If the project is for balancing the capacities for manufacturing end products for civil trade, cost benefit analysis, justifying investment is essential.

(M) Special requirements:

The Project Report may recommend the following special sanctions, if required, for speedy implementation of the project.

(i) Special powers, if any, for procurement of plant and machinery, Contracts for erection and other services shall be delegated to the project implementation authorities.

(ii) Special powers for engaging consultant agencies in connection with construction of Civil Works may be delegated to the Project authorities.

(iii) Sanction of Officers and Staff along with the Govt. sanction for the project

(iv) Requirements of Go-ahead sanction for preparatory works such as site cleaning, soil testing etc., before commencement of the civil works.

13.4 The DPR shall also cover the following points:

(i) Project cost shall be worked out based on the latest available price.

(ii) The exchange rate adopted shall be clearly spelt out

(iii) Likely increase in cost due to price escalation formula due to expiry of time before project completion shall be indicated.

(iv) A realistic time frame for completion of the project may be worked out.

(v) The potential areas of diversification into civil trade or export shall be identified at the time of preparation of DPR and this shall be taken into account at the time of ordering P&Ms.

(vi) The quantum of statutory levies like CD, ED shall be specified in the DPR.

(vii) Periodic mid-stream reviews may be carried out to ensure that the facilities created are commensurate with the actual requirements.

The format to be adopted for preparation of DPR is given as Appendix-8.

13.5 Summary:

As would be evident from above, the project report is a factual basis for the investment projected with envisaged outturn for setting up of fresh capacities. The Annexure to the report shall present a tabular/graphical statement of the contents of the report. The annexed statements shall therefore contain acceptance in principle by Min of Def. for setting up the project. It shall also contain clearances accorded by other statutory authorities like Environmental bodies, State Electricity Boards, etc. It shall also enclose the details of plant and machinery with cost, support data for assessment of the requirement of P&M, machine layout, requirement of utilities, manpower requirement, training requirement, phased buildup of manpower, estimated importation requirements of materials, cash flow year wise etc. CPM network and key plan to UNIT and the township also add to the clarity in visualizing the projected requirements. Schematic flow of material from one UNIT to another, measures to comply with anti-pollution norms and steps to conform to the requirements of energy conservation shall also be annexed.

(Ref Erstwhile OFB Note 001/I&P/Proj(c) dated 7/15 -1-1980)

13.6 Provision of anti-pollution measures:

While preparing the DPR, Project Management may consider latest anti-pollution measures as per clearance from Environment Authorities and shall be an integral part in the costs of Project to safeguard environment. In this connection, the Notification issued by the Govt of India making environment impact assessment (EIA) statutory for twenty-nine different identified activities is to be studied and the EIA report is to be incorporated in the Project Report along with the cost impact. This EIA notification includes procedures for obtaining environmental clearance. (Ref. Hand book of Environmental Procedures and Guidelines, published by MOEF, Govt. of India, 1994)

13.7 Energy conservation in new project:

DPR of Greenfield Project, augmentation/inclusion of new projects in the existing factories shall have a chapter on energy conservation, where the implementation of energy efficient equipment and their comparison with the contemporary equipment is mentioned in terms of energy savings and their cost impact.

13.8 Measures for speeding up of decision making:

The following salient features are to be followed for speedy implementation of Project.

(i) The services of Consultants may be availed to lay down specifications as complete as possible.

(ii) Time limits may be fixed for drawing bidders and submission of bidders

(iii) It would be useful to invite Expression of Interest in the case of complicated P&M and have Pre-bid discussions/presentation with prospective firms for finalizing firm specifications and then go for Two bids bidders with standard commercial terms. This will avoid post-tender queries and save time.

(iv) The lowest priced tender satisfying the technical requirements shall be accepted.

(v) All TECs/TPCs and finalization of the contract shall be made within a certain time-frame indicated in the tender to avoid further complications.

(vi) The Project Management has to identify certain areas of slippages, if any, in the execution of projects, analyze and take recourse for corrective measures and maintain records.

13.9 Monitoring of Projects:

(a) The Project Monitoring is done with respect to both Plant and Machinery and Civil Works. It is done for both physical achievement and for financial progress. The basis of progress monitoring is done on the basis of preplanned schedules expressed as CPM networks, where landmarks and completion of designated tasks are scheduled realistically, depending upon data furnished by plant suppliers or construction agencies. Quite often they are laid down based on interaction with consultants or specialized agencies. They are periodically updated based on actuals. The activities are:

(i) Preparation of PERT/CPM networks.

(ii) Preparation of progress reports periodically, both for physical completion as well as for financial expenditures/cash flows.

(iii) Compressing the activities, removal of unwanted slack periods and even bunching of procurements so as to steer towards targeted dates of completion.

(iv) In some cases even preparing Exception Reports, compiling slippage against projections and planning for remedial steps.

(v) Preparation of Cash flow budgets for the year, for both commitment noting (for FE) and actual expenditure. This may be done for periods of one each for the entire project duration.

(vi) The funds are to be arranged for annual budget expenditure and slippages are to be formally analysed.

(vii) If different agencies are involved, compilation of cash flow from multiple sources, involving different plant suppliers is an essential task.

(viii) Taking care of excess requirement of funds as well as restricting slippages in Cash flow is an essential ingredient to project implementation.

(Ref: Erstwhile OFB R Note No 01/IMP/Proj (C) dated 06.03.1978)

(b) The progress monitoring can be done by use of application packages, which can be run even on PCs. Scheduling, and planning is done either based on single machine or a group of machines. The tasks in execution of a large project involving large number of activities or procurement of a small number of machines are identified by task nos., which links them to their originating major works. The task identification number uniquely establishes their linkages with groups/subgroup of activities. The dependencies and constraints are identified and defined. The resources are identified and their costs per time unit are defined with standard application software (PC based packages), the CPM network can be drawn and their modes are defined. Bunching/grouping of similar plants and machinery provides ease in progressing project execution.

(c) Project monitoring data in DPR: Each project proposal shall incorporate Pert Chart or Bar Chart for all important activities indicating the date of commencement of the project and the date of completion of the project after erection, commissioning and trial-run etc.

(d) The Unit shall submits a Monthly Progress Report regarding the project to the concerned project group at Armoured Vehicles Nigam Limited. The various levels of reporting and monitoring the progress of projects are:-

i. Monthly report from Unit to Armoured Vehicles Nigam Limited CO.
ii. Monitoring at Armoured Vehicles Nigam Limited.

13.10 Physical Closure of the Projects:

(a) On physical completion of all activities of the project, CGM /Project officer at site in consultation with Finance & Accounts will certify that all the plant & machinery envisaged in the Project have been received, erected and commissioned. Also all items of Civil Works including services have been completed and taken over. These have been posted and accounted for in the respective block register of the UNIT. Production achievement shall also be highlighted with respect to the capacity created.

(b) On receipt of these details, the project officer in the Armoured Vehicles Nigam Limited CO. will prepare a Board Memorandum regarding physical closure of the project highlighting the position of completion of physical activities viz. procurement of plant and machinery, construction of civil works, services etc. as well as the latest position of financial expenditure vis-à-vis project sanction. The Board Memorandum with the comments of Finance Division and their replies after approval of Director/Operations of Armoured Vehicles Nigam Limited shall be put up in the Board meeting for consideration. After approval by the Board, the project shall be deemed to be physically closed. The same will be discontinued from the next Half Yearly Progress Report on Projects. The concerned project group shall apprise the same to Ministry of Defence, wherever required.

13.11 Financial Accounting of Expenditure against the Project:

Considerable difficulties have been noticed in the Financial Closure of Projects. It must be ensured by the Project officer at site/Unit and the Finance & Accounts officer that the expenditure against Plant and Machinery, services and civil works envisaged in the project are properly accounted for against the relevant code head of the project. Also monthly expenditure and cumulative expenditure shall be reconciled every month and corrective action taken for any anomalies/discrepancies.

13.12 Financial Closure of the Projects:

Soon after the physical closure of the project, the Project Officer at site would take necessary action towards financial closure of the project.

(i) He would prepare a statement showing the Regd. No., Receipt Voucher No. & date, description of plant and machinery and civil works (separately under P&M head and CW head) and send it to the Finance & Accounts who would put the value and vet the statement with a comparative table showing the amount of sanction under each head and expenditure incurred under each item.

(ii) The statement duly vetted by Finance & Accounts will be sent back to the project officer at site/ CGM who in turn will send it to the project officer at Armoured Vehicles Nigam Limited CO. for preparation of Board Memorandum for financial Closure.

(iii) Project office at Armoured Vehicles Nigam Limited CO will prepare draft Board Memorandum (format given in the **Appendix-26**) and put up to Armoured Vehicles Nigam Limited/Finance Division for concurrence. The Board Memorandum duly concurred by Finance division and approved by Director-Operations/ Armoured Vehicles Nigam Limited will be put up to the Board of Directors of Armoured Vehicles Nigam Limited for decision on financial closure of the project.

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CHAPTER 14

GUIDELINES FOR TRAINING

14.1 Introduction

A comprehensive guideline for training in supplier's premises during pre-despatch inspection and erection & commissioning of Armoured Vehicles Nigam Limited personnel for operation and maintenance of critical Plant & Machinery of imported or indigenous origin has been laid down as under:

14.2 Thrust areas of training:

The thrust areas of training need in respect of various categories of P&M may vary based on criticality and familiarity of the technology involved. It would require careful analyzing and firming up by a Competent Committee. However, the broad areas of training need would generally be on operation, process-control, and process-safety, maintenance consisting of mechanical, electrical, electronics, and hydraulics etc., based on the competency available within the Organization/UNIT.

14.3 Training at manufacturer's premises during assembly of P&M:

(a) The necessity of associating a training team at the time of machine building at Manufacturer's premises or at the premises of other firms as recommended by the supplier is essential for some of the P&M involving intricate assembly and interfacing of a variety of mechanical, electrical and electronics, hydraulic and pneumatic sub-systems to have first-hand information and exposure. This would help the training team to effectively identify and rectify the problems likely to be encountered during operation/maintenance of P&M at the UNIT. The category of machine under this group may be exclusive P&M viz. Extrusion Presses, Cold Swaging Plants, Plano Millers, Forging Presses, Nosing Press, complicated furnaces etc. Such training necessarily shall be arranged at the manufacturer's/similar plants supplied by the manufacturer in different places/premises for a period of 2 to 3 weeks for 3 to 8 personnel or as decided by the Competent authority, having sufficient experience in Maintenance, Production and Quality Control, possessing suitable technical qualifications with appropriate communication skill. The team shall be preferably headed by an officer not below the rank of DGM/JT.GM.

(b) Depending on the complicacy of the P&M, indentors may be required to include the above training schedule in the tender, so that the tenderer may be able to include the same in the tender along with the cost or free-of-cost. Once this has been done, further discussion may be made during the pre-bid conference with the manufacturer and after tender opening, which may be recorded in the TEC/TPC regarding the composition of training team and the duration for consideration of Armoured Vehicles Nigam Limited CO's approval.

14.4 Training of personnel during Pre-despatch inspection:

In this category, the training is meant for those machines which are already working in the Factories and the training team is already conversant about certain features of the previous models/technology. Therefore, the thrust of training would be generally to update the training cum pre-despatch inspection team on the new development/features of the machines before/while carrying out pre-despatch inspection of P&M. The training may be concurrently imparted along with trial, testing and proving of components at the supplier's premises, depending on the case. The duration of training cum PDI team may be for 3 to 5 days, whereas, the composition may vary from 2 to 4 persons depending upon the quantum of activities involved in PDI. The above training schedule must be indicated in the tender, so that the tenderer may be able to comply with the same in the tender along with cost or free-of-cost.

14.5 Training of personnel during commissioning at user's premises:

Training of this category is required for all types of P&M including those for which either exclusive/comprehensive training has already been catered or clubbed with PDI team or otherwise. The schedule of training and composition of team shall be spelt out specifically considering the type of P&M, technology etc. in the Tender/S.O. The trained personnel along with others may be associated at the time of erection and commissioning by the suppliers so as to acquainting themselves and gaining proficiency in the use of various systems/sub-systems of P&M. It helps in absorption of technology and spreading the knowledge gained during training to operatives at different levels.

14.6 Educational qualification & experience:

Persons selected for training on a particular discipline of a P&M shall necessarily have basic qualifications like degree or diploma in the relevant field along with past working experience of at least 2 to 3 years on a similar P&M or minimum 10 years of working experience on a similar plants in respect of others (high-skilled/master-craftsman) having ITI/NCTVT certificate.

14.7 Age-group of the persons selected:

(a) Generally, the younger age-group employees having sufficient period of service left are to be selected for training abroad. However, in cases where there are no incumbents having experience in a similar field, persons having left-over service of **3-4 years** may also be recommended for training abroad.

(b) In the case of Pre-Dispatch Inspection, the above criteria of personnel may be reviewed by the competent authority considering necessity of pre-dispatch inspection as it requires highly experienced and competent personnel for certifying technical acceptability of the machines in terms of geometrical accuracies, proving of cycle-time and accepting the machine and product as per SO.

14.8 Training Report:

The trained persons shall furnish a Comprehensive Training Report on the areas of training received for reference and guidance which would be retained at the Unit concerned, also at relevant Armoured Vehicles Nigam Limited IOLs. Unit concerned shall also mark copy of the same to HR Division-/ Armoured Vehicles Nigam Limited for record.

14.9 Deployment of trained persons:

The trained persons shall be deployed for a minimum period of three years on the same P&M after completion of the training programme.

14.10 Methodology for dissemination of knowledge:

The methodology to be adopted for dissemination of knowledge acquired by the trained personnel to other members of Factories or sister Factories is as follows:

(i) A comprehensive and self-contained report may be prepared by the persons after completion of training. A copy of report may be kept with production as well as maintenance group of the UNIT. A copy may be also kept at the Technical Library of the UNIT for reference.

(ii) Training material in the form of hard-copy/soft-copy may be collected from the Suppliers by the team during the training at the Suppliers' premises and kept in the Technical Library for reference.

(iii) The trained Officer/Staff shall be engaged as faculty on the relevant topic at Armoured Vehicles Nigam Limited IOL etc. to dissipate their knowledge to others.

(iv) A presentation by trained personnel may be made to all the Officers of the UNIT so that they can have an overall view about the operations, maintenance, technology, applications, safety etc. of the P&M. The same presentation may be made to the group of employees engaged in the operation, maintenance etc. of P&M.

14.11 Comprehensive Database on training of personnel:

A Compendium/Data-base on "Operation & Maintenance of Critical P&M" of trained personnel shall be made machine/technology/ discipline-wise and displayed on Armoured Vehicles Nigam Limited Website/Online site for reference and sharing of knowledge with other Units, Armoured Vehicles Nigam Limited IOLs, which will be formulated and coordinated by GM/HR. For this purpose all concerned may furnish the required data direct to DDG/HRD on the following aspects:

(i) Name of P&M
(ii) Name & designation of the person trained.
(iii) Training date & period
(iv) Complete details of training, place, firm etc.
(v) Training report after completion of training

(vi) Specific developments, if any, at the time of Commissioning, production & maintenance.

14.12 Proposal for Training Abroad:

a. The type of training, its location, composition of training team, qualification and experience of the team members, duration etc, shall be decided by relevant TPC based on the recommendation of the lower TPC which recommend the training and inspection and the supplier, if required.

b. Unit shall forward the proposal of foreign deputation for training abroad/pre-despatch inspection as per contract agreement, along with the following documents, at least 6 weeks in advance for further processing the case with Armoured Vehicles Nigam Limited for approval.

(i) Ink-Signed Bio-Data of Individual
(ii) Last 3 years details of training abroad
(iii) Vigilance Clearance of individual from Unit/Vigilance Officer or CGM Unit Vigilance Section,
(iv) Undertaking duly signed by CGM
(v) Copy of TPC Minutes and SO indicating the details of composition of training team and duration of training;
(vi) To and fro Budgetary Quotation from Air India/Balmer-Lawrie/Ashok Tours and Travels for air fare for the destination.
(vii) Proforma for Approval of Deputation Abroad duly filled-in and duly concurred by Finance & Accounts Office.
(viii) Firm's invitation letter with day wise schedule
(ix) A certificate towards the air-fare with shortest route to be provided.
(x) AIPR of the officials.

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CHAPTER 15

CVC GUIDELINES

15.1 CVC has compiled all the circulars issued by them and uploaded in their website. Besides, CVC has published a document titled "Common Irregularities/Lapses Observed in Stores/Purchase Contracts and Guidelines for Improvement in the Procurement System" highlighting the common lapses and the precautions to be taken in various stages of procurement. This is available in **Appendix -29**and further details visit CVC's website at https://cvc.gov.in/.

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APPENDICES

APPENDIX - 1

STEPS INVOLVED IN PROCUREMENT OF P&M:

Sl	Single stage bidding (TE)	Two stage bidding (EOI + TE)
1	Review & finalize list of plants & machines for procurement annually or when asked by AVNL for capacity creation / augmentation.	Review & finalize list of plants & machines for procurement annually or when asked by AVNL for capacity creation / augmentation.
2	Prepare Demand/DPR with draft NIT, draft TE document and estimated cost.	Prepare Demand/DPR with draft PQ criteria, draft NIEOI, draft TE document and estimated cost.
3	Sanction of Demand/DPR by PFC/AVNL or on file by concerned Project Section, AVNL.	Sanction of Demand/DPR by PFC/AVNL or on file by concerned Project Section, AVNL.
4	Advertise NIT and upload TE in website.	Advertise NIEOI, upload EOI including the PQ criteria in website.
5	-	Receive applications, evaluate, shortlist prequalified firms, modify/broad-base tender specifications, issue TE documents.
6	Public opening of technical bids, prepare technical CST. Evaluate bids and select substantially responsive offers. TEC meeting.	Public opening of technical bids, prepare technical CST. Evaluate bids and select substantially responsive offers. TEC meeting.
7	Open price bids, prepare commercial CST, finalise L1 and get approval of CFA / TPC.	Open price bids, prepare commercial CST, finalise L1 and get approval of CFA / TPC.
8	Issue SO or Prepare draft contract agreement, send to supplier, discuss and sign.	Issue SO or Prepare draft contract agreement, send to supplier, discuss and sign.
9	Actions like export permit, PBG and advance payment for making contract effective.	Actions like export permit, PBG and advance payment for making contract effective.
10	Pre-despatch inspection, receipt, erection and civil works, commissioning, trial runs and performance testing.	Pre-despatch inspection, receipt, erection and civil works, commissioning, trial runs and performance testing.
11	Warranty bond receipt and final payment.	Warranty bond receipt and final payment.
12	Complaints in warranty period and settlement	Complaints in warranty period and settlement

APPENDIX - 2

Depreciation Norms

1. Plant & Machineries procured in the UNITS are depreciated at specified rates to recover the investments made for their procurement using the Straight Line Method. In this method, depreciation is charged uniformly over the life of an asset. A machine may become due for replacement, when its residual book value becomes zero or when it is categorized as 'beyond economical repair', on the basis of assessment of machine condition and due recommendation of a Technical Committee. The life of a Plant and Machinery will also be determined by the consideration whether the machine is a Tool room machine or production machine for engineering or chemical/explosive process plant.

2. A Board of Officers, consisting of DGM/ Jt.GM and representative of Finance & Accounts Office after thorough technical examination would decide whether a machine/ vehicle may be categorized as 'beyond economical repair' to consider for its replacement. Representative of Transport section would be nominated for Vehicle examination.

3. A Technical Report shall be made indicating the condition of P&M. Under unusual condition, a P&M may also be put up for 'premature condemnation' after a thorough examination by a Technical Committee. In that case, the Technical Committee is required to make a Statement of Case with justification for pre-mature condemnation and replacement duly approved by CGM.

4. The depreciation norms are prescribed below:

   i. Plant & Machinery (life- 20 years): Annual Depreciation @ 5% of the P&M cost.

   ii. Tool Room machine: A machine unable to give the desired accuracy may be utilized in the Tool Room for lesser accuracy job or transferred to Production shop at the end of 10 years. Thereafter, replacement proposal may be processed against either under RR or NC, depending upon the location at the time of replacement.

   iii. Considering rapid changes in technology and obsolescence of electronic system e.g. CNC control of Plant and Machinery, Electronic telephone exchange or similar electronic systems etc., such replacement may be considered after 7 years.

   iv. Air Conditioners and Refrigerators: annual depreciation @ 10%

   v. Mobile Crane: annual depreciation @ 20%.

5. Replacement of MT vehicles:

   The following norms for replacement shall apply:

   i. The vehicle will be due for replacement after a minimum mileage limit or minimum years of service, whichever is later.

   ii. A Technical Inspection Report (TIR) shall be made indicating the condition of engine, transmission, wheels, etc. Under unusual condition, a vehicle may also be put up for 'premature condemnation' after a thorough examination by a Technical Committee. In that case, the Technical Committee is required to make a Statement of Case with justification for pre-mature condemnation and replacement duly approved by CGM.

iii. The minimum vehicle mileage and years of service are stipulated as follows:

Sl	Type of Vehicle	Criteria
1	Staff Car, Explosive van, Ammunition truck, Jeep, 1/1.5 T truck van, Ambulance, Motor cycle	1,50,000 kms or 7 years whichever is later.
2	3/5 T Truck, 7/7.5 T Truck	1,80,000 kms or 7 years whichever is later.
3	Tractor, Dumper, Front & back end Loader, Trolley/Trailer, Fork Lifter, Battery Trucks, & all kinds of other material handling equipments	22,000 hrs or 7 years whichever is earlier
4	Fire Tender	5,000 hrs (stationary operation) or 10 years whichever is earlier

Note:

1) For road vehicles, every 15 miles is equivalent to one stationary operation hour and road vehicles without pump, 5,000 stationary hours would be equal to 75,000 miles round running.
2) MOD letter No. 336/D/E/M/17/US (Prod) dated 05.12.77 amended vide Corrigendum 2 no. 336/E/EM/1506/D(Projects) dated 09.07.80.
3) MHA letter No. 55/27/59-SB-II dated 07.07.80.

APPENDIX - 3

FINANCIAL APPRAISAL OF INVESTMENTS

1. **Introduction**

While delegating enhanced/additional financial powers to erstwhile OFB Units, OFB has laid down broad guidelines for procurement of Plant and Machinery. These guidelines emphasized on the need to have a mechanism for careful appraisal of proposed investments in erstwhile OFB Units. To this end in view, erstwhile OFB engaged M/s AF Fergusson & Co (AFF) as Consultant to develop the best possible economic criteria/methodology or combination of both to be adopted for investment appraisals in erstwhile OFB Units. After thorough study of the existing procedures for investment appraisals and in order to overcome the anomalies/shortcomings, AFF submitted its recommendations in the form of guidelines on 'Methodologies for Investment Appraisal in OFB' vide letter dated 18/04/2002. These guidelines as outlined below are to be followed in all Units. Formats to be used as per AFF report are given in the Appendices.

2. **Financial appraisal of Capital Investment:**

(a) A capital investment proposal will require financial appraisal which would involve the following sequence of steps:-

(i) Estimation of the initial capital investment and the timing of cash out flow.

(ii) Estimation of the production level at the time of full production.

(iii) Estimation of future cash out-flows considering various production factors.

(iv) Estimation of future in-flows based on the estimated volume of production and prices etc.

(v) Working out the net in-flows.

(vi) Evaluation of the proposals through Payback and IRR techniques.

(b) **Exclusions:**
Investment appraisal need not be done for following:

(i) All investments below Rs 50 Lakhs.

(ii) Cases where there is no direct nexus between investment and inflows e.g. Inspection, Quality Control, Services, Tool Room machinery and equipment.

(iii) Machineries required to meet Safety, Environment and Statutory obligations.

However, for such of the above types of plant & machinery which form part of a green field project or large scale modernization, the investment shall be included in the total investment of the project for financial appraisal.

(c) For financial evaluation of investments valuing between Rs. 50 Lakhs and Rs. 2 Crores, simple evaluation techniques detailed below are to be adopted:-

(i) **Investment/Turnover Ratio**: This is calculated by dividing the incremental value of issues by the cost of investment. The value should be greater than or equal to 1.

(ii) **Payback Period**: This shall be calculated by dividing the investment value by the estimated savings for a particular year at full production level. The Payback should be within the life of the machine as per relevant depreciation policy. This method favours investment which generates sufficient cash inflow in initial years. However, it fails to consider time value of money. Since the life of most machines is taken as 20 years, the Payback should be within that period. It is emphasized that the UNIT has to carry out the estimate for one year only.

(d) For investment proposals valuing more than Rs. 2 Crores, the financial evaluation is to be done by Internal Rate of Return (IRR) method. IRR is the discounted rate at which the net cash-flow from operations will equate the initial capital outlay over a certain period. IRR method takes into account time value of money. IRR can however, be misleading when choosing between mutually exclusive projects that have substantially different out-lays. Mathematically, the value of IRR is determined with the solution of the following equation through iterations.

$$\sum_{T=1}^{n} A_t / (1+r)^{n} = 0$$

Where **n** = Total period in years in which cash flow is expected

T = Time under consideration

A_t = Net Return in the year

R = Internal Rate of Return

In practice, IRR is to be computed by filling in the data and using spreadsheet software like Microsoft Excel.

3. **General Points related to IRR Calculation**

(a) **Cash Flow**: IRR shall be calculated considering the net cash flow, i.e. sum of cash inflow (+ve cash flow) and cash outflow (-ve cash flow), for a period of 10 years. Net cash inflow in real terms is computed first and inflation is applied on that to arrive at net cash inflow in nominal terms for all the 10 years, which is finally used in IRR calculation. The year of first output from the new investment is to be treated as Year1 (Y1) and subsequent years as Y2, Y3 and so on. The investment (cash outflow) may occur either in a single year or in a period of two or more years. The year prior to Year1 is considered as Year-1 (Y-1), the year prior to Y-1 as Year-2 (Y-2) and so on.

(b) **Rate of Inflation**: The annual rate of inflation based on monthly Wholesale Price Index (WPI) for 'All Commodities' as reported by the Economic Adviser, Ministry of Commerce and Industry is to be considered as the rate of inflation in the calculations. The rate as prevailing in the month of January is to be used in the next financial year beginning from April. For example, the inflation percentage for January 2013 is used for all proposals in the year 2013-14. This is computed by taking monthly WPI (all commodities) indices for Jan '13 & Jan '12 from the website **http://www.eaindustry.nic.in**.

(c) **Hurdle Rate**: The IRR should be equal to or more than the 'hurdle rate' i.e. the minimum acceptable rate of return. As recommended by AFF, the hurdle rate for AVNL will be prevailing benchmark rate of interest plus 1% (100 basis points) to take into account a risk premium. The benchmark rate to be considered is the interest rate on government's short-term borrowing from the RBI or the Ways and Means Advances (WMA), which in turn is equal to the RBI's 'repo rate' (also called 'bank rate'). The repo rate is revised by RBI from time to time and can be ascertained from internet. For example, the repo rate was 9.5% in March 2012 and 7.5% in March 2013. The repo rate as on 1st April is to be used for the all proposals in that financial year. Thus, hurdle rate is equal to 1% above the repo rate as on 1st April of the year.

(d) **Strategic Investments**: A proposal whose IRR is below the hurdle rate should normally be rejected. However, where for strategic considerations a proposal needs to be cleared, the same should be clearly stated along with the specific strategic issues. In cases where the demand for the final product is less than the machinery is capable of producing or does not cover the span of 10 years and IRR so calculated is below the recommended hurdle rate, the investment may be evaluated on strategic considerations. Strategic defence considerations do play a very important role for some investments in AVNL. The possible strategic considerations can include:

(i) Strategic significance of the product
(ii) End User Requirement
(iii) Item having constant threat of import ban / sanctions
(iv) Balancing facilities
(v) Manpower availability
(vi) Assured load over a long period of time
(vii) Latest technology that improves quality, reduces unit cost and opens possibilities of future load.
(viii) Item with long lead time

(e) The calculation of IRR considers many cost related data while assessing the viability of investment in future. The Value of Issues approximates the sale price of items when issued to the sole customer. In the assessment of net cash in flows and cash out flows therefore various working data are used, assuming that the trends projected during the product cycle based on past experience would follow a stable and consistent pattern. Therefore, anticipated load based on long-term plan and its dependability are important for IRR assessment.

(f) Investments above Rs 1 Crore fall under two broad categories:

Category I:

Renewals and Replacements involving a single machine or a cluster of machines, investments in intermediate product or operation or for import substitution.

Category II:

The following types of investments are covered in this category:

- Modernization involving purchase of a new plant (e.g. explosive production plant) or replacement of a large number of machines with one or more technically advanced machines having significant impact on production
- Capacity augmentation of an existing product
- A new product line
- Greenfield projects

4. **Methodology for Category I:**

(a) Under this method, the savings in costs will be considered as cash in-flows. The key cost elements that need to be considered in projecting savings are - Manpower, Material, Energy, Consumables including Tools & Fixtures, Repairs & Maintenance, Rejection, Rework.

(b) **Savings**: Savings under the above heads will have to be considered taking into the account the future output/ production level. For working out the savings, the cost factors where significant shall only be considered in real terms.

(c) **Projected Output and Product Mix**: While estimating future output, the constraints, if any, in terms of production or demand should be considered. If the demand for a final product is less than the capacity of the new machinery, the estimated output should not exceed the projected demand. In case an item is to be produced in more than one UNIT, the proportionate production to be undertaken in the UNIT, as decided by AVNL, shall only be taken. If investment will lead to change in product mix, savings for each product need to be added finally in the calculations.

(d) **Manpower:** While assessing saving in manpower, the concept of SMH shall, as far as possible, be avoided. Effort shall be made to project the saving in manpower in numbers. The gross change in manpower i.e. both industrial workers and other workers/staff is to be assessed. UNIT shall then calculate unit manpower cost by dividing total expenditure in respective budget head with the number of employees in the last year and escalating by 5% to get the figure for current year. This is to be done for IEs and 'Other than IEs' separately. Multiplying the unit cost with decrease in number of manpower will give the saving in manpower.

(e) **Material costs, Rejection, Energy, etc.**: Savings in material may be due to various reasons like reduction in rejection percentage, improvement in yield and usage of different material in the new machine. Rejection rate of new machine is to be ascertained. The difference between new and present rejection rates multiplied by projected output will give the quantity of rejection saved. The investment may also give higher yield percentage, especially in chemical and metallurgical plants. The change in yield rates multiplied by projected production will be an additional cash inflow. Where significant, savings in rework, energy (electricity & fuel), consumables, tools & jigs, repairs, etc expected to accrue due to the investment in new machines should similarly be taken into account in the calculations. However, care should be taken to avoid double accounting of benefits. For example, if savings in material is on account of reduction in rejection rate, it should not be shown as savings in any other head (say yield or rework).

(f) FOH and Depreciation shall not be considered as elements of cost.

(g) **Usable value**: Since the projections will be made for a ten-year period, it is necessary to arrive at a notional resale value of the machinery at the end of this period, although the machinery may have a much longer economic life. For this purpose, the Written down Value at the end of ten years, less 20% as obsolescence factor, may be considered as the notional resale value of the machinery sought to be purchased. This notional resale value will be an element of cash inflow. If the machine life is less than 10 years, only the scrap value has to be considered. The scrap value of the plant / machinery to be replaced will also constitute an element of cash inflow. **The scrap value is to be decided on the basis of market rate and past experience.**

5. **Methodology for Category II:**

(a) Under this method, the cost of all plant and machinery irrespective of their category will form a part of the total investment cost i.e., outflow. The net inflow will be the differential of value of issues and cost of production for the period of forecast plus any notional resale value of investment. The value of issue will comprise of the cost of material, manpower, VOH and FOH. In case the product is available in the domestic market, the issue price for the purpose of computation will not exceed the domestic rate. Similarly in case of import substitution, the import price is to be considered as issue price if the same is lower than the proposed price.

(b) Form 2A is the primary form and captures the volume, numbers and the rates. Form 2B works out the projected cash inflow in real terms. Form 2C calculates the IRR, using cash inflows in nominal terms.

(c) The effect of increased/changed volumes of production over the years will be reflected for computation of inflows. After working out the year-wise net inflow in real terms, the same has to be escalated by the annual rate of inflation of 5% to arrive at the net inflow in nominal terms. The rate of discount, at which the Present Value of inflows equals the Present value of outflows, is the assessed IRR, found by solving the IRR equation, through iterations. The Payback period can also be worked out from the above data.

(d) The forms for capture of data required for investment appraisal by IRR/Payback method as recommended by M/s. A.F. Ferguson are enclosed at Annexures of the report. Detailed methodology on Sensitivity Analysis is also given in the report.

6. **Other aspects of Financial Appraisal:**

(a) Capital investment proposals need to enclose detailed analysis sheet. IRR calculation will be erroneous if the basic data for the various cost elements of the new machine or plant are not ascertained correctly from the prospective suppliers.

(b) In order to assess the effect of variations in various assumed parameters on the project feasibility, **Sensitivity Analysis** of the project can be done. The key parameters on which sensitivity analysis is done shall include at least any/all of the following depending on the case/proposal: (i) Investment (ii) Price of the product (iii) Cost of the product (iv) Manpower numbers and savings (v) Rejection/rework percentages and savings (vi) Energy cost (vii) Raw material cost (viii) Demand.

(c) Procurement of machines as a module shall be done taking into account the existing available capacities for AVNL as a whole. The plan finalization committee shall keep this in view.

(d) When a project is for a product in more than one Unit, IRR is to be calculated product wise. For individual Unit, turn-over investment ratios may be computed. AVNL has the option of selecting Unit from various competing Units. Sensitivity-analysis of the overall product related IRR be done by AVNL with respect to various options available.

APPENDIX - 4

FORMATS FOR IRR CALCULATION

METHOD-I

FORM NO. 1A
(ASSUMPTIONS / OPERATING PARAMETER FORM)

Name of the Project / Proposal :
Name of the UNIT : Date:

Sl. No.	Cost Head	Units	Before Investment	Projection									
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1	Manpower a) Direct/Indirect (IEs) b) Others	 Nos Nos											
2	Operating parameter relating to materials a) Rejection % b) Yield % c) Rework %												
3	Energy consumption a) Power cost b) Fuel cost	Rs. In lakhs p.a.											
4	Consumables (please specify)	Rs. In lakhs p.a.											
5	Tools & Jigs (if not included in 4)	Rs. In lakhs p.a.											
6	Repairs & maintenances cost p.m.	Rs. In lakhs p.a.											

FORM NO. 1B
(VALUATION FORM)

Name of the Project / Proposal :
Name of the UNIT : Date:

Sl. No.	Cost Head	Units	Before Investment	Projection									
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1	Manpower costs a) Average Manpower Costs (IEs) b) Average Manpower Costs (Others)	Rs in lakh											
2	a) Rejection Valuation Product 1/ Product 2/ Product 3 DM+DL+VOH (Excl. Ind. Labour) (Reduced effect of rejection scrap to be given due to less rejection) b) Yield product wise : pls. specify (based on input material cost) c) Rework valuation : product wise pls. specify	Rs in lakh Rs in lakh Rs in lakh											
3	Deterioration factor (please specify)												
4	Incremental costs product wise DM+DL+VOH (Excl Ind. Labour) pls. specify												
5	Price from Trade/ Import/Revised AVNL Price after investment Product wise												
6	Inflation %												

FORM NO. 1C
(PRODUCT MIX FORM)

Name of the Project / Proposal :
Name of the Unit : Date:

Sl. No.	Product Mix (Quantity)	Units	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1	Without Investment Product 1 Product 2 Product 3	MT/Nos										
2	With Investment With old machines, till disposal Product 1 Product 2 Product 3 With New machines Product 1 Product 2 Product 3 Total Product 1 Product 2 Product 3	MT/Nos MT/Nos MT/Nos										
3	Increase / Decrease in Demand Product 1 Product 2 Product 3	MT/Nos										

FORM NO. 1D
(IRR CALCULATION FORM)

Name of the Project / Proposal :
Name of the UNIT : Date:

Sl. No.	Saving	Units	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1	Cash outflows: a)Investment b)Residual value of M/c replaced prematurely											
2	Cash inflows of savings in nominal terms											
3	Salvage value of the old machine											
4	Usable value of new machine											
5	Net cash flows or sum of inflows and outflows											
6	Cumulative cash flows											
Internal rate of return (IRR)												
Pay back period												

METHOD-II

FORM NO. 2A

Name of the Project / Proposal :

Name of the UNIT : Date:

Sl. No.	Particulars	Units	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1	Volume of Production (Qty)											
2	Rate (note below) a) International price b) Domestic price c) Internal	Rs in lakh										
3	Material Cost	Rs in lakh										
4	Manpower Industrial Employees: a) Total No IEs b) Rate IEs c)Total manpower cost IEs Others: a) Total Nos b) Rate others c) Total Manpower cost others	Rs in lakh Rs in lakh										
5	Recruitment Industrial Employees: a) Nos IEs b) Recruited Manpower cost IEs Others: a) Nos others b) Recruited manpower cost others	Rs in lakh Rs in lakh										
6	Variable overhead excluding indirect Labour: a) Major items (pls specify) b) Others	Rs in lakh Rs in lakh										
7	Fixed overhead excluding manpower cost. a) Major items (pls specify) b) Others	Rs in lakh Rs in lakh										
8	Depreciation	Rs in lakh										

NOTE: Import / Domestic price if available, the same should be taken.
Otherwise internal price after investment to be taken.

FORM NO. 2B

Name of the Project / Proposal :

Name of the UNIT : Date:

Sl. No.	Particulars	Units	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1	Value of issue:	In Rs Lakh										
2	Cost of Production Direct Material Direct Labour Variable overheads Fixed overheads	In Rs Lakh In Rs Lakh In Rs Lakh In Rs Lakh										
3	Total cost	In Rs Lakh										
4	Net Surplus / (deficit)	In Rs Lakh										
5	Add depreciation (if included in FOH)	In Rs Lakh										
6	Net cash inflows in real terms	In Rs Lakh										

FORM NO. 2C

Name of the Project / Proposal :

Name of the UNIT : Date:

Sl. No.	Cash flows	Units	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1	Cash outflows of the investment	In Rs Lakh										
2	Cash inflows - Nominal terms	In Rs Lakh										
3	Value of the new machine	In Rs Lakh										
4	Net cash flows or sum of inflows and outflows	In Rs Lakh										
5	Cumulative cash flows	In Rs Lakh										
Internal rate of return (IRR)												
Pay back period												

Capacity planning for P&M:

Basis of calculation: [365-52(Sat) – 52(Sun) – 16(GH)] x 2 x 8 + 52 Sat x 2 x 4.75 = 245 x 2 x 8 + 52 x 2 x 4.75 = 3920 + 494 = **4414 hours**

a. Example: Suppose the final capacity required for end product is 75 Million Rounds per year and 10% is taken as rejection/proof wastage. Then, the capacity required is 75/0.9 = 83.33 Million/annum. Assuming that the machine produces 250 components / minute i.e. 15,000 per hour, the production from one machine in a year = 15000 x 4414 x 0.8 x 0.8 = 42.374 Million. Therefore, the number of machines required will be 83.33 / 42.374 = 1.966 i.e. 2 (two) Nos.

b. Normal working of plants is taken as 22 days/month (one day weekly off and one day for cleaning / maintenance per week) and considering 2 months in a year for annual maintenance shutdown i.e. total 220 days per annum. Example: Suppose the quantity of product required is 500 MT/annum and about 10% is process wastage/rejection. Then, the plant capacity to be purchased shall be specified as 500 / (0.9 x 220 x 0.8 x 0.8) = 3.946 MT/day i.e. 4 MT/day.

c. Normally, plants are run continuously i.e. three shifts / day. Some plants are not run in night shift for safety reasons; normal working for such plants may be taken as one 8-hour shift or two 8-hour shifts (as applicable) per day. Therefore, in addition to capacity/day, the number of shifts / day shall also be specified in the tender as applicable for the plant.

d. Chemical process plants (e.g. Nitro-Glycerine or Sulphuric Acid Concentration plants) may be purchased even for suitably larger size because of following practical advantages:

   i. Safety: In normal times, production can be achieved in a short time with less manpower. This allows safety in handling of explosive as workers need not hurry to finish work.

   ii. Economy: Cost does not increase proportionately with increase in capacity. The 'thumb rule of 6/10' says that if capacity is increased by 'x' times, then the increase in cost is equal to POWER (x, 0.6), i.e. 'x raised to the power 6/10'. For example, cost is 1.5 times for double capacity, cost is 1.9 times for triple capacity and cost is around 2.3 times if capacity is increased four times.

APPENDIX – 6

FORMAT FOR RR / NC DEMAND

STATEMENT SHOWING DETAILS OF MACHINERY ITEMS DEBITABLE TO DEPRECIATION/ NEW GRANT FOR YEAR ....

PRODUCTION/TOOL ROOM/ MT VEHICLE/ MATERIAL HANDLING/ INSPECTION/ SERVICE/ FIRE FIGHTING EQUIPMENT

(STRIKE OUT WHICH ARE NOT APPLICABLE)

FOR ....PRODUCTION/TOOL

DEMAND NO. .... DATE:

LAO'S VETTING REFERENCE: DATE:

, ... SECTION:

CODE NO: .... (TO BE GIVEN BY AVNL)

QTY	NAME AND REGD NO OF M/C(S) TO BE REPLACED	NOMENCLUTURE OF THE PROPOSED MACHINE	JUSTIFICATION	TOTAL ESTIMATED COST OF P&M

Vetted By

FINANCE & ACCOUNTS GENERAL MANAGER

COST DETAILS OF THE PROPOSED MACHINE

INDIGENOUS (RUPEES IN LAKHS)			IMPORTED (RUPEES IN LAKHS)		
SL NO.	DETAILS OF COST ELEMENT :	RE	DETAILS OF COST ELEMENT	FE	RE
1	BASIC MACHINE COST FOR 1 NO.				
2	COST OF ACCESSORIES & SPARES.				
3	COST OF SPARES				
4	COST OF TOOLING				
5	FOB COST				
6	ESCALATION– @..........				
7	TOTAL COST				
8	PACKINGS, FREIGHT FORWARDING ETC.				
9	GST/CUSTOM DUTY				
10	ERECTION & COMMISSIONING				
11	CIVIL WORK				
12	TRAINING				
13	ANY OTHER CHARGES				
14	TOTAL				

ESTIMATES ARE BASED ON:

A) S.O No............. of..................(Fy)……………..Dt...........(not older than two years)

B) IF NOT THE BASIS OF COST ESTIMATION
ESCALATION – @.....................................

C) BUDGETORY QUOTATION(s) No. i) .... DATED. ....
ii) ....DATED. ....
iii) ....DATED. ....

Budgetary quotation of (i) or (ii) or (iii) or……………was considered or average of the two/three/four…… budgetary quotes were considered for estimation: Details to be deliberated and recorded in the Fy/PFC minutes.

D) MODE OF TENDERING:

Annexure-A

1.	Name of the UNIT	:
2.	Demand No & Year	:
3.	Details of Machine under replacement	:
3.1	Nomenclature of the M/c with Model No (if any) with Supplier's name	:
3.2	Registration Number	:
3.3	Year of Purchase	:
3.4	Original Cost	:
3.5	Book Value (as on 31.3.20_ _)	:
3.6	Whether Imported or indigenous	:
3.7	Is it beyond economical repairs	:
3.8	Is it General Purpose M/c (GPM) or Special Purpose Machine (SPM) or Plant	:
3.9		
(a)	The type of operation	:
(b)	The components and end Stores for which used	:
(c)	The number of machine hours engaged/month	:
(d)	The number of setting hour required/ month	:
3.10	If SPM being used for production give	:
(a)	Components to be manufactured	:
(b)	End Store Nomenclature	:

(c)	Components produced /8 hours shift	:
4.	Replacement Criteria	:
4.1	Has the machine been utilized fully through life span	:
4.2	In case the replacement is premature indicate reason	:
(a)	Separate note may be attached	:
4.3	Has the machine been examined by a Board of Examiners for condemning the machine as BER (attach two copies of the Board's proceeding duly accepted by General Manager)	:
4.4	Whether the machine cannot be met out of any surplus available in other Units or Govt. Dept.	:
4.5	Estimate loss of production in financial and physical terms if the machine is not replaced	:
4.6	What is the progressive total cost of machine demanded so far, indicate separately in FE and RE	:
4.7	Whether the orders for the end store for which component is to be manufactured on this machine would continue for the next 5 years	:
4.8	State approximate life of other machines in years in the production line of which the subject machine forms a part	:
4.9	Confirmation that there will not be any imbalance in capacity of various M/cs.	:

	in the production line leading to under utilization of the capacity of the new items		
4.10	Whether the new machines will be capable of taking up production of futuristic items in case the existing item becomes obsolescent if so, details of the items	:	
4.11	Whether any updation of technology is involved in the new machines, if so a comparison from cost benefit angle eg. cost of operation vis-à-vis higher cost of procurement may added	:	
4.12	Whether the concerned standard estimates will be revised in line with the advantages of the updated technology machines	:	
5.	Details of Machines Proposed for Procurement	:	
5.1	Nomenclature	:	
5.2	Indigenous / Imported		
5.3	Reference of Budgetary Quotations (in respect of high cost items efforts should be made to obtain budgetary quotations from 2-3 manufactures)	:	
5.4	Estimated cost (in lakhs of Rs. FE/RE)	:	
5.5	Is the technology latest and most suitable?	:	
5.6	Likely sources of supply	:	
N. B.	At least three sources to be indicated including their models		
5.7	Is the replacement on like to like basis as far as capacity is concerned	:	
5.8	If the capacity is higher is there no lower capacity model available	:	

5.9 Indicate capacity of the proposed machine is terms of components :

5.10 In case the estimated cost of the proposed machines exceeds the original cost of the machine by 10-15 times, the reason of variation is to be indicated (The reason of inflation is already accounted for in the price increase of 10-15 times) :

6. Civil Works :

6.1 Whether building/accommodation is available for erection of the proposed machine :

7. Disposal :

7.1 It is to be confirmed that the existing machine will be disposed off on receipt and or successful commissioning of the replacement :

Annexure-B

INFORMATION REQUIRED AGAINST REPLACEMENT / BETTERMENT DEMAND

1.	Register No. of the Plant and Machine to be replaced together – with	:
(a)	Date of Original receipt	:
(b)	Original Cost	:
(c)	Book Value & Residual Value	:
(d)	Condition (Whether Beyond Economical repair) may be stated	:
2.	State if the demand cannot be met from	:
(a)	German reparations machines offered or allocated	:
	&	
(b)	Known surpluses in other UNITS of Govt. Departments	:
3.	State with reasons if there is any urgency regarding delivery	:
4.	Where the quantity is more than one state if purchase can conveniently be spared over more than one financial year	:

FORMAT : FORWARDINGS LETTER FOR DEMANDS

To
The Chairman & Managing Director,
Armoured Vehicles Nigam Limited,
Section: ENGG.
Avadi,
Chennai-600 054.

Sub: Procurement of P&M under RR.

The following documents are submitted for your kind consideration and approval of the proposal for procurement.

1.	RR Demand No	:
2.	Annexure-A &	:
	Annexure-B	:
3.	Justification	:
4.	Finance & Accounts concurrence No & Date	:
5.	Budgetary Quotation(s)	:
6.		
(a)	Condemnation Report	:
(b)	Technical Inspection Report	:
(c)	Additional information required for processing of RR Demand of Vehicles	:
(i)	Authorized strength of MT vehicles including Staff Cars, Jeeps, Trucks, Ambulances with Models and date of purchase	:
(ii)	Number of MT Vehicles in the above category held at present by the UNIT	:
(iii)	Vehicles replaced in last 5 years and the details of disposal of BER vehicles	:
7.	Cost benefit analysis and justification for costly machine	:
8.	Specification	:
9.	List of likely suppliers	:
10.	Inspection / Trial Plan	:

Encl: As sated above

FOR GENERAL MANAGER
UNIT..................

Format of Fy/PFC minutes

1. Justification for replacement of the machine(s) considering perspective production load (5-10 yrs) and existing machine capacity.

2. Technical specifications are generic in nature and broad based: Confirmation reg. of

3. Basis of Estimated cost: Details along with justification thereof.

4. Site location of the proposed machines firmed up: Confirmation reg. of

5. Whether the requirement can be met out of any surplus/unutilized machine available in the Unit or in other Units/Govt. Depts.: Confirmation reg. of

Chairman/PFC-Unit	Member/PFC-Unit Finance& Accounts	Member/PFC-Unit	Member/PFC-Unit

APPENDIX – 7

PROFORMA FOR SENDING RR PROPOSALS TO AVNL

PROFORMA – 'A'

ITEMS DULY APPROVED IN THE RR PLAN OF PREVIOUS YEARS – STATUS INDICATING SCHEDULE TILL RECEIPT OF MACHINE.

UNIT

Sl No	Year of plan	Ref. Sl. No.	Nomenclature & Quantity	Approved cost of replacement	Dem and No	Cash-Flow Materialization during	Present position indicating reasons for hold up, if any
1	2	3	4	FE(5) : RE(6)	7	(8a) (8b)	9

PROFORMA - 'B'

RR PLAN OF P&M DULY APPROVED BY PFC AT FY LEVEL DURING YEAR ...

UNIT: Rs: in lakhs.

Session & End store for which new m/cs are needed	Capacity to be achieved in terms of end-store based on	Description of machine proposed for procurement	Quantity	Nomenclature & Regd. No. of m/c to be replaced	End store against which existing m/c are used/purchased for	Cost (based on Budgetary cost) FF : RE :	Remarks
1	2	3	4	5	6	7 : 8	9

CMD Chairman/AVNL	Member/PFC Dir- Finance	Member/PFC Dir-Operation	Member/PFC GM-Operation

PROFORMA - 'C'

ADDITIONAL INFORMATION IN RESPECT OF ITEMS PROJECTED IN PROFORMA – 'B'

UNIT:

SL.no. of item as per 'A' & 'B"	Year of purchase	Residual value (Rs. in lacs.)	Whether reconditioning/repair possible	Possibility of resiting any other similar m/c from other shops to meet projected requirement	Cycle time for proposed operation on new m/c to justify the quantity of machines	Percentage of utilisation of M/cs with reference to production load	Confirmation that capacity of new m/c is comparable with M/cs under replacement.
1	2	3	4	5	6	7	8

PROFORMA 'D'

BUDGET ALLOTMENT vis-à-vis UTILISATION PATTERN For last three years against RR GRANT

UNIT:-

1. Total .... Assessed as on

   a) P &M :

   b) Civil Works/Buildings:

2. Details of Fund Utilisation:-

	Year1	Year2	Year3
Fund allotted at the beginning of Financial year			
Fund surrendered at the end of Financial year			
Fund utilised / expenses in the Financial year			

3. Fund needed for Year ....:-

   a) Committed liability as on ....:

   b) Commitment likely to be made during the year ....:

   c) Cash Flow expected: ...

APPENDIX - 8

FORMAT FOR DPR

1.0 INTRODUCTION

2.0 PROCESS / TECHNOLOGY FEATURES IN BRIEF (EXISTING AND PROPOSED PLANT, POINTING OUT MAIN CHANGES AND BENEFITS)

3.0 PRODUCT SPECIFICATIONS

4.0 CAPACITY - EXISTING & PROPOSED WITH JUSTICATION

5.0 LOCATION AND LAYOUT

6.0 PLANT & MACHINERY

7.0 BUILDINGS / CIVIL WORKS

8.0 ANCILLARY FACILITIES

9.0 MATERIAL HANDLING EQUIPMENT

10.0 UTILITIES:

- a. WATER
- b. ELECTRICITY
- c. STEAM
- d. CHILLED WATER
- e. COMPRESSED AIR

11.0 SAFETY

12.0 ENVIRONMENT PROTECTION

13.0 MANPOWER REQUIREMENT

14.0 TRAINING

15.0 PROJECT SCHEDULE

16.0 ESTIMATED COST OF THE PROJECT WITH BREAK-UP AND YEAR-WISE CASH OUT-GO:

17.0 FINANCIAL APPRAISAL (IRR)

18.0 MODE OF PROJECT EXECUTION AND SPECIAL STEPS NEEDED FOR SPEEDY COMPLETION

APPENDIX - 9

SPECIMEN OF NOTICE INVITING EOI

Armoured Vehicles Nigam Limited, --------UNIT
A Government of India Enterprises

NOTICE INVITING EXPRESSION OF INTEREST

NIEOI No. …………………..Date:………

The General Manager, ----------------. , invites Expression of Interest (EOI) from reputed Indian Firms for providing the following Machine / Plant at , …………..

Sl	Reference No	Name of Plant	Capacity

Contract shall be awarded through Two Stage Process:

Stage 1: Expression Interest (EOI) Stage
Stage 2: Tender Enquiry (TE) Stage

Tender documents will be issued in Stage-2 for each Machine/Plant separately to the shortlisted companies who participate and qualify in the EOI (Stage-1). Separate contracts will be signed with successful bidders for each plant.

Interested parties are requested to submit their EOI in the prescribed format along with all supporting documents/credentials.

For detailed information, please see Annexure which is displayed in our website "………………………………" or send email to E-mail ID of Contact Person mentioned below at least 15 days before the last date of submission of EOI.

Last date of submission of EOI: up to 15:00 hrs of …DD/MM/YYYY.

Sd/-
General Manager

Address for communication:	**Contact person (for any queries):**
General Manager, …………………	Name: ………………………… Designation…………………. Telephone No:……………… Mobile No: …………………… E-mail ID : ……………………

Annexure to NIEOI
(Information for Submitting EOI by Interested Parties)

Introduction:

1. .... is under Armoured Vehicles Nigam Limited, Avadi, which is Govt of India Enterprises.
2. The above mentioned machines/plants are required for establishment of manufacturing facilities for ....

Scope of Work in Brief:

1. The scope of work of the plant will include design, fabrication, supply, erection and commission of the machine/plant. The scope will also include civil works for erection, piping and inter-connection of different equipments and services to be provided as part of the machine/plant The contractor shall have to arrange training for Purchaser's personnel for mutually agreed time period during / before commissioning of the machine/plant at Unit ....
2. The Purchaser shall arrange, through separate agency, construction of buildings if any wherein the above machine/plant have to be supplied by the contractors. The contractor shall have to provide specifications and drawings for civil works before hand over to the Purchaser for the construction of the buildings if any.
3. The Purchaser shall also arrange to provide utilities like steam, water & electricity at the battery limits of the earmarked sites.
4. Detailed specifications with description of machine/plant manufacturing process and lists of equipments/Accessories required for each machine/plant will be furnished in the tender documents which will be issued in Stage-2.
5. **For Plants:-** The plant should be remote controlled with programmable logic (PLC) and have appropriate automation for safety of workmen. There should be in-built safety and firefighting devices as per Indian regulations.
6. **For Plants:-** The plant should have effluent treatment facilities with maximum recycling of water (zero or minimum possible discharge) so as to meet the pollution control limits as per Indian regulations.

Bidder's Profile & Qualification Criteria for Stage-1:

1. The interested parties (Bidders) must have the following qualification criteria for selection for Stage-2 (issue of tender documents):

   a. **Financial Criteria**:
   Bidder must have average annual turnover of minimum Rs.......Crores (30% of estimated cost) during last three years.
   Or, Bidder has the experience of executing one project of value not less than Rs .... crores (80% of estimated cost) or two projects of minimum value Rs .... crores each (50% of estimated cost) or three projects of minimum value Rs .... crores each (40% of estimated cost), during the past seven years, either as a single entity or in collaboration with minimum 25% work-share in terms of value.

b. **Technical Criteria**:

Bidder should have past experience of design, supply, erection and commissioning of the required supplied machine / plant of same configuration / functionality and of the same capacity / size or higher capacity/size (Machine with different configuration will not be taken into consideration) either in India or in any other country Or, Bidder should have collaboration agreement for design, supply, erection and commissioning and after sales service with any other Indian or foreign company who meets the above criteria.

2. The applications (EOI) of firms should be accompanied by following documentary evidence in support of meeting the above criteria / profile:

   (i) Photo-copies of audited balance sheet and profit & loss statements for last three years.
   (ii) Photo-copies of GST Registration Certificate, Provident Fund Registration Certificate, Income Tax PAN Card and.
   (iii) Photo-copies of orders/contracts (showing values of projects & work-share of Bidder) and performance certificates of previous supplies/ projects executed. [In case of projects executed by a foreign firm/partner in a foreign country, if value / other information cannot be given for confidentiality, the Bidder shall submit maximum possible relevant information to satisfy its credentials.]

3. The interested firms should also furnish:

   a. Undertaking to provide pre-delivery inspection with own means or third party mutually agreed with purchaser, in case contract is awarded for any machine/plant.
   b. Undertaking to be responsible for all contractual obligations including guarantee / warranty obligations in case contract is awarded for any machine/plant.
   c. Affidavit that the firm has never been banned by Govt. of India/Concerned PSU.
   d. General power of attorney in favour of signatory other than owner/head of the firm.
   e. Confirmation that the firm will sign Pre Contract Integrity Pact and submit necessary bond, if Demand value is Rs. 5.0 Cr and above. Format of Pre Contract Integrity Pact is available in AVNL's website.

Criteria for Evaluation & Selection Process:

- The interested firms shall be called to UNITS. .... to visit the site and to give presentation about their work experience and competence.
- Based on the credentials, fulfillment of qualification criteria and presentations, the firms shall be short-listed.
- Tender documents (Requests for Bids) shall be issued in Stage-2 to only the shortlisted firms.

Format of Application:

Interested parties should submit EOI application to OF........... in the following format, enclosing supporting documents, required affidavits/undertakings and copies of company presentation. The envelope containing the EOI should be marked with the NIEOI No. and Date for identification and sorting. It may be sent by post/courier/hand delivery. Any application received after the last date & time for submission will not be considered.

Note: Separate sheets may be used wherever necessary.

1. Name & Address of the Bidder:
2. Name & Designation of the person to whom all references shall be made:
3. Fax Nos:
4. Telephone & Mobile Nos:
5. E-mail ID:
6. Chief of the Organization:
   E-mail ID:
   Telephone / Mobile No:
7. Type of Organization (Public Sector/Limited/Private Limited/Partnership/ Proprietary/Society/Any other):
8. No. of offices &UNITS/workshops (details in separate sheets):
9. No. of qualified Technical & Supervisory Personnel etc in following format:

Sl	Class of Manpower	No. of Personnel Available with contractor	No. of Personnel To be employed

10. Particulars of past experience of similar works executed:
11. Concurrent Commitments (Details of works under execution, %age completion, expected date of completion):
12. Copy of collaboration agreement between parties (if the Bidder has partnered with any other firm to submit bid jointly):
13. Annual Turnover Statement for last 3 years (certified by a statutory auditor):

Financial Year	Annual Turnover (Rs)	Net Worth (Rs)
Year-1		
Year-2		
Year-3		

    Net worth shall be worked out on the following basis:
    Net worth = Capital + Reserves – Accumulated loss

14. Machine/Plant or plants for which interested to bid for:
15. Any other information that the bidder may like to give in order to highlight his bid:
16. List of documents attached:

Place :
Date :

Signature:

Name in Full:

Designation / Status:

APPENDIX - 10

Ministry of Defence
D (Vigilance)
******

Subject: **Guidelines of the Ministry of Defence for Penalties in Business Dealings with Entities.**

Please find enclosed the guidelines of Ministry of Defence for penalties in business dealings with entities applicable for both Capital and Revenue Procurement of Goods and Services, duly approved in the meeting of DAC held on 07.11.2016, for compliance.

Encl: As above.

sd/-
(Atul Kumar Singh)

Director (Vigilance)

SA to RM		Secretary (DP)	Secretary (Defence Finance)	
VCOAS	VSNS	VCAS	DG (Coast Guard)	CISC
DG (Acquisition)	AS(R)	AS (P)	JS & AM (LS)	JS & AM (MS)
JS & AM (Air)	JS (Army)	JS (Air)	JS (E/CAO) & CVO	

MoD ID No. 31013/1/2016 D (Vig) Vol. II dated 21.11.2016

Copy to

PS to RM
PS to RRM
SO to Defence Secretary

Copy also to: NIC with the request to upload the guidelines on the website of the Ministry

Encl to MoD I.D No. 31013/1/2016 D (Vig) Vol. II dated 21.11.2016

GUIDELINES OF THE MINISTRY OF DEFENCE FOR PENALTIES IN BUSINESS DEALINGS WITH ENTITIES

(A) Introduction

A.1 It is imperative that the highest standards of propriety be maintained throughout the process of procurement of defence equipment.

A.2 The procurement process needs to proceed without loss of credibility and therefore, there is a need to put in place appropriate measures to deal with act of impropriety.

A.3 The following paragraphs lay down the policy and guidelines for Levy of Financial Penalties and/or Suspension/Banning of business dealings with entities seeking to enter into contract with / having entered into a contract for the procurement of goods and services by the Ministry of Defence.

A.4 In applying the measures provided for under the guidelines, the concerned authorities shall be guided by the need to ensure probity, transparency, propriety and compliance in the defence procurement process. Equally, the concerned authorities shall also ensure fairness, impartially, rigour and correctness in dealing with entities, keeping in view the overall security interests of the country.

(B) General

B.1 Ministry of Defence will include Department of Defence, Department of Defence Production, Department of Defence Research & Development, HQ IDS, Armed Forces Headquarters and their attached / subordinate offices.

B.2 "Entities" will include companies, trusts, societies, as well as individuals and their associations with whom the Ministry of Defence has entered into or intends to enter into or could enter into contracts or agreements.

B.3 All firms/companies which come within the sphere of effective influence of the entities shall be treated as its allied firms. In determining this, the following factors may be taken into consideration:-

- (i) Whether the management is common or the majority interest in the management is held by the partners or directors of the entities.
- (ii) Majority shares are owned by the entity, their directors/shareholders and by virtue of this it has a controlling voice.

B.4 Effect of actions, viz. levy of financial penalties and/or suspension/banning of business dealings with an entity in accordance with these guidelines may, with the approval of competent authority also apply when an entity participates in the procurement process as member of consortium.

B.5 The competent authority for the purpose of these guidelines will be Raksha Mantri.

B.6 The Competent Authority may constitute Committees as necessary, to examine and make recommendations on any matter provided for under the guidelines.

(C) Causes for Suspension and Banning of Business Dealings with Entities

C.1 The competent authority may levy financial penalties and/or suspend/ban business dealings with an entity for one or more of the grounds listed below:-

a) Violation of Pre-Contract Integrity Pact (PCIP) (where such PCIPs are entered into between the Ministry of Defence and an entity).
b) Resort to corrupt practices, unfair means and illegal activities during any stage of bid/ contract to secure a contract, even in cases where PCIP is not mandated.
c) Violation of Standard Clause in the contract of agent/agency commissions.
d) If national security considerations so warrant.
e) Non-performance or under performance under the terms and conditions of contract(s) or agreements(s) not covered in grounds listed in (a) to (c) above in accordance with provisions in contract or arrangement.
f) Any other ground for which the Competent Authority may determine that suspension or banning of business dealings with an entity shall be in the public interest.

(D) Suspension

D.1 Suspension of business dealing with an entity may be ordered by the competent authority pending a full proceedings into allegations or facts related to any grounds enumerated in paragraph C.1 (a) to (f) above.

D.2 The competent authority may suspend business dealings with an entity when it refers any complaint against the entity to CBI or any investigating agency or when intimation is received regarding initiation of criminal investigation or enquiry against any entity.

D.3 An order of suspension of business dealings with an entity will be issued for such period as the competent authority may deem fit. The period of suspension shall not ordinarily exceed one year. A review of the Order of suspension of business dealings with an entity shall be undertaken within six months of the issue of such an Order and before expiry of the period specified therein. The suspension of an entity may be extended beyond the period of one year, on the order of the Competent Authority for subsequent periods of six months each. The total period of suspension of business dealings with an entity shall not exceed the maximum period of banning of business dealings with an entity for the same cause of action.

(E) Effect of Suspension of Business Dealings with an Entity

E.1 An order of suspension of business dealings with an entity shall result in immediate ineligibility of the entity from participating in future bids. No RFP will be issued to such an entity.

E.2 Any on-going procurement process where L1 determination has not yet been done will be progressed after excluding the bid involving an entity with which business dealings are suspended. In case there are only two bidders, one being the entity with which business dealings are suspended, the procurement will be progressed as per extant provisions of DDP after excluding such an entity.

E.3 Any on-going procurement process where the lowest bid involves the entity with which business dealings are suspended by order of competent authority, will be held in abeyance till decision of revocation of such order or banning of business dealings with an entity or till expiry of the validity of the existing bid, whichever is earlier. Extension of the validity of the bid involving such entity will not be permitted. On expiry of the bid validity, the procurement process will be terminated and fresh procurement process, if required, may be initiated. In cases of operational urgency, the procurement process may be foreclosed prior to the expiry of the bid validity and a fresh process initiated, excluding the entity with which business dealings are suspended.

E.4 Order of suspension of business dealings with an entity may be extended to its allied firms by specific order of the competent authority.

(F) <u>Banning of Business Dealings with an Entity / Debarment of an Entity</u>

F.1 Banning of business dealings with an entity may be ordered by the competent authority on acceptance of misconduct related to any of the grounds enumerated in paragraph C.1(a) to (f) above by the entity or establishment of such misconduct by a competent court/ tribunal / authority.

F.2 Banning of business dealings with an entity may be ordered by the competent authority on receipt of information regarding filing of charge-sheet in the court of law by CBI or any other investigating agency.

F.3 The order of banning of business dealings with an entity will be issued for such specified period as the competent authority may deem fit. For the grounds listed in paragraph C.1(a) to (d) above, the period of banning business dealings with an entity shall not be less than five years. For the grounds listed in paragraph C. 1(e) and (f) above, banning of business dealings may be resorted to if, in the view of the competent authority, the grounds for action are such that continuation of business dealings with an entity would be detrimental to public interest. In such cases, the period of banning of business dealings with an entity shall not ordinarily exceed three years. The period of Banning of business dealings with an entity in both the categories will be inclusive of period of suspension of business dealings with an entity, if any, for the same cause of action. In exceptional cases and those involving national security considerations the competent authority may order a longer period of banning of business dealings with an Entity, as deemed appropriate.

(G) <u>Effect of Banning of Business Dealings with an Entity/Debarment of an Entity</u>

G.1 An order of banning of business dealings with an entity shall result in immediate ineligibility of the entity from participating in future bids for a specified period with effect from the date of such order. No RFP will be issued to such an entity.

G.2 Any on-going procurement process where L1 determination has not yet been done will be progressed after excluding the bid involving entity with which the business dealings are banned. In case there are only two bidders, one being the entity with which business dealings are banned, the procurement will be progressed as per extant provisions of DPP after excluding such an entity.

G.3 Any on-going procurement process where the lowest bidder involves an entity with which business dealings are banned, will be terminated and fresh procurement process, if required, may be initiated.

G.4 Orders of banning of business dealings with an entity may be extended to its allied firms by specific order of the competent authority.

(H) Employees / Agents of an Entity

H.1 Any employee or agent of an entity, who is convicted for any act of impropriety, will not be allowed to engage in any bid process in any capacity with the Ministry of Defence any time in the future.

H.2 Any employee or agent of an entity with which business dealings are suspended or banned and who is involved in a case of alleged impropriety for which investigation or judicial proceedings is in progress, will not be allowed to engage in any bid process in any capacity with the Ministry of Defence even after the expiry of the period of suspension / banning of business dealings with an entity.

(I) Miscellaneous

I.1 The entity with which business dealings are suspended or banned may with the approval of competent authority, participate in the future RFPs for spares, upgrades, maintenance etc. for the equipment/weapon systems supplied earlier by it, if the equipment which is the object of the Contract is a proprietary item and there are no available alternate sources of supply.

I.2 In cases wherein Transfer of Technology (ToT) / Licenses production has been taken in the past for manufacturing of equipment/weapon systems in India from the entity with which business dealings are suspended or banned, may with the approval of the competent authority participate in the future RFPs related to components / rotables / additional items of such equipment/weapon systems for which the ToT / Licenses production has been taken.

I.3 Any contract(s) related to the procurement process (es) in connection with which business dealings with an entity have been suspended will be held in abeyance. Any contract(s) related to the procurement process (es) in connection with which business dealings with an entity have been banned shall be cancelled. However, other contracts involving such entity shall continue unless a decision to the contract is taken by the competent authority, on a case to case basis.

I.4 If it becomes necessary on grounds of national security and operational preparedness/export obligations, to deal with an entity with which business dealings have been suspended or banned in a procurement process and which is the only source that can supply/manufacture an equipment/weapon systems, the Competent Authority will be approached for approval of issuance of RFP or conclusion of contract with such an entity. Certificates (as provided in Annexure-I) signed by the Vice Chief of the service concerned / CISC / Additional Secretary (Defence Production) will be placed before the Competent Authority SHQ/ Department of Defence Production may propose special conditions to conclude a contract with such an entity.

I.5 The entity with which business dealings have been suspended or banned will not be permitted to transact contracts or agreements under a different name or division either through a transfer of assets of such an entity to another legal entity or otherwise.

I.6 An updated list of entities with which business dealings have been suspended or banned by the competent authority and/or against which financial penalties have been imposed shall be maintained on the official website of the Ministry of Defence.

(J) Application

J.1 These guidelines shall come into force with immediate effect.

Annexure-I
(Refer I.4 of Guidelines)

CERTIFICATE

1) The .... (equipment/weapon system) is inescapably required for national security and operational preparedness / export obligations and no other alternative / combination of equipment / weapon system can fulfill the requirement.

2) The .... (equipment/weapon system) is not available from any other source.

3) It is absolutely necessary to deal with .... (name of the entity) with which business dealings have been suspended or banned for meeting the instant requirement.

** Certificates as above signed separately by the Vice Chief of the Service concerned / CISC are to be placed before the Competent Authority.

** Certificate for inescapable requirement on account of export obligations, signed by AS (DP) is to be placed before the Competent Authority.

APPENDIX – 10A

Ministry of Defence
D (Vigilance)
******

Subject: Amendment to the guidelines of the Ministry of Defence for Penalties in Business Dealings with Entities.

Reference is invited to MoD ID Note of even number dated 21.11.2016 on the subject cited above forwarding the Guidelines of Ministry of Defence for penalties in business dealings with entities for compliance.

2. With the approval of the Competent Authority the following amendment is made to Para F.3 of the said guidelines:-

For

Para F.3, 2nd Sentence: For the grounds listed in paragraph C.1 (a) to (d) above, the Period of banning of business dealings with an entity shall not be less than five years.

Read

Para F.3, 2nd Sentence as: For the grounds listed in paragraph C.1 (a) to (d) above, the period of banning of business dealings with an entity shall not be less than five years and not more than ten years.

sd/-
(Atul Kumar Singh)

Director (Vigilance)

SA to RM	Secretary (DP)		Secretary (Defence Finance)	
VCOAS	VSNS	VCAS	DG (Coast Guard)	CISC
DG(Acquisition)	AS(R)	AS(P)	JS&AM(LS)	JS&AM(MS)
JS&AM (Air)	JS(Army)	JS(Air)	JS(E/CAO) & CVO	

MoD ID No. 31013/1/2016-D (Vig) Vol. II dated 30.12.2016

Copy to

PS to RM
PS to RRM
SO to Defence Secretary

Copy also to: Director(IT) with the request to get the above amendment to the guidelines uploaded on the website of this Ministry.

APPENDIX - 11

No. P-45021/2/2017-PP (BE-II)
Government of India
Ministry of Commerce and Industry
Department of Industrial Policy and Promotion
(Public Procurement Section)
******

Dated: 15th September, 2020

Udyog Bhawan, New Delhi

To
All Central Ministries/Departments/CPSUs/All concerned

ORDER

Subject: Public Procurement (Preference to Make in India), Order 2017 – Revision; regarding.

Department for Promotion of Industry and Internal Trade, in partial modification [Paras 2, 3, 5, 10 & 13] of Order No. P-45021/2/2017-B .E.-II dated 15.6.2017 as amended by Order No. P-45021/2/2017-B.E.-II dated 28.05.2018, Order No. P- 45021/2/2017-B.E.-II dated 29.05.2019 and Order No. P-45021/2/2017-B.E.-II dated 04.06.2020, hereby issues the revised 'Public Procurement (Preference to Make in India), Order 2017" dated 16.09.2020 effective with immediate effect.

Whereas it is the policy of the Government of India to encourage 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment, and

Whereas procurement by the Government is substantial in amount and can contribute towards this policy objective, and

Whereas local content can be increased through partnerships, cooperation with local companies, establishing production units in India or Joint Ventures (JV) with Indian suppliers, increasing the participation of local employees in services and training them,

Now therefore the following Order is issued:

1. This Order is issued pursuant to Rule 153 (iii) of the General Financial Rules 2017.
2. Definitions: For the purposes of this Order:

'Local content' means the amount of value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all customs duties) as a proportion of the total value, in percent.

' Class-I local supplier' means a supplier or service provider, whose goods, services or works offered for procurement , meets the minimum local content as prescribed for 'Class-I local supplier' under this Order.

'Class-II local supplier' means a supplier or service provider, whose goods, services or

works offered for procurement meets the minimum local content as prescribed for

'Class-II local supplier' but less than that prescribed for 'Class-I local supplier' under this Order.

'Non - Local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content less than that prescribed for 'Class-II local supplier' under this Order.

'L1' means the lowest tender or lowest bid or the lowest quotation received in a tender, bidding process or other procurement solicitation as adjudged in the evaluation process as per the tender or other procurement solicitation.

'Margin of purchase preference' means the maximum extent to which the price quoted by a "Class-I local supplier" may be above the L1 for the purpose of purchase preference.

'Nodal Ministry' means the Ministry or Department identified pursuant to this order in respect of a particular item of goods or services or works.

'Procuring entity' means a Ministry or department or attached or subordinate office of, or autonomous body controlled by, the Government of India and includes Government companies as defined in the Companies Act.

'Works ' means all works as per Rule 130 of GFR- 2017, and will also include 'turnkey works'.

3. Eligibility of 'Class-I local supplier'/ 'Class-II local supplier'/ 'Non-local suppliers' for different types of procurement

(a) In procurement of all goods, services or works in respect of which the Nodal Ministry / Department has communicated that there is sufficient local capacity and local competition, only 'Class-I local supplier', as defined under the Order, shall be eligible to bid irrespective of purchase value.

(b) Only 'Class-I local supplier' and 'Class-II local supplier', as defined under the Order, shall be eligible to bid in procurements undertaken by procuring entities, except when Global tender enquiry has been issued. In global tender enquiries, 'Non-local suppliers' shall also be eligible to bid along with 'Class-I local suppliers' and 'Class-II local suppliers'. In procurement of all goods, services or works, not covered by sub- para 3(a) above, and with estimated value of purchases less than Rs. 200

Crore, in accordance with Rule 161(iv) of GFR, 2017, Global tender enquiry shall not be issued except with the approval of competent authority as designated by Department of Expenditure.

(c) For the purpose of this Order, works includes Engineering, Procurement and Construction (EPC) contracts and services include System Integrator (SI) contracts.

3A. Purchase Preference

(a) Subject to the provisions of this Order and to any specific instructions issued by the Nodal Ministry or in pursuance of this Order, purchase preference shall be given to 'Class-I local supplier' in procurements undertaken by procuring entities in the manner specified here under.

(b) In the procurements of goods or works, which are covered by para 3(b) above and which are divisible in nature, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:

i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is 'Class-I local supplier', the contract for full quantity will be awarded to L1.

ii. If L1 bid is not a 'Class-I local supplier', 50% of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the 'Class-I local supplier' will be invited to match the L1 price for the remaining 50% quantity subject to the Class-I local supplier's quoted price falling within the margin of purchase preference, and contract for that quantity shall be awarded to such 'Class-I local supplier' subject to matching the L1 price. In case such lowest eligible 'Class-I local supplier' fails to match the L1 price or accepts less than the offered quantity, the next higher 'Class-I local supplier' within the margin of purchase preference shall be invited to match the L1 price for remaining quantity and so on, and contract shall be awarded accordingly. In case some quantity is still left uncovered on Class-I local suppliers, then such balance quantity may also be ordered on the L1 bidder.

(c) In the procurements of goods or works, which are covered by para 3(b) above and which are not divisible in nature, and in procurement of services where the bid is evaluated on price alone, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:

i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is 'Class-I local supplier', the contract will be awarded to L1.

ii. If L1 is not 'Class-I local supplier', the lowest bidder among the 'Class-I local supplier', will be invited to match the L1 price subject to Class-I local supplier's quoted price falling within the margin of purchase preference, and the contract shall be awarded to such 'Class-I local supplier' subject to matching the L1 price.

iii. In case such lowest eligible 'Class-I local supplier' fails to match the L1 price, the 'Class-I local supplier' with the next higher bid within the margin of purchase preference shall be invited to match the L1 price and so on and contract shall be awarded accordingly. In case none of the 'Class-I local supplier' within the margin of purchase preference matches the L1 price, the contract may be awarded to the L1 bidder.

(d) "Class-II local supplier" will not get purchase preference in any procurement, undertaken by procuring entities.

3B. Applicability in tenders where contract is to be awarded to multiple bidders - In tenders where contract is awarded to multiple bidders subject to matching of L1 rates or otherwise, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:

a) In case there is sufficient local capacity and competition for the item to be procured, as notified by the nodal Ministry, only Class I local suppliers shall be eligible to bid. As such, the multiple suppliers, who would be awarded the contract, should be all and only 'Class I Local suppliers'.

b) In other cases, 'Class II local suppliers' and 'Non local suppliers' may also participate in the bidding process along with 'Class I Local suppliers' as per provisions of this Order.

c) If 'Class I Local suppliers' qualify for award of contract for at least 50% of the tendered quantity in any tender, the contract may be awarded to all the qualified bidders as per award criteria stipulated in the bid documents. However, in case 'Class I Local suppliers' do not qualify for award of contract for at least 50% of the tendered quantity, purchase preference should be given to the 'Class I local supplier' over 'Class II local suppliers'/ 'Non local suppliers' provided that their quoted rate falls within 20% margin of purchase preference of the highest quoted bidder considered for award of contract so as to ensure that the 'Class I Local suppliers' taken in totality are considered for award of contract for at least 50% of the tendered quantity.

d) First purchase preference has to be given to the lowest quoting 'Class-I local supplier', whose quoted rates fall within 20% margin of purchase preference, subject to its meeting the prescribed criteria for award of contract as also the constraint of maximum quantity that can be sourced from any single supplier. If the lowest quoting 'Class-I local supplier', does not qualify for purchase preference because of aforesaid constraints or does not accept the offered quantity, an opportunity may be given to next higher 'Class-I local supplier', falling within 20% margin of purchase preference, and so on.

e) To avoid any ambiguity during bid evaluation process, the procuring entities may stipulate its own tender specific criteria for award of contract amongst different bidders including the procedure for purchase preference to 'Class-I local supplier' within the broad policy guidelines stipulated in sub-paras above.

4. Exemption of small purchases: Notwithstanding anything contained in paragraph 3, procurements where the estimated value to be procured is less than Rs. 5 lakhs shall be exempt from this Order. However, it shall be ensured by procuring entities that procurement is not split for the purpose of avoiding the provisions of this Order.

5. **Minimum local content:** The 'local content' requirement to categorize a supplier as 'Class-I local supplier' is minimum 50%. For 'Class-II local supplier', the 'local content' requirement is minimum 20%. Nodal Ministry/ Department may prescribe only a higher percentage of minimum local content requirement to categorize a supplier as 'Class-I local supplier'/ 'Class-II local supplier'. For the items, for which Nodal Ministry/ Department has not prescribed higher minimum local content notification under the Order, it shall be 50% and 20% for 'Class-I local supplier'/ 'Class-II local supplier' respectively.

6. **Margin of Purchase Preference:** The margin of purchase preference shall be 20%.

7. **Requirement for specification in advance:** The minimum local content, the margin of purchase preference and the procedure for preference to Make in India shall be specified in the notice inviting tenders or other form of procurement solicitation and shall not be varied during a particular procurement transaction.

8. **Government E-market place:** In respect of procurement through the Government E-marketplace (GeM) shall, as far as possible, specifically mark the items which meet the minimum local content while registering the item for display, and shall, wherever feasible, make provision for automated comparison with purchase preference and without purchase preference and for obtaining consent of the local supplier in those cases where purchase preference is to be exercised.

9. **Verification of local content:**

a. The 'Class-I local supplier'/ 'Class-II local supplier' at the time of tender, bidding or solicitation shall be required to indicate percentage of local content and provide self-certification that the item offered meets the local content requirement for 'Class-I local supplier'/ 'Class-II local supplier', as the case may be. They shall also give details of the location(s) at which the local value addition is made.

b. In cases of procurement for a value in excess of Rs. 10 crores, the 'Class-I local supplier'/ 'Class-II local supplier' shall be required to provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.

c. Decisions on complaints relating to implementation of this Order shall be taken by the competent authority which is empowered to look into procurement-related complaints relating to the procuring entity.

d. Nodal Ministries may constitute committees with internal and external experts for independent verification of self-declarations and auditor's/ accountant's certificates on random basis and in the case of complaints.

e. Nodal Ministries and procuring entities may prescribe fees for such complaints.

f. False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which a bidder or its successors can be debarred for up to two years as per Rule 151 (iii) of the General Financial Rules along with such other actions as may be permissible under law.

g. A supplier who has been debarred by any procuring entity for violation of this Order shall not be eligible for preference under this Order for procurement by any other procuring entity for the duration of the debarment. The debarment for such other procuring entities shall take effect prospectively from the date on which it comes to the notice of other procurement entities, in the manner prescribed under paragraph 9h below.

h. The Department of Expenditure shall issue suitable instructions for the effective and smooth operation of this process, so that:

i. The fact and duration of debarment for violation of this Order by any procuring entity are promptly brought to the notice of the Member-Convenor of the Standing Committee and the Department of Expenditure through the concerned Ministry /Department or in some other manner;

ii. On a periodical basis such cases are consolidated and a centralized list or decentralized lists of such suppliers with the period of debarment is maintained and displayed on website(s);

iii. In respect of procuring entities other than the one which has carried out the debarment, the debarment takes effect prospectively from the date of uploading on the website(s) in the such a manner that ongoing procurements are not disrupted.

10. Specifications in Tenders and other procurement solicitations:

a. Every procuring entity shall ensure that the eligibility conditions in respect of previous experience fixed in any tender or solicitation do not require proof of supply in other countries or proof of exports.

b. Procuring entities shall endeavor to see that eligibility conditions, including on matters like turnover, production capability and financial strength do not result in unreasonable exclusion of 'Class-I local supplier'/ 'Class-II local supplier' who would otherwise be eligible, beyond what is essential for ensuring quality or creditworthiness of the supplier.

c. Procuring entities shall, within 2 months of the issue of this Order review all existing eligibility norms and conditions with reference to sub-paragraphs 'a' and 'b' above.

d. Reciprocity Clause

i. When a Nodal Ministry/Department identifies that Indian suppliers of an item are not allowed to participate and/ or compete in procurement by any foreign government, due to restrictive tender conditions which have direct or indirect effect of barring Indian companies such as registration in the procuring country, execution of projects of specific value in the procuring country etc., it shall provide such details to all its procuring entities including CMDs/CEOs of PSEs/PSUs, State Governments and other procurement agencies under their administrative control and GeM for appropriate reciprocal action.

ii. Entities of countries which have been identified by the nodal Ministry/Department as not allowing Indian companies to participate in their Government procurement for any item related to that nodal Ministry shall not be allowed to participate in Government procurement in India for all items related to that nodal Ministry / Department except for the list of items published by the Ministry/ Department permitting their participation.

iii. The stipulation in (ii) above shall be part of all tenders invited by the Central Government procuring entities stated in (i) above. All purchases on GeM shall also necessarily have the above provisions for items identified by nodal Ministry/ Department.

iv. State Governments should be encouraged to incorporate similar provisions in their respective tenders.

v. The term 'entity' of a country shall have the same meaning as under the FDI Policy of DPIIT as amended from time to time.

e. Specifying foreign certifications/ unreasonable technical specifications/ brands/ models in the bid document is restrictive and discriminatory practice against local suppliers. If foreign certification is required to be stipulated because of non- availability of Indian Standards and/or for any other reason, the same shall be done only after written approval of Secretary of the Department concerned or any other Authority having been designated such power by the Secretary of the Department concerned.

f. "All administrative Ministries/Departments whose procurement exceeds Rs. 1000 Crore per annum shall notify/ update their procurement projections every year, including those of the PSEs/PSUs, for the next 5 years on their respective website."

10A. Action for non-compliance of the Provisions of the Order: In case restrictive or discriminatory conditions against domestic suppliers are included in bid documents, an inquiry shall be conducted by the Administrative Department undertaking the procurement (including procurement by any entity under its administrative control) to fix responsibility for the same. Thereafter, appropriate action, administrative or otherwise, shall be taken against erring officials of procurement entities under relevant provisions. Intimation on all such actions shall be sent to the Standing Committee.

11. Assessment of supply base by Nodal Ministries: The Nodal Ministry shall keep in view the domestic manufacturing / supply base and assess the available capacity and the extent of local competition while identifying items and prescribing the higher minimum local content or the manner of its calculation, with a view to avoiding cost increase from the operation of this Order.

12. Increase in minimum local content: The Nodal Ministry may annually review the local content requirements with a view to increasing them, subject to availability of sufficient local competition with adequate quality.

13. Manufacture under license/ technology collaboration agreements with phased indigenization: While notifying the minimum local content, Nodal Ministries may make special provisions for exempting suppliers from meeting the stipulated local content if the product is being manufactured in India under a license from a foreign manufacturer who holds intellectual property rights and where there is a technology collaboration agreement/ transfer of technology agreement for indigenous manufacture of a product developed abroad with clear phasing of increase in local content.

13A. In procurement of all goods, services or works in respect of which there is substantial quantity of public procurement and for which the nodal ministry has not notified that there is sufficient local capacity and local competition, the concerned nodal ministry shall notify an upper threshold value of procurement beyond which foreign companies shall enter into a joint venture with an Indian company to participate in the tender. Procuring entities, while procuring such items beyond the notified threshold value, shall prescribe in their respective tenders that foreign companies may enter into a joint venture with an Indian company to participate in the tender. The procuring Ministries/Departments shall also make special provisions for exempting such joint ventures from meeting the stipulated minimum local content requirement, which shall be increased in a phased manner.

14. Powers to grant exemption and to reduce minimum local content: The administrative Department undertaking the procurement (including procurement by any entity under its administrative control), with the approval of their Minister-in-charge, may by written order, for reasons to be recorded in writing,

a. reduce the minimum local content below the prescribed level; or

b. reduce the margin of purchase preference below 20%; or

c. exempt any particular item or supplying entities from the operation of this Order or any part of the Order.

A copy of every such order shall be provided to the Standing Committee and concerned Nodal Ministry / Department. The Nodal Ministry / Department concerned will continue to have the power to vary its notification on Minimum Local Content.

15. Directions to Government companies: In respect of Government companies and other procuring entities not governed by the General Financial Rules, the administrative Ministry or Department shall issue policy directions requiring compliance with this Order.

16. Standing Committee: A standing committee is hereby constituted with the following membership:

Secretary, Department for Promotion of Industry and Internal Trade- Chairman Secretary, Commerce- Member

Secretary, Ministry of Electronics and Information Technology- Member Joint Secretary (Public Procurement), Department of Expenditure- Member Joint Secretary (DPIIT) - Member-Convenor

The Secretary of the Department concerned with a particular item shall be a member in respect of issues relating to such item. The Chairman of the Committee may co-opt technical experts as relevant to any issue or class of issues under its consideration.

17. Functions of the Standing Committee: The Standing Committee shall meet as often as necessary, but not less than once in six months. The Committee

a. shall oversee the implementation of this order and issues arising there from and make recommendations to Nodal Ministries and procuring entities.

b. shall annually assess and periodically monitor compliance with this Order

c. shall identify Nodal Ministries and the allocation of items among them for issue of notifications on minimum local content

d. may require furnishing of details or returns regarding compliance with this Order and related matters

e. may, during the annual review or otherwise, assess issues, if any, where it is felt that the manner of implementation of the order results in any restrictive practices, cartelization or increase in public expenditure and suggest remedial measures

f. may examine cases covered by paragraph 13 above relating to manufacture under license/ technology transfer agreements with a view to satisfying itself that adequate mechanisms exist for enforcement of such agreements and for attaining the underlying objective of progressive indigenization

g. may consider any other issue relating to this Order which may arise.

18. Removal of difficulties: Ministries /Departments and the Boards of Directors of Government companies may issue such clarifications and instructions as may be necessary for the removal of any difficulties arising in the implementation of this Order.

19. Ministries having existing policies: Where any Ministry or Department has its own policy for preference to local content approved by the Cabinet after 1st January 2015, such policies will prevail over the provisions of this Order. All other existing orders on preference to local content shall be reviewed by the Nodal Ministries and revised as needed to conform to this Order, within two months of the issue of this Order.

20. Transitional provision: This Order shall not apply to any tender or procurement for which notice inviting tender or other form of procurement solicitation has been issued before the issue of this Order.

--sd--
Rajesh Gupta
Director Tel: 23063211
rajesh.gupta66@gov.in

APPENDIX - 12

FORMAT FOR EMD/ BANK GUARANTEE

(To be submitted on non-judicial stamp paper of appropriate value purchased in the name of the issuing Bank)

1. Whereas .... (hereinafter called the "tenderer") has submitted their offer dated.............................. for the supply of .... (hereinafter called the "tender") against the Purchaser's tender enquiry No. ....

2. KNOW ALL MEN by these presents that WE .... of .... having our registered office at .... are bound unto "Armoured Vehicles Nigam Limited (AVNL) – Unit Name" (hereinafter called the "Purchaser") in the sum of .... for which payment will and truly to be made to the said Purchaser, the Bank binds itself, its successors and assigns by these presents. Sealed with the Common Seal of the said Bank this.............. day of ....20......

3. CONDITIONS OF THIS OBLIGATION ARE:

(i) If the tenderer withdraws or amends, impairs or derogates from the tender in any respect within the period of validity of this tender.

(ii) If the tenderer having been notified of the acceptance of his tender by the Purchaser during the period of its validity:-

   a. If the tenderer fails to furnish the Performance Security for the due performance of the contract.
   b. Fails or refuses to accept/execute the contract.

4. WE undertake to pay the Purchaser up to the above amount upon receipt of its first written demand, without the Purchaser having to substantiate its demand, provided that in its demand the Purchaser will note that the amount claimed by it is due to it owing to the occurrence of one or both the two conditions, specifying the occurred condition or conditions.

5. This guarantee will remain in force up to and including 45 days after the period of tender validity and any demand in respect thereof should reach the Bank not later than the above date.

....
(Signature of the authorized officer of the Bank)

....
Name of the officer

....
Designation of the officer

....
Seal, name & address of the Bank and address of the Branch

APPENDIX - 13

FORMAT FOR PERFORMANCE BANK GUARANTEE

From

Bank: ....

To

General Manager,

....

Dear Sir,

1. Whereas "Armoured Vehicles Nigam Limited (AVNL) – Unit Name" (the "PURCHASER") have entered into a contract No.________ dated__________ (hereinafter referred to as the "said Contract") with M/s____________________________ (hereinafter referred to as the "SELLER") for supply of goods as defined in the said Contract and whereas the SELLER has undertaken to produce a bank guarantee for ___ % of total contract value amounting to ______________________ (amount of the guarantee in figures and words) to secure its obligations to the PURCHASER in accordance with the said Contract.

2. We _________________ (the Bank) hereby expressly, irrevocably and unreservedly undertake and guarantee as principal guarantor on behalf of the SELLER that, we will pay you on your demand declaring the SELLER to be in default under the said Contract, without demur or contest, all and any sum up to a maximum of Rupees _____________ only. Your written demand shall be conclusive evidence to us that such repayment is due under the terms of the said Contract.

3. We undertake to effect payment upon receipt of such written demand, notwithstanding any dispute or disputes raised by the SELLER in any suit pending before any Court, Tribunal, Arbitrator or any other authority, our liability under this present being absolute and unequivocal.

4. We shall not be discharged or released from this undertaking and guarantee by any arrangements or variations made between you and the SELLER, indulgence to the SELLER by you or by any alterations in the obligation of the SELLER or by any forbearance whether as to payment, time, performance or otherwise.

5. In no case shall the amount of this guarantee be increased.

This guarantee shall remain in full force and effect until 60 days beyond expiry of the warranty period as specified in the contract i.e. up to ________ (expiry date) [^or until the PURCHASER has signed the Final Acceptance Certificate (FAC) and has received the contractually agreed Warranty Bond as per the said Contract]. In case of delay in fulfillment of obligations by the SELLER, the expiry date shall be extended by us as per intimation from the SELLER.

6. Unless a demand or claim under this guarantee is made to us in writing on or before the aforesaid expiry date or extended expiry date, all your rights under this guarantee shall be forfeited and we shall be discharged from the liabilities hereunder.

7. This guarantee shall be continuing guarantee and shall not be discharged by any change in the constitution of the Bank or in the constitution of the SELLER.

8. We lastly undertake not to revoke this guarantee during its currency except with the previous consent of the PURCHASER in writing.

Yours faithfully,

for ____________________ Bank

(Authorised Signatory)

Place : ____________________

Date : ____________________

Seal of the Bank

^To be inserted if so agreed to and stipulated in the contract.

APPENDIX - 14

FORMAT FOR ADVANCE BANK GUARANTEE

From :
Bank ___________________

To
General Manager,
…………………

Sir,
With reference to contract No. ____ dated ___________________ (hereinafter referred to as "the said Contract") concluded between the "Armoured Vehicles Nigam Limited (AVNL) – Unit Name" (hereinafter referred to as "the Purchaser") and M/s ____________________________________ (hereinafter referred to as the "the Contractor") for the supply of ___________________________________ as detailed in the said Contract and in consideration of the Purchaser having agreed to make an advance payment in accordance with the terms of the said Contract to the Contractor, we ____ (hereinafter called "the Bank") hereby irrevocably undertake and guarantee to you that if the Contractor fails to supply the goods/services in accordance with the terms of the said Contract for any reason whatsoever or fails to perform the said Contract in any respect or should whole or part of the advance payment at any time becomes repayable to you for any reason whatsoever, we shall, on demand and without demur pay to you all and any sum up to a maximum of Rs _______ (Rupees _________________________________ only) i.e. 110% of advance amount paid to the Contractor in accordance with the provisions contained in Clause _______________________________ of the said Contract.

2. We further agree that if the Contractor fails to complete delivery of goods/service as per original time schedule stipulated in the said Contract, interest on the amount of advance payment corresponding to delayed delivery shall be payable to the Purchaser as per the clause ___________ of the said Contract under this Guarantee.

3. We further agree that the Purchaser shall be the sole judge as to whether the Contractor has failed to deliver the goods/services in accordance with the terms of the said Contract or has failed to perform the said Contract in any respect or the whole or part of the advance payment made to Contractor has become repayable to the Purchaser.

4. We further hereby undertake to pay the amount due and payable under this Guarantee without any demur merely on a demand from the Purchaser stating the amount claimed. Any such demand made on the Bank shall be conclusive and binding upon us as regards the amounts due and payable by us under this Guarantee. However, our liability under this Guarantee shall be restricted to the above mentioned amount. [^With each delivery and payment relating to this Guarantee, our obligation will

be reduced automatically by ___% of invoice value, upon presentation to us a photocopy of the invoice and a certificate from the Purchaser about receipt of goods/services as per the invoice.]

5. We further agree that the Guarantee herein contained shall remain in full force and effect until three months beyond the scheduled date of final delivery of goods/services as per the said Contract i.e. up to _______ (date of validity). In case of delay in fulfillment of obligations by the Contractor, the date of validity shall be extended by us as per intimation from the Contractor.

5. We further agree that any change in the constitution of the Bank or the constitution of the Contractor shall not discharge our liability hereunder.

6. We further agree that the Purchaser shall have the fullest liberty without affecting in any way our obligations hereunder with or without our consent or knowledge to vary any of the terms and conditions of the said Contract or to extend the time of delivery from time to time or to postpone for any time or from time to time any of the powers exercisable by the Purchaser against the Contractor and either to forbear or enforce any of the terms and conditions relating to the said Contract and we shall not be relieved from our liability by reason of any such variation or any indulgence or forbearance shown or any act or omission on the part of the Purchaser or by any such matter or thing whatsoever which under the law relating to sureties would but for this provision have the effect of so relieving us.

7. We lastly undertake not to revoke the Guarantee during its currency except with the prior consent of the Purchaser in writing.

Yours faithfully,

for __________________ Bank
(Authorised Signatory)

Place : ____________________
Date : ____________________

Seal of the Bank

^To be inserted if so agreed to and stipulated in the contract.

APPENDIX - 15

FORMAT FOR WARRANTY BOND

To

General Manager

……………………..

Bank Guarantee No. ……………………………………………Dated:…………..

Bank Guarantee Amount ………………………………………

Sir,

1. In consideration of "Armoured Vehicles Nigam Limited (AVNL) – Unit Name" (hereinafter referred to as PURCHASER) having entered into a CONTRACT with M/S ……………………………………………… (hereinafter referred to as CONTRACTOR) bearing the contract number ……………………… dated ……………… (hereinafter referred to as CONTRACT) for supply of ______________________ (hereinafter referred to as the "Plant/Machinery") we, ……………………………………. (the Bank) hereby irrevocably undertake and guarantee to you to pay you all or any sum up to a maximum of ……………………………., being -------% of the total price of CONTRACT to secure warranty obligations of the CONTRACTOR as per the CONTRACT.

2. In terms of the CONTRACT, the CONTRACTOR has guaranteed that the said Plant/Machinery has been built fully in accordance with the specification and will operate as provided in the CONTRACT.

3. We hereby guarantee that we shall pay to you on demand and without demur the above mentioned sum, within three days of receipt of your written demand stating that there is breach of the warranty provisions of the CONTRACT on the part of the CONTRACTOR.

4. This guarantee shall be valid until 60 days after the warranty period as per the Contract, i.e. up to …………. (date), except in respect of defects that occurred prior to expiry of such date and notified to the CONTRACTOR as per contractual terms. Written request will be made by the CONTRACTOR to renew/extend the Guarantee prior to its expiry to cover extended warranty for defects.

5. We undertake to effect payment upon receipt of such written demand, notwithstanding any dispute or disputes raised by the SELLER in any suit pending before any Court, Tribunal, Arbitrator or any other authority, our liability under this present being absolute and unequivocal.

6. We further agree that decision of the PURCHASER as to whether there is breach of the warranty provisions of the CONTRACT on the part of the CONTRACTOR shall be final, binding and conclusive so far as we are concerned. Any approval or acceptance by the PURCHASER of the Plant/Machinery or materials or components incorporated therein shall not in any way limit the liability of the CONTRACTOR.

7. We shall not be discharged or released from the guarantee by any arrangement made between the PURCHASER and the CONTRACTOR with or without our assent or by any alteration in the obligations undertaken in the said CONTRACT or any forbearance regarding payment, time, performance or otherwise. In any case, our guarantee is limited and shall not exceed the above mentioned amount.

8. This guarantee is being furnished for release of 10% of the total contract price to the CONTRACTOR, after adjusting any amount due to the PURCHASER if any, as per the CONTRACT.

9. This guarantee shall not be discharged due to change in the constitution of either the Bank or the CONTRACTOR.

10. We, ...Bank, lastly undertake not to revoke this guarantee during its currency except with the previous consent of the PURCHASER in writing.

Yours faithfully,

for ____________________ Bank
(Authorised Signatory)

Place : ____________________
Date : ____________________

Seal of the Bank

APPENDIX – 16A

FORMAT FOR LETTER OF CREDIT
For Foreign Supplier in FE

ISSUE OF A DOCUMENTARY CREDIT (PER S.W.I.F.T TO ....)

FORM OF DOC CREDIT	(40A)	: DIVISIBLE AND IRREVOCABLE
DOC CREDIT NUMBER		: ....
EXPIRY	(31D)	: DATE 30 MONTHS AFTER DATE OF ISSUING L/C PLACE ....
APPLICANT BANK	(51)	: STATE BANK OF INDIA
APPLICANT	(50)	: GENERAL MANAGER, ...
BENEFICIARY	(59)	: ....
AMOUNT	(32B)	: CURRENCY .... : AMOUNT ....
MAXIMUM CREDIT AMOUNT	(39B)	: NOT EXCEEDING
AVAILABLE WITH/BY	(41A)	: (CONTRACTOR'S BANK)
DRAFTS AT	(42C)	: AT SIGHT
DRAWEE	(42A)	: ....
PARTIAL SHIPMENT	(43B)	: ALLOWED
TRANSHIPMENT	(43T)	: NOT ALLOWED
LOADING IN CHARGE	(44A)	:
TRANSPORT TO	(44B)	: PORT OF DISCHARGE / AIRPORT OF DESTINATION.
LAST DATE OF SHIPMENT EFFECTIVE DATE.	(44C)	: MONTHS AFTER CONTRACT
DESCRIPTION OF GOODS	(45A)	: CONTRACT NO. .... Dated............. AS PER PACKING LIST (INCOTERMS 2010)

DOCUMENTS REQUIRED	(46A)	: AS PER CONTRACT
ADDITIONAL COND. ALLOWED	(47A)	: (1) L/C ESTABLISHMENT CHARGES FOR THE INITIAL PERIOD OF 3 MONTHS WILL BE BORNE BY THE PURCHASER, FOR THE REMAINING MONTHS WILL BE BORNE BY THE CONTRACTOR AS FOLLOWS: - L/C establishment charges of @ .... - L/C establishment charges shall be deducted pro rata from the proceeds of L/C (2) LD AND INTEREST ON ADVANCE AS PER INTIMATION OF APPLICANT SHALL BE DEDUCTED FROM PAYMENT TO CONTRACTOR AND CREDITED BACK TO PURCHASER'S ACCOUNT
DETAILS OF CHARGES	(71B)	: ALL CHARGES OUTSIDE OF INDIA ARE TO THE ACCOUNT OF BENEFICIARY
PRESENTATION PERIOD	(48)	: UP TO 180 DAYS AFTER SHIPMENT DATE
CONFIRMATION	(49)	: CHARGES ARE TO BE BORNE BY THE CONTRACTOR.
REIMBURSING BANK	(53)	: ....
INSTRUCTIONS	(78)	: + Documents must be forwarded to us by courier in one lot. + We hereby engage that payments made under and in compliance with all the terms and conditions of this credit will be duly honoured by us upon presentation of the stipulated documents. + Paying bank may claim reimbursement telegraphically from the reimbursing bank for value 3 days after their authenticated telex/swift advice to the issuing bank of any conform drawing presented under this credit.
ADVICE THROUGH	(57)	: ....
SEND TO REC INFO	(72)	: PHONE (BEN)................ (TEL NO) FAX (BEN) ....(FAX NO) CONTACT PERSON ....
OTHER INSTRUCTION	(73)	: ....

APPENDIX – 16 B

FORMAT FOR LETTER OF CREDIT
For Indian Supplier in Rupee

ISSUE OF A DOCUMENTARY CREDIT : (PER S.W.I.F.T TO ....)

FORM OF DOC CREDIT	(40A)	: DIVISIBLE AND IRREVOCABLE
DOC CREDIT NUMBER	(20)	: ....
EXPIRY	(31D)	: DATE 30 MONTHS AFTER CONTRACT EFFECTIVE DATE PLACE ....
APPLICANT BANK	(51)	: STATE BANK OF INDIA
APPLICANT	(50)	: GENERAL MANAGER, ----------------------, INDIA.
BENEFICIARY	(59)	: ....
AMOUNT	(32B)	: CURRENCY .... : AMOUNT ....
MAXIMUM CREDIT AMOUNT	(39B)	: NOT EXCEEDING
AVAILABLE WITH/BY	(41A)	: ....
DRAFTS AT	(42C)	: AT SIGHT
DRAWEE	(42A)	: ....
PARTIAL SHIPMENT	(43P)	: ALLOWED
TRANSHIPMENT	(43T)	: NOT ALLOWED
LOADING IN CHARGE	(44A)	: ....
FOR TRANSPORT TO	(44B)	: GENERAL MANAGER, ...
LAST DATE OF SHIPMENT	(44D)	: .... MONTHS AFTER CONTRACT EFFECTIVE DATE
DESCRIPTION OF GOODS	(45A)	: CONTRACT NO. .... Dated .... AS PER PACKING LIST (INCOTERMS 2010)

DOCUMENTS REQUIRED	(46A)	: AS PER CONTRACT
ADDITIONAL COND. ALLOWED	(47A)	: (1) L/C ESTABLISHMENT CHARGES WILL BE BORNE BY THE BENEFICIARY AND SHALL BE DEDUCTED FROM THE PROCEEDS OF L/C (2) LD AND INTEREST ON ADVANCE AS PER INTIMATION OF APPLICANT SHALL BE DEDUCTED FROM PAYMENT TO CONTRACTOR AND CREDITED BACK TO PURCHASER'S ACCOUNT
DETAILS OF CHARGES	(71B)	:
PRESENTATION PERIOD	(48)	: UP TO 180 DAYS AFTER SHIPMENT DATE
CONFIRMATION	(49)	: "WITHOUT"
REIMBURSING BANK	(53)	: …………………
INSTRUCTIONS (78)		: + Documents must be forwarded to us by courier in one lot. + We hereby engage that payments made under and in compliance with all the terms and conditions of this credit will be duly honoured by us upon presentation of the stipulated documents. + Paying bank may claim reimbursement telegraphically from the reimbursing bank for value 3 days after their authenticated telex/swift advice to the issuing bank of any conform drawing presented under this credit.
ADVICE THROUGH	(57)	: …………………..
SEND TO REC INFO	(72)	: PHONE (BEN)……………. (TEL NO) FAX (BEN) ……………..(FAX NO) CONTACT PERSON …………….
OTHER INSTRUCTION	(73)	: ………………….

ANNEXURE – 17A

PRE-CONTRACT INTEGRITY PACT
(for cases valuing above Rs. 100 Cr)

General

1. Whereas the "Armoured Vehicles Nigam Limited (AVNL) – Unit Name" hereinafter referred to as the Buyer and the first party, proposes to procure (Name of the Store/ Equipment), hereinafter referred to as Defence Stores, and M/s ______________________,represented by, Mr /Mrs_______________________, Chief Executive Officer(which term, unless expressly indicated by the contract, shall be deemed to include its successors and its assignees), hereinafter referred to as the Bidder/Seller and the second party, is willing to offer/has offered the stores.

2. Whereas the Bidder is a private company/public company/partnership/registered export agency, constituted in accordance with the relevant law in the matter and the Buyer is a Defence Public Sector Unit, Under Ministry of Defence, Government of India Enterprises..

Objectives

3. Now, therefore, the Buyer and the Bidder agree to enter into this pre-contract agreement, here in after referred to as Integrity Pact, to avoid all forms of corruption by following a system that is fair, transparent and free from any influence / unprejudiced dealings prior to, during and subsequent to the currency of the contract to be entered into with a view to:-

3.1 Enabling the Buyer to obtain the desired defence stores at a competitive price in conformity with the defined specifications by avoiding the high cost and the distortionary impact of corruption on public procurement, and

3.2 Enabling bidders to abstain from bribing or any corrupt practice in order to secure the contract by providing assurance to them that their competitors will also refrain from bribing and other corrupt practices and the Buyer will commit to prevent corruption, in any form, by their officials by following transparent procedures.

Commitments of the Buyer

4. The Buyer Commits itself to the following:-

4.1 The Buyer undertakes that no official of the Buyer, connected directly or indirectly with the contract, will demand, take a promise for or accept, directly or through intermediaries, any bribe, consideration, gift, reward, favour or any material or immaterial benefit or any other advantage from the Bidder, either for themselves or for any person, organization or third party related to the contract in exchange for an advantage in the bidding process, bid evaluation, contracting or implementation process related to the Contract.

4.2 The Buyer will, during the pre-contract stage, treat all Bidders alike, and will provide to all Bidders the same information and will not provide any such information to any particular Bidder which could afford an advantage to that particular Bidder in comparison to other Bidders.

4.3 All the officials of the Buyer will report to the appropriate Government Enterprise - AVNL office any attempted or completed breaches of the above commitments as well as any substantial suspicion of such a breach.

5. In case of any such preceding misconduct on the part of such official(s) is reported by the Bidder to the Buyer with full and verifiable facts and the same is prima facie found to be correct by the Buyer, necessary disciplinary proceedings, or any other action as deemed fit, including criminal proceedings may be initiated by the Buyer and such a person shall be debarred from further dealings related to the Contract process. In such a case while an enquiry is being conducted by the Buyer the proceedings under the contract would not be stalled.

Commitments of Bidders

6. The Bidder commits himself to take all measures necessary to prevent corrupt practices, unfair means and illegal activities during any stage of his bid or during any pre-contract or post-contract stage in order to secure the contract or in furtherance to secure it and in particular commits himself to the following:-

6.1 The Bidder will not offer, directly or through intermediaries, any bribe, gift, consideration, reward, favour, any material or immaterial benefit or other advantage, commission, fees, brokerage or inducement to any official of the Buyer, connected directly or indirectly with the bidding process, or to any person, organization or third party related to the contract in exchange for any advantage in the bidding, evaluation, contracting and implementation of the Contract.

6.2 The Bidder further undertakes that he has not given, offered or promised to give, directly or indirectly any bribe, gift, consideration, reward, favour, any material or immaterial benefit or other advantage, commission, fees, brokerage or inducement to any official of the Buyer or otherwise in procuring the Contract or forbearing to do or having done any act in relation to the obtaining or execution of the Contract or any other Contract with the Government Enterprise - AVNL for showing or for bearing to show favour or disfavour to any person in relation to the Contractor any other Contract with the Government Enterprise - AVNL.

6.3 The Bidder will not collude with other parties interested in the contract to impair the transparency, fairness and progress of the bidding process, bid evaluation, contracting and implementation of the contract.

6.4 The Bidder will not accept any advantage in exchange for any corrupt practice, unfair means and illegal activities.

6.5 The Bidder further confirms and declares to the Buyer that the Bidder is the original manufacturer/integrator/ authorised government sponsored export entity of the defence stores and has not engaged any individual or firm or company whether Indian or foreign to intercede, facilitate or in any way to recommend to the Buyer or any of its functionaries, whether officially or unofficially to the award of the contract to the Bidder, nor has any amount been paid, promised or intended to be paid to any such individual, firm or company in respect of any such intercession, facilitation or recommendation.

6.6 The Bidder, either while presenting the bid or during pre-contract negotiations or before signing the contract, shall disclose any payments he has made, is committed to or intends to make to officials of the Buyer or their family members, agents, brokers or any other intermediaries in connection with the contract and the details of services agreed upon for such payments.

6.7 The Bidder shall not use improperly, for purposes of competition or personal gain, or pass onto others, any information provided by the Buyer as part of the business relationship, regarding plans, technical proposals and business details, including information contained in any electronic data carrier. The Bidder also undertakes to exercise due and adequate care lest any such information is divulged.

6.8 The Bidder commits to refrain from giving any complaint directly or through any other manner without supporting it with full and verifiable facts.

6.9 The Bidder shall not instigate or cause to instigate any third person to commit any of the actions mentioned above.

7. Previous Transgression

7.1 The Bidder declares that no previous transgression occurred in the last three years immediately before signing of this Integrity Pact, with any other company in any country in respect of any corrupt practices envisaged hereunder or with any Public Sector Enterprise in India or any Government Department in India that could justify bidder's exclusion from the tender process.

7.2 If the Bidder makes incorrect statement on this subject, Bidder can be disqualified from the tender process or the contract, if already awarded, can be terminated for such reason.

8. Earnest Money/Security Deposit

8.1. Every bidder, while submitting commercial bid, shall deposit an amount * ________ as Earnest Money/Security Deposit, with the buyer through any of the following instruments:-

(i) Bank Draft or a Pay Order in favour of "Armoured Vehicles Nigam Limited (AVNL) – Unit Name".

(ii) A confirmed guarantee by an Indian Nationalized Bank, promising payment of the guaranteed sum to the Buyer, a Defence Public Sector Unit, Under Ministry of Defence, Government of India Enterprises., on demand within three working days without any demur whatsoever and without seeking any reasons whatsoever. The demand for payment by the Buyer shall be treated as conclusive proof for payment. A model Bank guarantee format is enclosed.

Note: - In case of foreign supplies, the vendor may, if required, furnish the Bank Guarantee from a first class International Bank provided the same is confirmed/ verified by the State Bank of India.

(iii) Any other mode or through any other instrument (to be specified in the RFP/TE).

* At present, the amount of pre-contract EMD/SD is Rs. 1 Cr in cases where the cost as estimated by the Buyer is "above Rs. 100 Cr & up to Rs. 300 Cr", and Rs. 3 Cr if the cost as estimated by the Buyer is above Rs. 300 Cr.

Note: -The option of all acceptable instruments needs to be retained. However, the Buyer should consider the validity of the instrument and the need for revalidation while obtaining the same.

8.2. The Earnest Money/Security Deposit shall be valid up to a period of five years beyond the bid validity specified in the TE (or subsequent request made by the buyer for validity extension)or the complete conclusion of contractual obligations to complete satisfaction of both the bidder and the buyer, whichever is later. In case there are more than one bidder, the Earnest Money/Security Deposit shall be refunded by the buyer to those bidder(s) whose bid does not qualify (do not qualify) after the stages of TEC/TPC, as constituted by the Buyer, immediately after a recommendation is made by the TEC/TPC on bid(s)after an evaluation.

8.3 In the case of successful bidder a clause would also be incorporated in the Article pertaining to Performance Bond in the Purchase Contract that the provisions of Sanctions for Violation shall be applicable for forfeiture of Performance Bond in case of a decision by the Buyer to forfeit the same without assigning any reason for imposing sanction for violation of this pact.

8.4 The provisions regarding Sanctions for Violation in Integrity Pact include forfeiture of Performance Bond in case of a decision by the Buyer to forfeit the same without assigning any reason for imposing sanction for violation of Integrity Pact.

8.5 No interest shall be payable by the Buyer to the Bidder(s) on Earnest Money/Security Deposit for the period of its currency.

9. Company Code of Conduct

9.1 Bidders are also advised to have a company code of conduct (clearly rejecting the use of bribes and other unethical behavior) and a compliance program for the implementation of the code of conduct throughout the company.

10. Sanctions for Violation

10.1 Any breach of the aforesaid provisions by the Bidder or any one employed by him or acting on his behalf (whether with or without the knowledge of the Bidder) or the commission of any offence by the Bidder or any one employed by him or acting on his behalf, as defined in Chapter IX of the Indian Penal Code, 1860 or the Prevention of Corruption Act 1988 or any other act enacted for the prevention of corruption shall entitle the Buyer to take all or any one of the following actions, wherever required:-

(i) To immediately call off the pre-contract negotiations without assigning any reason or giving any compensation to the Bidder. However, the proceedings with the other Bidder(s) would continue.

(ii) The Earnest Money/Security Deposit/Performance Bond shall stand forfeited either fully or partially, as decided by the Buyer and the Buyer shall not be required to assign any reason therefore.

(iii) To immediately cancel the contract, if already signed, without giving any compensation to the Bidder.

(iv) To recover all sums already paid by the Buyer, and in case of an Indian Bidder with interest thereon at 2% higher than the prevailing Prime Lending Rate of State Bank of India (or Base Rate of State Bank of India in the absence of Prime Lending Rate), while in case of a Bidder from a country other than India with interest thereon at 2% higher than the LIBOR. If any outstanding payment is due to the Bidder from the Buyer in connection with any other contract for any other defence stores, such outstanding payment could also be utilized to recover the aforesaid sum and interest.

(v) To encash the advance bank guarantee and performance-cum-warranty bond, if furnished by the Bidder, in order to recover the payments, already made by the Buyer, along with interest.

(vi) To cancel all or any other Contracts with the Bidder.

(vii) To ban the Bidder from entering into any bid from the Government of India for a minimum period of five years and not more than ten years at the discretion of the Buyer.

(viii) To recover all sums paid in violation of this Pact by Bidder(s) to any middleman or agent or broker with a view to securing the contract.

(ix) If the Bidder or any employee of the Bidder or any person acting on behalf of the Bidder, either directly or indirectly, is closely related to any of the officers of the Buyer, or alternatively, if any close relative of an officer of the Buyer has financial interest/stake in the Bidder's firm, the same shall be disclosed by the Bidder at the time of filing of tender. Any failure to disclose the interest involved shall entitle the Buyer to rescind the contract without payment of any compensation to the Bidder. The term 'close relative' for this purpose would mean spouse whether residing with the Government servant or not, but not include a spouse separated from the Government servant by a decree or order of a competent court; son or daughter or step son or step daughter and wholly dependent upon Government servant, but does not include a child or step child who is no longer in any way dependent upon the Government servant or of whose custody the Government servant has been deprived of by or under any law; any other person related, whether by blood or marriage, to the Government servant or to the Government servant's wife or husband and wholly dependent upon Government servant.

(x) The Bidder shall not lend to or borrow any money from or enter into any monetary dealings or transactions, directly or indirectly, with any employee of the Buyer, and if he does so, the Buyer shall be entitled forthwith to rescind the contract and all other contracts with the Bidder. The Bidder shall be liable to pay compensation for any loss or damage to the Buyer resulting from such rescission and the Buyer shall be entitled to deduct the amount so payable from the money(s) due to the Bidder.

(xi) In cases where irrevocable Letters of Credit have been received in respect of any contract signed by the Buyer with the Bidder, the same shall not be opened.

10.2 The decision of the Buyer to the effect that a breach of the provisions of this Integrity Pact has been committed by the Bidder shall be final and binding on the Bidder, however, the Bidder can approach the monitor(s) appointed for the purposes of this Pact.

11. Fall Clause

11.1 The Bidder undertakes that he has not supplied/is not supplying the similar systems or subsystems at a price lower than that offered in the present bid in respect of any other Ministry/Department of the Government of India and if it is found at any stage that the similar system or sub-system was supplied by the Bidder to any other Ministry/Department of the Government of India at a lower price, then that very price, with due allowance for elapsed time, will be applicable to the present case and the difference in the cost would be refunded by the Bidder to the Buyer, if the contract has already been concluded.

11.2 The Bidder shall strive to accord the most favoured customer treatment to the Buyer in respect of all matters pertaining to the present case.

12. Independent Monitors

12.1 The Buyer has appointed Independent Monitor(s) for this Pact in consultation with the Central Vigilance Commission (Names and Addresses of the Monitors to be given) :

12.2 As soon as the Monitor notices, or believes to notice, a violation of this Pact, he will so inform the CMD/ Armoured Vehicles Nigam Limited, AVADI.

13. Examination of Books of Accounts

In case of any allegation of violation of any provisions of this Integrity Pact or payment of commission, the Buyer or its agencies shall be entitled to examine the Books of Accounts of the Bidder and the Bidder shall provide necessary information of the relevant financial documents in English and shall extend all possible help for the purpose of such examination.

14. Law and Place of Jurisdiction

This Pact is subject to Indian Law. The place of performance and jurisdiction is the seat of the Buyer i.e. the nearest location from the seat of the Buyer of a High Court or a Bench of High Court.

15. Other Legal Actions

The actions stipulated in this Integrity Pact are without prejudice to any other legal action that may follow in accordance with the provisions of the extant law in force relating to any civil or criminal proceedings.

16. Validity

16.1 The validity of this Integrity Pact shall be from date of its signing and extend up to 5 years or the complete execution of the contract to the satisfaction of both the Buyer and the Bidder/Seller, whichever is later.

16.2 Should one or several provisions of this Pact turn out to be invalid; the remainder of this Pact remains valid. In this case, the parties will strive to come to an agreement to their original intentions.

17. The Parties hereby sign this Integrity Pact at __________ on ______________

BUYER	**BIDDER**
( )	( )
Designation:	Chief Executive Officer
___	Name of Firm: ________
Witness	**Witness**
1. ____________________	1. ____________________
2. ____________________	2. ____________________

ANNEXURE – 17B

PRE-CONTRACT INTEGRITY PACT

(for cases valuing above Rs. 5 Cr and up to 100 Cr)

General

1. Whereas the "Armoured Vehicles Nigam Limited (AVNL) – Unit Name" hereinafter referred to as the Buyer and the first party, proposes to procure (Name of the Store/ Equipment), hereinafter referred to as Defence Stores, and M/s ____________________, represented by, Mr. / Mrs.________________________, Chief Executive Officer(which term, unless expressly indicated by the contract, shall be deemed to include its successors and its assignees), hereinafter referred to as the Bidder/Seller and the second party, is willing to offer/has offered the stores.

2. Whereas the Bidder is a private company/public company/partnership/registered export agency, constituted in accordance with the relevant law in the matter and the Buyer is a Defence PSU, under Ministry of Defence, Government of India enterprises.

Objectives

3. Now, therefore, the Buyer and the Bidder agree to enter into this pre-contract agreement, hereinafter referred to as Integrity Pact, to avoid all forms of corruption by following a system that is fair, transparent and free from any influence / unprejudiced dealings prior to, during and subsequent to the currency of the contract to be entered into with a view to:-

3.1 Enabling the Buyer to obtain the desired defence stores at a competitive price in conformity with the defined specifications by avoiding the high cost and the distortionary impact of corruption on public procurement, and

3.2 Enabling bidders to abstain from bribing or any corrupt practice in order to secure the contract by providing assurance to them that their competitors will also refrain from bribing and other corrupt practices and the Buyer will commit to prevent corruption, in any form, by their officials by following transparent procedures.

Commitments of the Buyer

4. The Buyer Commits itself to the following:-

4.1 The Buyer undertakes that no official of the Buyer, connected directly or indirectly with the contract, will demand, take a promise for or accept, directly or through intermediaries, any bribe, consideration, gift, reward, favour or any material or immaterial benefit or any other advantage from the Bidder, either for themselves or for any person, organization or third party related to the contract in exchange for an advantage in the bidding process, bid evaluation, contracting or implementation process related to the Contract.

4.2 The Buyer will, during the pre-contract stage, treat all Bidders alike, and will provide to all Bidders the same information and will not provide any such information to any particular Bidder which could afford an advantage to that particular Bidder in comparison to other Bidders.

4.3 All the officials of the Buyer will report to the appropriate Government Enterprise-AVNL office any attempted or completed breaches of the above commitments as well as any substantial suspicion of such a breach.

5. In case of any such preceding misconduct on the part of such official(s) is reported by the Bidder to the Buyer with full and verifiable facts and the same is prima facie found to be correct by the Buyer, necessary disciplinary proceedings, or any other action as deemed fit, including criminal proceedings may be initiated by the Buyer and such a person shall be debarred from further dealings related to the contract process. In such a case while an enquiry is being conducted by the Buyer the proceedings under the contract would not be stalled.

Commitments of Bidders

6. The Bidder commits himself to take all measures necessary to prevent corrupt practices, unfair means and illegal activities during any stage of his bid or during any pre-contract or post-contract stage in order to secure the contract or in furtherance to secure it and in particular commits himself to the following:-

6.1 The Bidder will not offer, directly or through intermediaries, any bribe, gift, consideration, reward, favour, any material or immaterial benefit or other advantage, commission, fees, brokerage or inducement to any official of the Buyer, connected directly or indirectly with the bidding process, or to any person, organization or third party related to the contract in exchange for any advantage in the bidding, evaluation, contracting and implementation of the Contract.

6.2 The Bidder further undertakes that he has not given, offered or promised to give, directly or indirectly any bribe, gift, consideration, reward, favour, any material or immaterial benefit or other advantage, commission, fees, brokerage or inducement to any official of the Buyer or otherwise in procuring the Contract or forbearing to do or having done any act in relation to the obtaining or execution of the Contract or any other Contract with the Government Enterprise-AVNL for showing or forbearing to show favour or disfavour to any person in relation to the Contractor any other Contract with the Government Enterprise-AVNL.

6.3 The Bidder will not collude with other parties interested in the contract to impair the transparency, fairness and progress of the bidding process, bid evaluation, contracting and implementation of the contract.

6.4 The Bidder will not accept any advantage in exchange for any corrupt practice, unfair means and illegal activities.

6.5 The Bidder further confirms and declares to the Buyer that the Bidder is the original manufacturer / integrator / authorised government sponsored export entity of the defence stores and has not engaged any individual or firm or company whether Indian or foreign to intercede, facilitate or in any way to recommend to the Buyer or any of its functionaries, whether officially or unofficially to the award of the contract to the Bidder, nor has any amount been paid, promised or intended to be paid to any such individual, firm or company in respect of any such intercession, facilitation or recommendation.

6.6 The Bidder, either while presenting the bid or during pre-contract negotiations or before signing the contract, shall disclose any payments he has made, is committed to or intends to make to officials of the Buyer or their family members, agents, brokers or any other intermediaries in connection with the contract and the details of services agreed upon for such payments.

6.7 The Bidder shall not use improperly, for purposes of competition or personal gain, or pass onto others, any information provided by the Buyer as part of the business relationship, regarding plans, technical proposals and business details, including information contained in any electronic data carrier. The Bidder also undertakes to exercise due and adequate care lest any such information is divulged.

6.8 The Bidder commits to refrain from giving any complaint directly or through any other manner without supporting it with full and verifiable facts.

6.9 The Bidder shall not instigate or cause to instigate any third person to commit any of the actions mentioned above.

7. Previous Transgression

7.1 The Bidder declares that no previous transgression occurred in the last three years immediately before signing of this Integrity Pact, with any other company in any country in respect of any corrupt practices envisaged hereunder or with any Public Sector Enterprise in India or any Government Department in India that could justify bidder's exclusion from the tender process.

7.2 If the Bidder makes incorrect statement on this subject, Bidder can be disqualified from the tender process or the contract, if already awarded, can be terminated for such reason.

8. Earnest Money/Security Deposit

8.1. All procurement cases above Rs. 5 Cr and up to Rs. 100 Cr, Integrity Pact is required to be executed without any additional Financial Guarantee. The EMD/SD/PBG required to be submitted by the vendor as prescribed in the respective Procurement Manual shall only act as the financial guarantee for the IP.

8.2. The validity of the IP will be the validity of the EMD/SD/PBG or the complete conclusion of contractual obligations to complete satisfaction of both the bidder and the buyer, whichever is later. In case there are more than one bidder, the Earnest Money/Security Deposit shall be refunded by the buyer to those bidder(s) whose bid does not qualify (do not qualify) after the stages of TEC/ TPC, as constituted by the Buyer, immediately after a recommendation is made by the TEC/TPC on bid(s) after an evaluation.

8.3 In the case of successful bidder a clause would also be incorporated in the Article pertaining to Performance Bond in the Purchase Contract that the provisions of Sanctions for Violation shall be applicable for forfeiture of Performance Bond in case of a decision by the Buyer to forfeit the same without assigning any reason for imposing sanction for violation of this pact.

8.4 The provisions regarding Sanctions for Violation in Integrity Pact include forfeiture of Performance Bond in case of a decision by the Buyer to forfeit the same without assigning any reason for imposing sanction for violation of Integrity Pact.

8.5 No interest shall be payable by the Buyer to the Bidder(s) on Earnest Money/Security Deposit for the period of its currency.

9. Company Code of Conduct

9.1 Bidders are also advised to have a company code of conduct (clearly rejecting the use of bribes and other unethical behavior) and a compliance program for the implementation of the code of conduct throughout the company.

10. Sanctions for Violation

10.1 Any breach of the aforesaid provisions by the Bidder or any one employed by him or acting on his behalf (whether with or without the knowledge of the Bidder) or the commission of any offence by the Bidder or any one employed by him or acting on his behalf, as defined in Chapter IX of the Indian Penal Code, 1860 or the Prevention of Corruption Act 1988 or any other act enacted for the prevention of corruption shall entitle the Buyer to take all or any one of the following actions, wherever required:-

(i) To immediately call off the pre-contract negotiations without assigning any reason or giving any compensation to the Bidder. However, the proceedings with the other Bidder(s) would continue.

(ii) The Earnest Money/Security Deposit/Performance Bond shall stand forfeited either fully or partially, as decided by the Buyer and the Buyer shall not be required to assign any reason therefore.

(iii) To immediately cancel the contract, if already signed, without giving any compensation to the Bidder.

(iv) To recover all sums already paid by the Buyer, and in case of an Indian Bidder with interest thereon at 2% higher than the prevailing Prime Lending Rate of State Bank of India (or Base Rate of State Bank of India in the absence of Prime Lending Rate) and in case of a Bidder from a country other than India with interest thereon at 2% higher than the LIBOR. If any outstanding payment is due to the Bidder from the Buyer in connection with any other contract for any other defence stores, such outstanding payment could also be utilized to recover the aforesaid sum and interest.

(v) To encash the advance bank guarantee and performance-cum-warranty bond, if furnished by the Bidder, in order to recover the payments, already made by the Buyer, along with interest.

(vi) To cancel all or any other Contracts with the Bidder.

(vii) To ban the Bidder from entering into any bid from the Government of India for a minimum period of five years and not more than ten years at the discretion of the Buyer.

(viii) To recover all sums paid in violation of this Pact by Bidder(s) to any middleman or agent or broker with a view to securing the contract.

(ix) If the Bidder or any employee of the Bidder or any person acting on behalf of the Bidder, either directly or indirectly, is closely related to any of the officers of the Buyer, or alternatively, if any close relative of an officer of the Buyer has financial interest/stake in the Bidder's firm, the same shall be disclosed by the Bidder at the time of filing of tender. Any failure to disclose the interest involved shall entitle the Buyer to rescind the contract without payment of any compensation to the Bidder. The term 'close relative' for this purpose would mean spouse whether residing with the Government servant or not, but not include a spouse separated from the Government servant by a decree or order of a competent court; son or daughter or step son or step daughter and wholly dependent upon Government servant, but does not include a child or step child who is no longer in any way dependent upon the Government servant or of whose custody the Government servant has been deprived of by or under any law; any other person related, whether by blood or marriage, to the Government servant or to the Government servant's wife or husband and wholly dependent upon Government servant.

(x) The Bidder shall not lend to or borrow any money from or enter into any monetary dealings or transactions, directly or indirectly, with any employee of the Buyer, and if he does so, the Buyer shall be entitled forthwith to rescind the contract and all other contracts with the Bidder. The Bidder shall be liable to pay compensation for any loss or damage to the Buyer resulting from such rescission and the Buyer shall be entitled to deduct the amount so payable from the money(s) due to the Bidder.

(xi) In cases where irrevocable Letters of Credit have been received in respect of any contract signed by the Buyer with the Bidder, the same shall not be opened.

10.2 The decision of the Buyer to the effect that a breach of the provisions of this Integrity Pact has been committed by the Bidder shall be final and binding on the Bidder, however, the Bidder can approach the monitor(s) appointed for the purposes of this Pact.

11. Fall Clause

11.1 The Bidder undertakes that he has not supplied/is not supplying the similar systems or subsystems at a price lower than that offered in the present bid in respect of any other Ministry/Department of the Government of India and if it is found at any stage that the similar system or sub-system was supplied by the Bidder to any other Ministry/Department of the Government of India at a lower price, then that very price, with due allowance for elapsed time, will be applicable to the present case and the difference in the cost would be refunded by the Bidder to the Buyer, if the contract has already been concluded.

11.2 The Bidder shall strive to accord the most favoured customer treatment to the Buyer in respect of all matters pertaining to the present case.

12. Independent Monitors

12.1 The Buyer has appointed Independent Monitor(s) for this Pact in consultation with the Central Vigilance Commission **(Names and Addresses of the Monitors to be given)** :

12.2 As soon as the Monitor notices, or believes to notice, a violation of this Pact, he will so inform the CMD/ Armoured Vehicles Nigam Limited, Avadi.

13. Examination of Books of Accounts

In case of any allegation of violation of any provisions of this Integrity Pact or payment of commission, the Buyer or its agencies shall be entitled to examine the Books of Accounts of the

Bidder and the Bidder shall provide necessary information of the relevant financial documents in English and shall extend all possible help for the purpose of such examination.

14. Law and Place of Jurisdiction

This Pact is subject to Indian Law. The place of performance and jurisdiction is the seat of the Buyer i.e. **the nearest location from the seat of the Buyer of a High Court or a Bench of High Court.**

15. Other Legal Actions

The actions stipulated in this Integrity Pact are without prejudice to any other legal action that may follow in accordance with the provisions of the extant law in force relating to any civil or criminal proceedings.

16. Validity

16.1 The validity of this Integrity Pact shall be from date of its signing and will remain valid up to the validity of the PBG or the complete conclusion of contractual obligations to complete satisfaction of both the Buyer and the Bidder/Seller, whichever is later.

16.2 Should one or several provisions of this Pact turn out to be invalid; the remainder of this Pact remains valid. In this case, the parties will strive to come to an agreement to their original intentions.

17. The Parties hereby sign this Integrity Pact at __________ on _______________

BUYER	BIDDER
( )	( )
Designation: ____	Chief Executive Officer Name of Firm:________
Witness	**Witness**
1. ________________	1. ________________
2. ________________	2. ________________

FORMATS FOR UNIT TEC / TPC MINUTES

APPENDIX – 18 A

(A) Model format for preparation of Minutes of UNIT TEC recommendation

1. Nomenclature and quantity of the machine
2. Demand No. and year. Ref of RR Plan (for RR M/cs) and Finance and Accounts concurrence.
3. AVNL's sanction/clearance, reference and date.
4. Estimated cost FE & RE (along with Basis & details)
5. Mode of tendering, justification and authority to the same along with a copy of UNIT TPC minutes.
6. (a) Date of hoisting of tender enquiry,

   (b) Intimation given to (details),

   (c) Due date of opening, (names of the firms to whom TEs were issued, if applicable),

   (d) Actual TOD

   (e) TOD extension details, if any.
7. Whether any changes incorporated in the scope of supply w.r.t PFC approved specification with justification and approval accorded, if any.
8. Details of offers received including firms responded, regretted and not responded including BQ firms.
9. Date of TEC meeting and details of offers considered technically acceptable and reason for accepting deviation, if any in consideration of the Technical Committee's report.
10. Details of offers not considered technically acceptable along with reasons duly linking with relevant clause of tender specification and in consideration of the Technical Committee's report.
11. Specific comments in respect of offers not considered technically acceptable as to whether the same may meet UNIT's requirement from functional point of view, if not firm-wise comments specifying the limitation of offers vis-à-vis functional necessity.
12. Whether the requirement still exists keeping in view the present & anticipated product-mix and production load.
13. Whether UNIT is satisfied with the performance of similar m/c. supplied by the firms. The basis on which UNIT considers their performance satisfactory to be recorded.
14. Clause-wise technical CST in respect of the all offers on equitable basis, to be attached.
15. Clause-wise deviation statement to be attached, if UNIT proposes discussion/negotiation with the bidders on certain points.
16. In case of single quote or single valid acceptable quote is received against LTE/OTE, following shall be examined, deliberate and record

a) Whether the reputed firms have been issued LTE.
b) In the event of lack of competition/poor response (for LTE), UNIT TEC shall comment on whether re-tendering/OTE will fetch more competition.
c) Whether tender was hoisted satisfactorily under intimation to prospective vendors and sufficient time was given for bidding?
d) Whether specification was broad based and industry friendly and standard TE conditions has been taken care of?
e) Whether qualification criteria were unduly restrictive?

17. Any other points needing elucidation relevant to the case but not covered in the above format.

18. Deliberation of UNIT/TEC.

19. Decision/Recommendation of Fy/TEC headed by CGM (CFA) duly associating Finance member as per delegation of financial power.

20. An undertaking is to be given as under

"Undertaking is hereby given that none of the undersigned TEC members has any personal interest in the companies/agencies participating in this tender"

SIGNATURE SIGNATURE SIGNATURE

APPENDIX – 18 B

(B) Model format for preparation of Minutes of UNIT TPC recommendation

1. Nomenclature and quantity of the M/c.
2. Demand No. and year.
3. AVNL approval and date reference authorizing UNIT for opening of price bids.
4. Date of UNIT TPC meeting.
5. In case of imported offer –
   i) Country of origin.
   ii) Rate of exchange taken for arriving at FE requirement.
   iii) Whether custom duty exempted if not rate to be given.
   iv) Confirmation that order will be placed on foreign principal only and that there is no involvement of Indian Agent requiring payment of agency commission.
6. Financial CST in respect of technically acceptable offers taking scope of supply on equitable basis.
7. Whether the cost of recommended offer is considered reasonable, if so justification for the same.
8. Whether re-tendering of item is considered advantageous to get cheaper offers.
9. Whether scope of supply can be reduced to the barest minimum without affecting the inescapable necessity.
10. Payment terms accepted by firm and recommended by UNIT. Whether other commercial terms and conditions are acceptable to the UNIT.
11. Cost comparison of recommended offer with the estimated cost. In case of wide variation, indicate specific reasons and also state whether there has been any revision in scope of supply.
12. Cost details of the recommended offer vis-à-vis sanctioned cost and details of additional fund if any for the total purchase.
13. Validity of recommended offers.
14. Any specific/special issue where approval of AVNL is needed.
15. A Statement of Case (SOC) shall be attached, giving chronological history of the case from demand approval stage onwards.
16. Deliberation of Fy/TPC.
17. Decision / Recommendation of Fy/TPC headed by CGM (CFA) duly associating Finance member as per delegation of financial power.
18. An undertaking is to be given as under
    "Undertaking is hereby given that none of the undersigned TPC members has any personal interest in the companies/agencies participating in this tender"

SIGNATURE SIGNATURE SIGNATURE

Sanction of CFA

The recommendations of UNIT/TPC(mentioned level) held on dated..................at ....with the presence of Finance member for procurement of ....has been considered in line with the directives of MOD I.D. No. PC-1-3(2)/2016/D(Prod-II) dated 18.11.2016.

The same recommendations is hereby concurred by Finance & Accounts and approved by Competent Financial Authority.

Concurred

( )

Finance Member

Approved

( )
Competent Financial Authority

APPENDIX – 19A

(A) MODEL AMENDMENT LETTER FOR EXTENSION OF DELIVERY PERIOD FOR FOB/FAS/CIF CONTRACT

Registered Acknowledgement Due

Address of the purchaser

To
M/s ………………………………..
………………………………………

Sub: This office contract no……………….. dated ………… placed on you for supply of …………………….

Ref: Your letter no……………………………… dated ……………….

Dear Sirs,

You have failed to deliver the goods / entire quantity of the goods within the contract deliver period/delivery period as last extended up to _____________. In your above referred letter, you have asked for extension/ further extension of time for delivery. In view of the circumstances stated in your above referred letter, the time of delivery is extended from _______ (last delivery period) to ____________ (presently agreed delivery period).

2. Please note that in terms of clause………. of the contract, a sum equivalent to ……% (……… per cent) of the delivered price of the delayed goods for each week of delay or part thereof (subject to the ceiling as provided in the aforesaid clause) beyond the original contract delivery date/the last unconditionally re-fixed delivery date (as & if applicable) viz. zzz will be recovered from you as liquidated damages.

3. The above extension of delivery date will also be subject to the further condition that, notwithstanding any stipulation in the contract for increase in price on any ground, no such increase, whatsoever, which takes place after zzz shall be admissible on such of the said goods as are delivered after the said date. But, nevertheless, the purchaser shall be entitled to the benefit of any decrease in price on any ground (including the impact of the price variation clause, if incorporated in the contract), which takes place after the expiry of the above mentioned date namely zzz.

4. You are also required to extend the validity period of the performance guarantee for the subject contract from ………… (Present validity date) to ………… (required extended date) within fifteen days of issue of this amendment letter.

5. Please intimate your unconditional acceptance of this amendment letter within ten days of the issue of this letter failing which the contract will be cancelled at your risk and expense without any further reference to you.

All other terms & conditions of the contract remain unaltered.

Yours faithfully,
(………………………)
for and on behalf of……….

Copy to :
…………………..
…………………..
…………………..
(All concerned)
zzz Original delivery date or the last unconditionally re-fixed delivery date (as the case may be)
NB: The entries which are not applicable for the case under consideration are to be deleted.

APPENDIX – 19B

B) MODEL AMENDMENT LETTER FOR EXTENSION OF DELIVERY PERIOD FOR CONTRACT OTHER THAN FOB/FAS/CIF CONTRACT

Registered Acknowledgement Due
Address of the purchase office

To
M/s ....
....

Sub: This office contract no.................... dated .... Placed on you for supply of ....
Ref: Your letter no.................................... dated ....

Dear Sirs,

You have failed to deliver the goods / entire quantity of the goods within the contract deliver period/delivery period as last extended up to _____________. In your above referred letter, you have asked for extension/ further extension of time for delivery. In view of the circumstances stated in your above referred letter, the time of delivery is extended from _______ (last delivery period) to ____________ (presently agreed delivery period).

1. Please note that in terms of clause.......... of the contract, a sum equivalent to ......% (......... per cent) of the delivered price of the delayed goods for each week of delay or part thereof (subject to the ceiling as provided in the aforesaid clause) beyond the original contract delivery date/the last unconditionally re-fixed delivery date (as & if applicable) viz. **will be recovered from you as liquidated damages.

2. The above extension of delivery date will also be subject to the following further conditions:-
   i) That no increase in price on account of any statutory increase in or fresh imposition of custom duty, GST or on account of any other tax or duty leviable in respect of the goods specified in the said contract, which take place after ** shall be admissible on such of the said goods as delivered after the said date.
   ii) That notwithstanding any stipulation in the contract for increase in price on any ground, no such increase whatsoever, which takes place after ** shall be admissible on such of the said goods as are delivered after the said date.
   iii) But nevertheless, the purchaser shall be entitled to the benefit of any decrease in price on account of reduction in or remission of custom duty, excise duty, sales tax or on account of any other tax or duty or any other ground whatsoever, including the impact of price variation clause (if incorporated in the contract), which takes place after the expiry of the above mentioned date namely **.

3. You are also required to extend the validity period of the performance guarantee for the subject contract from .... (existing date) to .... (required extended date) within fifteen days of issue of this letter.

4. Please intimate your unconditional acceptance of this amendment letter, to reach this office within ten days of issue of this letter, failing which the contract will be cancelled at your risk and expense without any further reference to you.

5. All other terms & conditions of the contract remain unaltered.

Yours faithfully,
(...........................)
for and on behalf of...........

Copy to :
....
....
....
(All concerned)
** Original delivery date or the last unconditionally re-fixed delivery date (as the case may be)
NB : The entries which are not applicable for the case under consideration are to be deleted.

APPENDIX - 20

FORMAT FOR PROPRIETARY ARTICLE CERTIFICATE / SINGLE KNOWN SOURCE CERTIFICATE

Description of Machine: ____________________________

It is certified that:

(i) The above mentioned equipment/machine is manufactured by M/S ....

(ii) No other make or model is acceptable for the following reasons:

....

(iii) Concurrence of Finance & Accounts to the proposal obtained vide:-

....

(iv) Approval of the competent authority vide: ....

CO/User Section	GO/User Section	DO/User Section
Finance Member	CO/EO	GO/EO

APPROVED/ NOT APPROVED

Sr. General Manager / General Manager

CARGO PARTICULARS INTIMATION FORM

MINISTRY OF SHIPPING

CHARTERING WING

(SHIPPING CO-ORDINATION COMMITTEE)

Particulars of Cargo for which shipping space is required to be arranged by Ministry of Shipping (Chartering Wing) on behalf of Ministry/Department/PSU.

Sl No	Name of Supplier with full Postal Address including Telephone/Telex/fax No.	Contract No. & Date.	Name of the Consignee with Telegraphic Postal Address.	Particulars of Cargo – *whether ship loads or Parcel if the later, size of parcel.			Period of shipment.	Loading Port.	Discharge port.
				Description	Quantity	Label*			

Note : This form should be filled in and sent in duplicate (Both for Bulk and Liner Cargo) to the Chief Controller of Chartering, Ministry of Surface Transport, Chartering Wing, New Delhi, together with two copies of Purchase / Sale Contract.

APPENDIX – 22

CIRCULARS OF MINISTRY OF SHIPPING (1/2)

TELEGRAM: TRANSCHART
TELEX: VAHN IN 31-61157/ 31-61158/31-61159

FAX NO: 3718614/3352726
TELEPHONE: 3710356/3710039/ 3718390/3719480

GOVERNMENT OF INDIA
MINISTRY OF SURFACE TRANSPORT
(CHARTERING WING)

No. SC-11021/3/99-ASO-I VOL.III Dated. 15th November, 2001

OFFICE MEMORANDUM

Subject: Ocean Transportation of cargo under the control of Government/ Public Sector Undertakings review of .. The policy regarding.

.....

The undersigned is directed to say that as per the existing policy of Government of India all import contracts are to be finalized on FOB (free on Board/ FAS (Free alongside Ship) basis and those for exports on C&F (Cost and Freight)/ CIF (Cost Insurance, freight) basis in respect of Government owned/controlled cargoes on behalf of Central Government Departments/State Government Departments and Public Sector Undertakings under them. In case of any departure therefrom, prior permission is required to be obtained from the Chartering Wing of Ministry of Shipping. These instructions about FOB/FAS purchases and C&F/CIF sales and entering into contracts where the element of foreign exchange expenditure is minimum already stand incorporated in the General Financial Rules of the Government.

2. Based on the difficulties/problems, intimated by certain Government Departments/Public Sector Undertakings for exporting their cargoes in the changed context of economic liberalization, Government has undertaken a thorough review of the above policy at various levels. It has now been decided by the Government that:-

(i) The present policy for placing import contract on FOB/FAS basis and Centralized shipping arrangements through Ministry of Shipping(Chartering Wing) notified vide this Ministry's O.M. No.SC-11011/1/94-ASO.II/Vol. III dated 27th February, 1996 in respect of government owned/controlled cargoes on behalf of Central Government Departments/State Government Departments and Public Sector Undertakings under them will continue.

(ii) The policy of centralized shipping arrangements through Chartering wing has been relaxed in case of exports. Government Departments/PSUs are free to finalize export contracts on FOB/FAS basis without seeking prior clearance from Ministry of Shipping (Chartering Wing).

3. It is requested that above decision taken by the Government of India may kindly be brought to the notice of all the Public Sector Undertakings/Projects/Autonomous Bodies/Purchasing & Selling Organizations under the administrative control of Ministries and Departments concerned and they may be advised to follow the prescribed procedure described above. They may also be instructed to send two copies of Import contracts along with cargo particulars like weight, volume, loading port, discharging port, loading rate, discharging rate, period of shipments, parcel size and any other specific condition relating to shipment of cargoes etc. to this Ministry as soon as the same are finalized for taking further necessary action with regard to the shipping arrangements in respect of import cargoes.

4. A copy of the instructions issued may please be endorsed to this Ministry.

5. Hindi version is also enclosed.

Sd/-
(T.V. SHANBHAG)
CHIEF CONTROLLER OF CHARTERING

To

(1) All Ministries/Departments of Government of India .....2 copies

(2) The Chief Secretary to all the State Governments including the Union Territories.

CIRCULARS OF MINISTRY OF SHIPPING (2/2)

Government of India
Ministry of Surface Transport
(Chartering Wing)

No. SC-18013/1/98-ASO.II New Delhi, the 11th February, 1998

OFFICE MEMORANDUM

Sub: Govt. Departments / Public Sector Projects/Undertakings Contracting of FOB/FAS import and CIF exports – shipping arrangement through the Ministry of Surface Transport (Chartering Wing) from various sectors-procedure regarding.

The undersigned is directed to say that as per general policy of Government of India, all import contracts have to be concluded on FOB/FAS and those for exports on CIF basis in respect of Government owned and controlled cargoes and shipping arrangements are centralized with Chartering Wing of Ministry of Surface Transport. For any departure from the above policy, prior approval of this Ministry is required. The policy provides for grant of waivers in suitable cases where it is found it is not possible to follow the said policy.

2. The shipping arrangements are being made by Chartering Wing, Ministry of Surface Transport by using Indian flag vessels and if no suitable Indian vessels are available in the required position, foreign flag vessels are chartered. Shipping arrangements in respect of Government general liner cargoes are being made by this Ministry through respective Government of India's freight forwarders like M/s. Schenker International, Humburg, M/s. OPT, USA etc. Shipment of general liner cargo is not restricted to Indian flag vessels and it is shipped by any vessel belonging to Conference member lines which are operating from various sectors.

3. The Government of India has an agreement with India-Pakistan- Bangladesh - Ceylon and Burma Freight Conference (INDPAKCON) FMC Agreement No.7690) covering the trade from US Atlantic and Gulf ports to India through the vessels belonging to the Member lines of this Conference only and as per the agreement all Government of India/State Government Departments/PSUs/Projects cargoes are to be shipped only through the vessels of Member Lines belonging to this Conference.

4. Similarly, the Government of India has another agreement with India- Pakistan Bangladesh Conference (IPBC) covering the trade from ports in the United Kingdom including Northern Ireland, North Continent of Europe (Germany, Holland, Belgium, Norway, Sweden, Denmark, Finland) and from parts on the continental sea boards of the Mediterrean (i.e. French and Western Italian Port) to ports in India. It is obligatory on the part of Government to ship all Government liner cargoes through the vessels belonging to this Conference.

5. In order to ensure smooth and timely shipment of governmental general liner cargoes, the Government of India, Ministry of Surface Transport has appointed freight forwarding agents from various areas as mentioned below:

6. M/s . Schenker International Deutschland GmbH
Postfach 11 03 13
20403 Hamburg
Dei den Muhren 5
20457 Hamburg.

Tel : (040) 36135-537
Fax : (040) 36135-509
Tlx : 21700 sh d
(In respect of government general liner cargoes emanating from UK/North Continent as indicated in para (2) above).

2. M/s OPT Overseas Project Transport Inc.,
(A Thyssen Haniel Logistic Co.)
46, Sellers St., Kearny, N.J. 07032, USA

Tel : (201) 998-771, TLX : 673-3586, FAX : (201) 998-7833
(In respect of cargoes emanating from US Gulf, Canada & South America)

3. Embassy of India,
2-11, Kudan Minami 2-chome
Chiyoda-ku
TOKYO 102

TLX : 2324886, INDEMB J
Phone : 03 (3262) 2391
FAX : 03 (3234) 4866
(In respect of government general liner cargoes emanating from Japan)

4. Embassy of India
San-2-1
Bokwang-Doong, Yongsan-ku
(Behand Bewling Centre)
Seoul, South Korea (CABLE IND EMBASSY, SEOUL, SOUTH KOREA)

Telex : K211641, Tele. 793-4142, 704159
(In respect of cargoes emanating from South Korea)

5. Shipping Corporation of India Ltd.
Shipping House
245, Madame Cama Road
Mumbai

Tlx : 011-2214/2371 SCI IN)
Phone : 2026666/2026785
(In respect of cargoes being shipped from all other areas which are not covered from (1) to (4) above).

£9

6. In order to ensure compliance with the transportation agreement with INDPAKCON, IPBC, M/s Opt, USA and M/s Schenker International, Hamburg, all the Public Sector Undertakings, Projects are requested to prescribe in their purchase contracts that all booking must be made through Government of India's respective freight forwarders as indicated above and the same may also be incorporated in the letter of credit to ensure shipping arrangements through the vessels of Members of the Conference and appointed freight forwarders.

7. It has been brought to the notice of this Ministry that some of the Public Sector Undertakings are not following the above policy and shipping arrangements are made through other than GoI appointed freight forwarders. It has been further brought to the notice of this Ministry that some of the Indian freight forwarding companies are claiming to have been appointed as freight forwarders by M/o Surface Transport which is not correct. Therefore, it is advised that Government of India and State Government Departments and Public Sector Undertakings should ensure (as indicated above) only and should not entertain any other freight forwarder in this regard.

8. It is requested that the above may kindly be brought to the notice of all the Public Sector Undertakings/projects/purchase and selling organizations under the administrative control of the Ministries/Departments concerned and they may be advised to follow the prescribed procedure for arranging shipment of their cargoes through Chartering wing (Trans chart) of this Ministry and incorporate the prescribed shipping clauses in the import/export contracts.

Sd/-
(T.V. SHANBHAG)
Chief Controller of Chartering

To
1. All Ministries/Departments ....2 copies
2. The Chief Secretary to all the State Governments

APPENDIX - 23

FORMAT FOR TAKING OVER CERTIFICATE (TOC)

CONTRACT No.

PURCHASER:

CONTRACTOR: M/s ....

I, the undersigned hereby certify that CONTRACTOR *(and his INDIAN / FOREIGN COLLABORATOR) have supplied and erected all equipment in accordance with the CONTRACT and the same are found satisfactory in preliminary checks. The plant/equipment has been taken over by the PURCHASER.

DATE OF TAKING OVER: ....

This certificate is issued without prejudice to final acceptance tests, warranty and other obligations of the CONTRACTOR as per the CONTRACT.

Remark: Minor defaults or deficiencies that do not hinder the start up and the actions to be taken by the CONTRACTOR to remedy the same along with corresponding deadlines are recorded by the PARTIES in the attached list.

SIGNATURE OF REPRESENTATIVE OF THE PURCHASER
DATE OF SIGNATURE: ....

* To be deleted if not applicable.

APPENDIX - 24

FORMAT FOR FINAL ACCEPTANCE CERTIFICATE (FAC)

CONTRACT No. : ....

PURCHASER : ....

CONTRACTOR : M/s ....

I, the undersigned hereby certify that CONTRACTOR *(and his INDIAN / FOREIGN COLLABORATOR) have completed commissioning of the plant/equipment and the performance testing has shown that the plant/equipment has attained the minimum performance levels as per the CONTRACT.

This certificate is issued without prejudice to warranty and other obligations of the CONTRACTOR as per the CONTRACT.

Remark: Minor adjustments or additions or replacements or other pending obligations to be completed by the CONTRACTOR, which do not hinder the plant/equipment from being operated, and the deadlines for completing the same are recorded by the PARTIES in the attached list.

ACCEPTANCE DATE: ....

SIGNATURE OF THE PURCHASER
DATE OF SIGNATURE: ....

* To be deleted if not applicable.

APPENDIX - 25

FORMAT FOR OBTAINING PERMISSION FOR FOREIGN NATIONALS

[for Visit to AVNL UNITS or AVNL CO]

1	Name & Sex	
2	Nationality	
3	Date of Birth	
4	Name & Nationality of Parents	
5	Present Address	
6	Permanent Address	
7	Passport No & Date, Place of issue, Period of validity.	
8	Occupation	
9	Whether previously in India? If so Date, Place & Purpose of Previous Visit	
10	a. Whether area to be visited is sensitive/ non-sensitive? b. If any protective or sensitive area is to be visited the justification thereof. c. Details of Shop/Area to be visited.	
11	a. Whether Foreigners are Visiting AVNL UNITS for their own work or for Govt/AVNL work? (Please indicate either their own work/AVNL/Govt work) b. Purpose of visit. c. Duration of visit	

Encl: Copies of Passports of Foreign Nationals and Firm's letter.

GENERAL MANAGER

....

APPENDIX - 26

FORMAT FOR FINANCIAL CLOSURE OF PROJECTS
BOARD MEMORANDUM

1. ITEM NO. :

2. ORIGINATING DIVISION :

3. PROPOSAL/SUBJECT IN BRIEF : Submission of Proposal for Financial Closure of Project ....

4. BACKGROUND AND JUSTIFICATION :

A) Project was sanctioned vide M of D letter No......................dated............ as per the following details:

	FE	RE	Total
P&M			
CW			
Total			

B) Capacities to be created were as below:

UNITS involved	Description of end products	Capacity to be established

C) Revised Sanction/Revised Capacity, if any

D) PRESENT STATUS:

(a) The project was physically closed on vide Board Memorandum No. .... Dtd....... and Board Decision vide U.O. No. ..... dt ....

(b) Physical Achievement :

(i) Plant & Machinery
All the Plant & Machinery under the project have been received, erected and commissioned to the tune of 100% and entered in Machinery Block Register.

(ii) Civil Works:

The scope of works under the project have been completed to the tune of 100% and taken in charge.

Rl

E) FINANCIAL ACHIEVEMENT

Sanctioned Amount (2)			Expenditure booked till date(2)			Liability (3)			Completion cost (4)	Remarks if any
FE	RE	Total	FE	RE	Total	FE	RE	Total	(2) + (3)	
P&M										
CW										
Total										

F) TIMES OVER RUN WITH REASONS FOR DELAY

G) COST OVER RUN WITH REASONS THERE OF (IF ANY)

H) PRODUCTION ACHIEVEMENT

UNIT	Description of end products	Capacity created	Capacity achieved till date	Remarks

5. VIEWS OF FINANCE DIVISION

6. POINT REQUIRING ATTENTION/SANCTION OF AVNL:

7. This issues with the approval of Director/Operations

(PROJECT OFFICER)

GM/ Operations/AVNL

APPENDIX- 27

FORMAT FOR ECS MANDATE

Customer's option to receive payments through e-Payment (ECS/ EFT/ DIRECT CREDIT/ RTGS/ NEFT/ Other payment mechanism as approved by RBI.)

1. Customer's name: ....
2. Particulars of Bank Account –

A	Bank name	
B	Branch name	
C	Address	
D	Telephone numbers	
E	IFSC code	
F	9 Digit code number of Bank and Branch appearing on MICR Cheque issued by Bank	
G	Account Type (S.B. Account / Current Account or Cash)	
H	Ledger number	
I	Ledger Folio number	
J	Account number as appearing on Cheque Book	

3. Please attach a blank cancelled Cheque, or, photocopy of a Cheque or front page of your savings bank passbook issued by your bank for verification of the above particulars.

4. Date of Effect: ....

"I, hereby, declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the user institution responsible. I have read the option invitation letter and agree to discharge the responsibility expected of me as a participant under scheme."

(.....................................)
Signature of Customer

Date -

Certified that the particulars furnished above are correct as per our records.

Date:

Bank's Stamp: (.....................................)
Signature of the Authorized Official from the Bank

APPENDIX- 28

FORMAT FOR INDEMNITY BOND

NOTE: To be executed on non-judicial paper of appropriate value and not arised.

1. This DEED OF INDEMNITY is made at .... on this.........day of ....by M/s__________, a society registered under The .... Act .... Having its registered office at __________ (hereinafter referred to as the "SELLER").

2. Whereas "Armoured Vehicles Nigam Limited (AVNL) – Unit Name" (hereinafter referred to as "BUYER") has placed a Contract No ________ dated ______ on the SELLER for supply of .... (name of machine).

3. And whereas, it is one of the terms of the said contract that the SELLER shall furnish an Indemnity Bond in lieu of Advance Bank Guarantee / Performance Bank Guarantee / Warranty Bond to the BUYER.

4. And whereas the SELLER has agreed to furnish in favour of the BUYER an Indemnity Bond on the terms and conditions appearing hereinafter.

5. Now therefore, in pursuance of the said agreement, the SELLER hereby declares and undertakes to the BUYER that:-

a. The SELLER shall duly and faithfully perform its obligations under the said contract including warranty obligations and comply with the conditions in the said contract.

b. The SELLER shall, in as much as within its control, refrain from such actions that may cause loss, injury, damage to the BUYER.

c. In the event of breach/default by the SELLER in performing as per the said contract and in case the breach/ default is not remedied by the SELLER up to period of the notification of the breach/default by the BUYER, the SELLER shall indemnify the BUYER, to the extent of _______ (Rupees_____________only) being ___% of the contract value, against any direct losses or damages suffered by the BUYER due to the breach/default by the SELLER.

d. The SELLER shall be fully discharged of its obligations under this bond on meeting its liability as per Para (c) above, which shall be restricted to the limit as provided at Para (c) above.

e. The SELLER shall not be liable for any breach/default arising out of force majeure situation or due to any default, action, inaction or failure on the part of the BUYER. The liability of the SELLER under this bond shall remain in full force until three months after the fulfilment of the obligations of the SELLER under the said contract i.e. up to .... (expiry date).

f. The SELLER hereby expressly, irrevocably, and unreservedly undertake and guarantee that in the event that the BUYER submits a written demand to SELLER stating that they have not performed according to the contractual obligations, SELLER will pay BUYER on demand and without demur any or all sum up to maximum amount stated at (c) above. BUYER'S written demand shall be conclusive evidence to ELLER that such repayment is due under the terms of the said contract. SELLER under takes to effect payment within ____ days from receipt of such written demand.

g. Unless a demand is received by SELLER in writing by post/fax/email/any other mode on or before the expiry date (unless the same is extended by the SELLER) all rights under this indemnity shall be forfeited and SELLER shall be discharged from the liabilities hereunder.

h. The Bond shall not be discharged due to the change in the constitution of the SELLER or by absorption with any other body or company or otherwise and this indemnity will be enforceable through such body or company.

i. Any breach of the provision of this Indemnity Bond shall make the SELLER liable of all consequences including legal action under the provisions of law in the country.

6. This Indemnity Bond shall be governed by Indian Law.

7. The undersigned hereby declares that it has power to issue this Indemnify Bond and the undersigned has full powers to do so.

For ....

Signature:

Name:

Witness:

1.

2.

(Name and full address of witnesses to be mentioned after signature)

Rl

APPENDIX – 29

CVC GUIDLINES

COMMON IRREGULARITIES/LAPSES OBSERVED IN STORES/PURCHASE CONTRACTS AND GUIDELINES

FOR IMPROVEMENT IN THE PROCUREMENT SYSTEM

"If you think you are too small an entity to play any role in the fight against corruption, think of the potential of an atom!"

COMMON IRREGULARITIES/LAPSES OBSERVED IN STORES/PURCHASE CONTRACTS AND GUIDELINES

FOR IMPROVEMENT IN THE PROCUREMENT SYSTEM

India

BY CHIEF TECHNICAL EXAMINER'S ORGANISATION

CENTRAL VIGILANCE COMMISSION GOVERNMENT OF INDIA

"Unselfishness is more paying, only people have not the patience to practice it"

Swami Vivekananda

PREFACE

1. The Chief Technical Examiner's Organization of this Commission conducts a concurrent technical examination of various types of works/contracts awarded and executed by the organizations, falling withinthe jurisdiction of the Commission.

2. The preponderance of examination is in detecting the malpractices in the award and execution of works/contracts and also the recklessness and financial imprudence on the part of the officials resulting in infructuous, and/or avoidable expenditure resulting in loss to the Government. The organization also suggests remedial measures to prevent recurrence of such instances so that there is better technical and financial control.

3. Until March' 1999, the CTE Organization was undertaking examination of civil / electrical and other allied works only. However, keeping inview the exponential growth in expenditure by the Central Government Ministries/Departments and PSUs in purchase of materials, the examination of stores/purchase contracts was also brought within the purview of the CTE Organization in March'1999 in addition to the works contracts. The inspection of purchase contracts was started from September'1999.

4. Based on the inputs received during the inspection/examination ofvarious contracts in the last two years, an effort has been made in this booklet to list out the most common irregularities/lapses observed inthe stores/purchase contracts along with the guidelines to be followed in such contracts so that similar lapses do not recur.

5. Any error or omission and suggestions for improvement may pleasebe brought to the notice of the undersigned.

(M.P. Juneja)

Chief Technical Examiner
Central Vigilance Commission

New Delhi
Dated 15.01.2002

"Non-cooperation with evil is as much a duty as is co-operation with good"

Mahatma Gandhi

COMMON IRREGULARITIES /LAPSES OBSERVED IN STORES/PURCHASE CONTRACTS AND GUIDELINES FOR IMPROVEMENT IN THE PROCUREMENT SYSTEM

1.0 Purchase Manual

The cardinal principle of any public buying is to procure the materials / services of the 'specified' quality, at the most competitive prices and, in a fair, just and transparent manner. To achieve this end, it is essential to have uniform and well documented policy guidelines in the organization so that this vital activity is executed in a well-coordinated manner with least time and cost over- runs. In some of the organizations, the purchase manual is either not at all there or has not been updated for years together. Thus the system of procurement is quite adhoc and arbitrary.

A codified purchase manual containing the detailed purchase procedures, guidelines and also proper delegation of powers, wherever required needs to be made by all the organizations so that there is systematic and uniform approach in the decision-making. Such an integrated approach is likely to put a cap on the corruption and would also ensure smoother and faster decision-making.

2.0 Filing System

The filing system adopted in most of the organizations is not satisfactory. Even the files are not being paginated. The part files are opened as and when new action is initiated and these part files are not merged with the main file, which inter-alia results in break in continuity and arbitrariness in decision- making. The decisions / deliberations of the individuals or the Tender Committees are not properly documented or recorded which dilutes the accountability of the officers and may result in the 'interested' officers going scot free, even if serious lapses are established against them.

- The procurement files are very important and sensitive documents andthus there is a need to have a single file system with proper page numbering.

In case of urgency, if opening of the part files is unavoidable, the same should thereafter be merged with the main file. The decisions and deliberations of the individuals or the Tender Committees also need to be properly recorded and well documented.

3.0 Provisioning

3.1 It has been noticed that in certain cases excessive, fraudulent and infructuous purchases were made without taking into consideration the important aspects like available stocks, outstanding dues / supplies, past consumption pattern and average life of the equipments / items etc. These excessive /infructuous purchases were at times made in collusion with the firms. This resulted in not only the material lying unutilized for years togetherwith no residual life but also a lot of extra expenditure was incurred on the inventory carrying cost. One of the organizations took double procurement action for purchase of tyres against the same liability. Even the factors like shelf life of 5 years and the past consumption pattern were ignored while placingthe orders. As no action was taken to dispose off the surplus tyres, the department is incurring inventory carrying cost of about 20-25% per year forthe last 10 years and the salvage value of the quantity held in stocks is likely tobe 'Nil' due to expiry of the shelf life. In few cases, it was noticed that though the demand for the stores was simultaneously received from different wings /field units but, they were not clubbed together and were rather processed individually against the established principle of bulk buying.

- The provisioning of the stores needs to be done with utmost care taking into account the available stock, outstanding dues / supplies, the past consumption pattern, average life of the equipment / spares. The requirementsalso need to be properly clubbed so as to get the most competitive and bestprices. The requirements should not be intentionally bifurcated / split so as toavoid approval from higher authorities.

3.2 In a case for purchase of 1,000 KVA D.G. sets, the tender enquiry wasoriginally issued by the Organization for supply of D.G sets with four stroke engine. However, on the request of one of the bidders, the type of the engine was later changed from four stroke to two stroke and contract was awarded.During investigation, it was found that the engine manufacturer had given arelease that the two stroke engine shall be phased out in two years. Surprisinglythe existing DG Sets were with four-stroke engine.

In yet another case instead of buying DG sets for their energy needs, a shipyard hired DG sets from a firm in an ad hoc manner, without following competitive bidding. On investigation, it was revealed that the energy cost/ unit worked, in excess of Rs.40/-.

- One time purchase for projects or capital equipments / spares should be properly justified depending on the actual requirement usage, rate of return etc. Further, the obsolescence factor should also be taken into account i.e. the equipment to be purchased should conform to the latest specifications and technology available in the market.

4.0 Appointment of Consultants

Some of the organizations appoint consultants due to lack of in-house expertise in technical matters. It has invariably been noticed that the appointment of consultants is not being done in a transparent manner and their working is also not properly supervised.

i. The appointment of consultants is often made in an arbitrary manner without inviting tenders and without collecting adequate data about their performance, capability and experience. In some of the cases, the consultants were appointed after holding direct discussions with only one firm without establishing the reasonableness of consultation fee payable to them. In some cases the terms were modified to the financial advantage of the consultant, even after award of the contract. In one of the cases, the organization continued with a consultant for about 30 years and for all types of contracts. In yet another case, the Organization invited offers from 8 enlisted consultants but, awarded the contract to the highest bidder on the plea that they are Padma Shree awardees. Extra amount on account of travel expenses was also sanctioned after award of the contract.

ii. The payment terms to the consultants are allowed quite liberally. In one of the cases, the consultant fee was paid on quarterly basis without linking the same with the progress of the project. Even full payments had been authorized before the completion of the project.

iii. Quite a few organizations especially in the Banking Sector seem to abdicate their responsibility completely and do not oversee the working of the consultants resulting in the latter exploiting the circumstances and at times in collusion with the suppliers, give biased recommendations in favour of a particular supplier. It has also been noticed that the consultants recommend acceptance of inferior items / equipments and also give undue benefit to the suppliers like non- recovery of penalties, for the delayed supplies and corresponding reduction in the excise duty / custom duty, if announced after award ofthe contract.

- The consultants need to be appointed only when it is felt absolutely essential. The appointment of consultants needs to be done in a transparent manner and after following the competitive tendering system. The consultant's role should be well-defined. The consultant is meant to assist the departmental officers because of lack of expertise and, it should not mean that they takeover all the functions. The responsibilities relating to award of contract and execution of contract after appointment of consultant should not be abdicated completely by the organizations. Rather appropriate checks should be exercised at all stages of the execution of the contract. Penal clauses for deficiency in service should invariably be stipulated in the contracts/MOUs with the consultants.

5.0 Estimated Rates

It was observed that the estimated rates are being worked out in an unprofessional and perfunctory manner, at times by extrapolating the price ofthe lowest capacity equipment or by applying a uniform yearly compounded escalation over the prices of similar equipment purchased few years ago. Consequently, the inflated estimated rates prepared by the Organizations resulted in acceptance and payment of higher prices to the firms.

- As the estimated rate is a vital element in establishing the reasonablenessof prices, it is important that the same is worked out in a realistic and objective manner on the basis of prevailing market rates, last purchase prices, economicindices for the raw material/labour, other input costs, IEEMA formula, whereverapplicable and assessment based on intrinsic value etc.

6.0 Notice Inviting Tender

6.1 Against the most preferred and transparent mode of Global tender

Enquiry / Advertised tender enquiry, some of the Organizations are generally issuing limited tender inquiry to select venders, irrespective of the value of purchase. Further, the credentials of the firms and the criteria adopted for selection of such venders, in most of the cases, are not put on record. This not only results in lack of competition but also favoritism to the select vendors. It has been noticed that even in cases where Advertised/Global tender inquiries were issued, the same were published in the local dailies and not in any National Newspaper and particularly in Indian Trade Journal, Calcutta, which is a Government publication and is regarded as the standard medium for advertising tender notices in India. The main purpose of issuing Advertised/Global tender inquiry is to give wide publicity. It has been noticed that the Organizations do not forward the copies of the tender notices to the registered/past/likely suppliers and while in case of imported stores, the copies of the tender notices are not being forwarded to Indian Missions/Embassies of major trading countries.

- In order to give wide publicity, generate enough competition and to avoid favoritism, as far as possible, issue of Advertised/Global tender inquiries should be resorted to and published in ITJ and select National Newspapers. The copies of the tender notices should be sent to all the registered/past/likely suppliers by UPC and also to the Indian Missions /Embassies of major trading countries in case of imported stores.

6.2 It has also been noticed that for Advertised/Global tenders, against a normal time of four - six weeks, there are instances where in time for tender opening of only 12 - 15 days was given. Similarly, in case of limited tenders, against a normal time of 21 - 30 days, there are cases where tenders were opened in a short period of only 7 days. The tender opening in such a short duration is normally resorted to in case of recorded emergencies, where in the purchaser sends the tender inquiries by faster means like fax/speed post. However, in most of such cases, neither urgency nor the proof of having sent the inquiries by fax/speed post could be established. In few cases, it was also noticed that though short term tenders were invited, expressing urgency of the requirement, however, the cases were processed in a very routine and casual manner without any consideration for urgency. On the other hand, in some cases, it was noticed that with the short time available, only 2 - 3 vendors who probably knew about the system, submitted their bids and, thereby forming a cartel and circumventing the system. In some of the cases of Global tenders, it was observed that though the Organizations had given a time of 6 - 8 weeks for tender opening but the tender sale was closed 2 - 4 weeks in advance of tender opening, thereby effectively giving only one month time to bidders for purchase of tender documents. The very purpose of floating Global tender which is to give wide publicity and sufficient time to bidders to getthe bidding documents and submit their offers, in such cases seems tohave been defeated.

- With a view to have wider, fair and adequate competition, it is important thatsufficient time of say 4 - 6 weeks in case of Advertised/Global tenders and 3 - 4 weeks in case of limited tenders is allowed, except, in cases of recorded emergencies, wherein also, a reasonable time should be permitted and tenders should be sent by faster means like speed post /fax. The tenders should preferably be kept open for sale till the date of tender opening or just one dayprior to the date of tender opening. With the widespread use of Information Technology, the tender notices should also be put on the website and e-mail address of the organization should be indicated in the tender notice.

6.3 In case of proprietary purchases, the detailed justification for purchase from a single vendor is not being placed on record. As by issuing single tender,the competition is totally eliminated and the possibility of paying higher pricescannot be ruled out.

- It is imperative that the purchase on Single tender basis be made with thedetailed justification in its support and with the approval of Competent Authority, including associated finance.

7.0 Tender/ Bid Document

7.1 The terms and conditions being stipulated in the bid documents by some of the Organizations are quite insufficient and sketchy. Sometimes, the bid document contain obsolete, unwanted matter and conflicting and vague provisions, resulting in wrong interpretation, disputes and time & cost over- runs.

Even the time/date for receipt and opening of tenders is not being incorporated in the documents.

The important clauses relating to Earnest money, Delivery Schedule, Payment terms, Performance/Warrantee Bank Guarantee, Pre-despatch inspection, Arbitration, Liquidated Damages/Penalty for the delayed supplies and Risk-purchase etc. are not being incorporated in the bid documents. All these clauses are important for safeguarding the interest of the purchaser and also have indirect financial implications in the evaluation of offers and execution of the contracts.

- All the important clauses as brought out above need to be incorporated inthe bidding documents so as to fully safeguard the interest of the Govt. and, for evaluation of bids on equitable and fair basis and in a transparent manner.

7.2 In some cases, it was noticed that the amount of Earnest Money Depositstipulated in the tender document was grossly insufficient to protect the Govt.interest in case of breach committed by the bidder. Some of the organizations instead of ignoring the bids not accompanied with earnest money deposit along with the tenders as per bids requirements, asked the bidders to submit EMD, after tender opening.

- The primary objective of submission of Earnest Money Deposit is to establish the earnestness of the bidder so that he does not withdraw, impair or modify the offer within the validity of the bid. It also helps in restricting if not eliminating'speculative', 'frivolous' or 'wait and see' bids. Since any relaxation regarding submission of Earnest Money Deposit has financial implications besides givingencouragement to the bidders to submit frivolous bids as indicated above; theterms & conditions should clearly stipulate that the offers without Earnest Money Deposit would be considered as unresponsive and rejected.

7.3 In case of tenders invited in Two-bid system, some of the Organizationsstipulate Earnest Money Deposit as percentage of the tender cost instead offixed amount. In the Two-bid system, if EMD is taken on the basis ofsome stated percentage of tender value and with the announcement of the amount of EMD submitted by the bidders at the time of tender opening, the same will give every bidder a good indication of the prices quoted by the competitors by making back calculations. A bidder can use this information to the disadvantage of his competitor, if prices are subsequentlymodified.

- The Earnest Money Deposit in case of Two-bid system needs to be incorporated as a fixed and reasonable amount on the basis of estimated value of the purchase.

7.4 Some of the organizations incorporate a specific delivery schedule inter- alia mentioning that bids offering delivery beyond stipulated date will be treated as non - responsive and will be summarily rejected. However, after opening of the tenders, the bid by one of the organizations with slightlylonger delivery period was not rejected as per the bid guidelines, ratherthat offer was also considered and evaluation was made after loading the offer by applying some unilateral loading criteria. The same resulted in inter se change of ranking position.

- In order to meet the project requirement, it would be prudent to incorporate an acceptable range of delivery period with the stipulation that no credit will be given for earlier deliveries and offers with delivery beyond the acceptable range will be treated as unresponsive. Within this acceptable range, for the purposeof evaluation, an adjustment per month say @ 2% could be added to the quoted prices of bidders offering deliveries later than the earliest delivery periodspecified in the bid documents.

7.5 The Evaluation/Loading criteria on account of acceptable range of deviations in the commercial terms and conditions viz. Payment Terms, Delivery period, Performance Bank Guarantee etc. is not being incorporated in the bidding documents. The evaluation of the offers is being made simply on the price quoted which is not in order. The comparative assessment of offers intrue sense would be complete only if it is made on equal footing taking into account the financial implications for the deviations in terms and conditions, inline with unequivocal evaluation criteria specified in the bidding documents.

In one of the cases, it was noticed that due to non-stipulation of payment terms in the tender documents, the bidders quoted prices based on varyingadvance payment. The offers were evaluated by the Organization simply onthe quoted prices, even though L-1 bidder had asked for much higher advancepayment in comparison to the L-2 bidder. As such, the evaluation done by theOrganization was not on equitable basis as the payment of higher advance,evidently had, financial implications.

- The Evaluation / Loading criteria with respect to the important terms. likePayment terms, Delivery period, Performance Bank Guarantee etc. having financial implications need to be specified in unambiguous terms in the bid documents so that the evaluation of bids after tender opening could be madein a transparent manner without any subjectivity.

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7.6 Some of the Organizations incorporate only broad technical details instead of generic specifications with complete details of performance parameters and the technical evaluation criteria. At times the technical evaluation matrix is decided after opening of tenders and is kept confidential. In absence of the detailed specifications/technical evaluation criteria, the evaluation of offers on equitable basis and in a transparent manner would notbe possible and would rather be prone to subjectivity in the decision-making. In one of the cases of hiring of coolers, the requirement was bifurcated into two categories viz. 'new cooler' and 'as good as new coolers'. Neither the quantitative requirement of each category of coolers nor the specifications had been indicated for the category of 'as good as new coolers'. Thus the description given was quite vague and susceptible to manipulation as it gave full leverage to the bidders to supply coolers of any vintage.

- The detailed generic technical specifications including performanceparameters and the technical evaluation criteria, if any need to be specified in the bidding documents in unequivocal terms.

7.7 The exemptions/reservation of a particular item which normally apply toSSI units are not being specified in the tender notice / bid documents. The applicable purchase preference to public sector enterprises as per the guidelines circulated by Department of Public Enterprises is also not being incorporated in the bid documents leading to lot of complaints from SSI/PS Units.

- The Government instructions on reservation of items and price preferenceto SSI Units and purchase preference to PSUs need to be incorporated in bid documents.

7.8 It has been noticed that some tenderers offer conditional discounts forcoverage within a shorter period, for early inspection/ payment etc. and, suchdiscounts are being considered, at the time of evaluation of tenders by the organizations.

- It needs to be ensured that the evaluation of tenders should not be basedon such conditional discounts and suitable clause should be included in the bidding documents.

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8.0 Receipt of Tenders

Some of the organizations do not have proper arrangement for receipt of tenders. There is no tender box for receipt of tenders at scheduled date and time fixed for tender opening. Instead the trade representatives leave the tenders with the receptionist or the concerned Purchase Officer(s). This procedure is highly objectionable as the possibility of tampering and interpolation of offers cannot be ruled out.

- A proper arrangement for receipt of tenders at scheduled date and time through tender box needs to be adopted.

9.0 Postponement of Tender Opening

Wherever extension in the tender opening is done due to reasons like change in the specifications or on the basis of request of the vendors, it has been noticed that firstly, sufficient time to submit the bids as per the revised specifications and secondly, the intimation of tender opening extension is not being sent to all the bidders who had purchased the bidding' documents. Also such notice of extension is also not being published in newspapers / ITJ.

- In order to give equal opportunity to all the bidders and to maintain sanctity of tendering system, it is of paramount importance that any change in the tender terms & conditions, specifications and tender opening date etc. be notified to all the bidders, sufficiently in advance of the revised tender opening date.

10.0 Opening of Tenders

Some of the organizations are not opening the tenders in public i.e. in presence of the trade representatives. The system of not opening the tenders in public is against the sanctity of tender system, and is a non-transparent method of handling tenders. There could be a possibility of tampering and interpolation of offers in such cases. The rates at times are not quoted in figures and words, cuttings / over-writings are not attested by bidders. Some of the organizations justify such opaqueness in tendering system by making a reference to their manuals. This is not acceptable.

• The opening of tenders in presence of trade representatives needs to be scrupulously followed. While, opening the tenders by the tender opening officer / committee, each tender should be numbered serially, initialed and dated on the first page. Each page of the tender should also be initialed with date and particularly, the prices, important terms & conditions etc. should be encircled and initialed in red ink by the tender opening officer / committee. Alterations in tenders, if any, made by the firms, should be initialed legibly to make it perfectly clear that such alterations were present on the tenders at the time of opening. Wherever any erasing or cutting is observed, the substituted words should be encircled and initialed and the fact that such erasing / cutting of the original entry was present on the tender at the time of opening be also recorded. The tender opening officer / committee should also prepare 'on the spot statement' giving details ofthe quotations received and other particulars like the prices, taxes, duties and EMD etc. as read out during the opening of the tenders.

Further, in case of 'Two bid' system, it has been noticed that after opening of the technical bids, the price bids, which are to be opened subsequently, are kept as loose envelopes. In such cases, the possibility of change of bids priorto tender opening cannot be ruled out. In order to make the system fool proof,it needs to be ensured that not only the tender opening officer / committee should sign on the envelopes but the signatures of two trade representativesshould also be obtained on all the envelopes containing the price bids. Thereafter, all the envelopes should be put in a bigger envelope / box and the same should be properly sealed duly signed by the tender opening officer committee and trade representatives.

11.0 Post Tender Negotiations

As per CVC guidelines circulated vide letter No. 8 (1) (h) / 98 (1) dtd. 18.11.98, it has been brought out that "the tenders are generally a major source of corruption. In order to avoid corruption, a more transparent and effectivesystem must be introduced. As post tender negotiations are the main sourceof corruption, post tender negotiations are banned with immediate effect exceptin the case of negotiations with L-1 (i.e. Lowest tenderer)". In continuation tothese instructions, following further clarifications were issued vide letter No.98 / Ord. / 1 dtd. 15.03.99 : -

(i) The Govt. of India has a purchase preference policy so far as the public sector enterprises are concerned. It is clarified that the ban on the post tender negotiations does not mean that the policy ofthe Govt. of India for purchase preference for public sector should not be implemented.

(ii) Incidentally, some organizations have been using the public sector asa shield or a conduit for getting costly inputs or for improper purchases. This also should be avoided.

(iii) Another issue that has been raised is that many a time the quantity tobe ordered is much more than L-1 alone can supply. In such cases, the quantity order may be distributed in such a manner that the purchaseis done in a fair, transparent and equitable manner.

- Despite the above instructions, it has been noticed that still repeated negotiations with the select / all the vendors are being carried out by some of the organizations in gross violation of the above instructions. The instructions / guidelines circulated by CVC on post tender negotiations only with L-1 needto be strictly followed.

12.0 Technical Evaluation of Tenders

Apart from the deficiencies already brought out in supra para 7.9, it has been noticed that though the offers of some firms fully conform to the specifications laid down in the bid documents, however, based on certain additional features which were never part of the specifications, the offers weregraded as 'good', 'better' and 'best' for award of contract.

- Once it has been established that the offers meet the laid downspecifications, the question of 'grading' as well as any 'pick and choose' should not arise. The contract needs to be awarded to the lowest bidder meeting thelaid down specifications.

13.0 Purchase Preference to Public Sector Enterprises

The Department of Public enterprises, Ministry of Industry vide OM No. DPE/ 13 (19) / 91-Fin.Dtd. 13.01.92, 15.03.95, 31.10.97, 10.02.98 and 14.09.2000 have circulated the policy of granting purchase preference toCentral Govt. Public Sector Enterprises when they compete with Private large scale units. It has been laid down that where the quoted prices of Public Sector Enterprises or Joint Ventures with PSEs with a minimum value added content of over 20% by the latter, subject to purchase in excessof Rs. 1 crore, is within 10% of the lowest price, other things being equal, purchase preference will be granted to the Public Sector Enterprises or Joint Venture concerned at the lowest acceptable price. It has been noticed that some of the organizations are not following these instructions and accordingly, undue favour is being given to the Private firms.

- The instructions / guidelines circulated by Department of Public Enterprises for granting purchase preference to the Central Govt., Public Sector Enterprises / Joint Ventures need to be scrupulously followed as also brought out by CVC inthe instructions circulated vide letter No. 98 / Ord. / 1 dtd. 15.03.99.

14.0 Consideration of Indian Agents

It has been noticed that some of the organizations entertained the offers of Indian Agents and also place the contracts on them without bothering to examine the following aspects :-

i. Foreign Principal's proforma invoice indicating the Commission payableto the Indian Agent, nature of after sales service to be rendered by theIndian Agent.

ii. Copy of the agency agreement with the foreign principal and the preciserelationship between them and their mutual interest in the business.

iii. The enlistment of the Indian Agent with Director General of Supplies & Disposals under the Compulsory Registration Scheme of Ministry ofFinance.

- The above aspects are important one to examine the genuineness of the prices quoted by the Indian Agent, the nature of services which would be available from Indian Agent and compliance of Tax Laws by the Indian Agentand, to prevent leakage of foreign exchange.

15.0 Reasonableness of Prices

It has been noticed that the purchases are being made by some of

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the organizations in an adhoc and arbitrary manner without satisfying the prime requirement of establishing the reasonableness of rates in relation to the estimated rates, last purchase prices or the prevailing market rates. Some of the instances are as under: -

i. An organization placed an order for spares on a trader at an abnormallyhigh price of about 40 times the OEM's price. In yet another case, in aspan of 10 days, the order was placed on the same firm for the same item at rates almost 10 times of the previous order.

ii. In another case for procurement of an ore crusher, out of 6 offers received by the organization, 5 offers were rejected mainly on the basis of unspecified technical requirement, presumptions and conjectures. Therefore, the competition was killed. The prices of single left out offerwere justified by extrapolating the prices of a lower capacity crusher (which were worked out by taking 5% compounded annual escalationover 10 years old prices) in proportion to the crushing force.

iii. In yet another case for hiring of coolers, orders were placed for ambiguous categories of items like 'new' and 'as good as new' coolers.An order was placed on a firm for the category for which the firm hadnot quoted in their original offer but had subsequently quoted, after they were invited for negotiations. Despite the firm lacking in technicaland financial capability and there being cartel formation, still the orderwas placed at exorbitant prices in comparison to earlier prices for a period of 3 years. Knowing well the cartel of firms and exorbitant prices,the department did not consider placement of order only for one yearas for next two years, fresh tenders could have been invited to breakthe cartel and get better prices.

- It is very important to establish the reasonableness of prices on the basis ofestimated rates, prevailing market rates, last purchase prices, economic indices of the raw material / labour, other input costs and intrinsic value etc., beforeaward of the contract.

16.0 Advance Payment & Bank Guarantees

As per CVC guidelines circulated vide Office Memorandum No. NU/

POL/19 dtd. 08.12.97, it has been brought out that payment of mobilization advance should be made only in cases of select works and that the advance should be interest bearing so that the contractor does not draw undue benefit. However, it has been noticed that some of the organizations are quite liberal in allowing the advance payments even to the extent of 30-40% and that too, totally interest free. In some organizations the payment of advance is being stipulated in the bid document itself. The payment of interestfree advance is in contravention of the guidelines issued by CVC.

(i) It has been observed that in some cases, despite provision in the contracts for releasing advance payment against Bank Guarantee, theadvance payments were released without taking any Bank Guarantee. Unfortunately, in some of the cases, the suppliers failed to discharge their contractual obligations and huge advances are still outstanding forthe last several years. It would be suicidal, if the advance payment is released without the Bank Guarantee for an equivalent amount.

(ii) In some cases, it has been observed that though the prospects of supply were bleak, still timely action for revalidation / encashment of the Bank Guarantee for the advance payment was not taken and the Bank Guarantees were allowed to lapse, jeopardizing the Govt. interest.

In one of the cases, though the initial advance payment of 20% was released against the Bank Guarantee, however, further 65% progressive payments were also made simply against certificationof Internal Auditors that the amount claimed does not exceed the progressive expenditure. The payments were made in a span of hardly 2 months much before the bulk production clearance and without safeguards like Bank Guarantee etc. The Bank Guarantee for 20% initial advance payment was also allowed to lapse. Thereafter, the firm did not make any supplies and was declared sick and huge Govt. claim towards the advances made without protecting the Govt. interest remain un-recovered.

(iii) The Bank Guarantees accepted were at times defective/conditional and did not safeguard the interest of the purchaser. Normally, the BGs permitting encashment without any demur - merely on a demand from the purchaser are accepted. However, in some cases, though the Bank Guarantees submitted by the suppliers were conditional, stipulating "the encashment only if it is established the supplier had failedto comply with his contractual obligations," but, the same were accepted.

In one of the cases for procurement of high value equipment, it was observed that though for release of initial advance payment of 30%, submission of a Bank Guarantee was stipulated but, surprisingly for further progressive payments upto 50%, which were also in the form ofadvances (without receipt of the equipment), the reimbursement of payment simply on the basis of a 'Certificate of Assignment' and without any BG was authorized. After release of first 30% progressive payment, BG taken for 30% advance payment had automatically expired as perterms of the BG. Evidently in this case, the BG was not examined properly before acceptance and the defective BG having conditions deterrent to the Govt. interest was accepted.

(iv) In some cases, it was noticed that the effective date of contract was linked with the date of receipt of Bank Guarantee for advance payment. This is detrimental to the purchaser's interest as in the absence of a specific date for submission of Bank Guarantee, it would not be possibleto establish specific date of breach to enforce the contractual remedies. In such cases, the supplier will get full opportunity to wriggle out of thecontract, if he so desires without fulfilling contractual obligations.

- The advance payments need to be generally discouraged except in specific cases. Wherever payment of advance is considered unavoidable, the same should be interest bearing as per CVC guidelines and be allowed after gettingan acceptable Bank Guarantee for an equivalent amount with sufficient validityso as to fully protect the Govt. interest. Some reasonable time should be stipulated for submission of Bank Guarantee so that contractual remedies couldbe enforced, if required. The Bank Guarantees need to be properly examined with respect to the acceptable format and any conditions deterrent to the Govt. interest should be got withdrawn before acceptance besides verifying the genuineness of the Bank Guarantees from the bankers. Timely action for revalidation / encashment of the Bank Guarantees also need to be takenso as to protect the Govt. interest.

17.0 Performance Bank Guarantee

Most of the organizations are not stipulating the requirement of Performance Bank Guarantee while others are stipulating different amount ofSecurity deposit / Performance Bond. In some cases, it has been noted thatthe amount of PBG is too low in comparison to the contract value. The validityof Bank Guarantees is also not being scrupulously monitored and the extension in the Bank Guarantees commensurate with the delivery period extensions isnot being sought resulting in loss to the Govt. in the event of nonperformance of the contract.

- In order to safeguard the Govt. interest, it would be appropriate to takereasonable amount of Performance Bank Guarantee valid up to warranty period for due performance of the contract. The validity of the Bank Guarantees needs to be carefully monitored and whenever extension in the delivery period is granted, the validity of Bank Guarantee should also be appropriately extendedso as to protect the Govt. interest. The genuineness of the BGs should be checked from the issuing bank.

18.0 Stipulation of delivery period in the contract

Delivery period is the essence of any contract. It has been observed that in some of the cases, specific delivery period with reference to the terms of deliveryis not being incorporated as mentioned below: -

i. Only the date of offering the equipment for Pre-despatch inspection isstipulated as the delivery period, though the terms of delivery are on CIF basis/ FOR destination basis.

ii. Only the date of completion of supply of the equipment is stipulated asthe delivery period even though the installation & commissioning of theequipment is also to be carried out by the supplier. For installation &commissioning, no specific date is stipulated. In absence of any contractual binding in this regard, the suppliers claim the full paymentfor supplies of equipments and then tend to behave in an irresponsiblemanner and do not bother to take up timely installation / commissioning resulting in the equipment remaining uninstalled for months / years together.

- The specific delivery period for supply as per the terms of delivery such as FOR station of despatch / destination and for completion of installation with the necessary provision for Liquidated damages / Penalty clause in the event of delay in supplies/ installation needs to be incorporated in thecontract.

19.0 Guarantee / Warranty Terms

The guarantee / warranty clause incorporated by some of the organizations is quite sketchy. The modalities for enforcing the warranty obligations are not being incorporated. Due to incomplete guarantee / warranty terms, the suppliers take full leverage and do not bother to honour the guarantee / warranty obligations resulting in the equipment remaining defective and unutilized and thereby causing loss to the Govt. It has been observed that incases where the installation of the equipment is also included in the scope of contracts but the standard guarantee / warranty clause of 15 months from thedate of shipment / despatch or 12 months from the date of delivery, whicheveris earlier is being incorporated. With the result due to delay in installation of the equipment, the guarantee / warranty expires even before the installation ofthe equipment or sometimes a very short period of guarantee / warranty is available.

- Detailed guarantee/warranty clause embodying all the safeguards beincorporated in the tender enquiry and the resultant contract. It also needs to be ensured that in installation/commissioning contracts, the guarantee/ warrantyshould reckon only from the date of installation/commissioning.

20.0 Post-contract Management

20.1 Modification of contract terms / specifications

After award of the contract, amendments/modifications having financial implications are authorized in the contract terms/specifications giving undue benefit to the suppliers. Some of these are enumerated below:-

i. The specifications are diluted e.g. though specific makes/models of anequipment are specified in the contract as per firm's tender, however,subsequently supply of some more alternative makes/models of the equipment are authorized without taking into account the

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financial implications thereof. It has been observed that generally lower priced alternative makes/models are being included subsequently in the contract giving undue benefit to the supplier.

ii. The payment terms are amended favourable to the supplier e.g. advancepayments are authorized even when there was no provision in the contract for making advance payments. At times higher advance payments than stipulated in the contract are authorized.

iii. The Pre-despatch inspection though was incorporated in the contractsbut, the same was subsequently waived without any reasons, thus jeopardizing the quality aspects as per contractual requirement.

iv. The submission of Performance Bank Guarantee was waived.

v. Even though the contracts were placed on FOR destination, the locations of the consignees were changed nearer to the supplier's premises without taking into account the benefit of freight charges.

- After conclusion of the contract, any relaxation in the contract terms /specifications should be severely discouraged. However, in exceptional cases where the modifications/amendments are considered to be absolutely essential, the same should be allowed after taking into account the financial implicationsfor the same.

20.2 Post-contract Monitoring

i. The post contract monitoring is being handled in a very casual and lackadaisical manner. It has been noticed that due to lack of coordinationand diversified approach followed by various agencies in the implementation of the projects the same resulted in time and cost over-runs.

ii. It has been noticed that in some cases even after expiry of delivery schedule stipulated in the contract and without extension of time grantedby the purchaser, the consignees keep on exchanging correspondence with the suppliers and thereby keep the contract alive. This may result in serious legal complications if it is intended to cancel the contract. It has also been noticed that even the materials are being accepted and payments are released as and when the supplier makes the supplies. There is utter disregard to the contracting norms relating to delivery period, which is the essence of the contract.

iii. Generally, the purchaser extends the delivery period of the contracts. However, in some cases it was recorded that the 'Supplier' has extended the delivery period of the contract.

iv. Some of the organizations do not incorporate Liquidated damages / Penalty clause for imposing the penalty in case of failure of the suppliers to deliver the equipment within the stipulated schedule. The suppliers quote short delivery period and in absence of deterrent conditions in the contract, manage repeated extensions. In some of the cases, it has been observed that Liquidated damages for delay in supplies are not being levied and recovered from the suppliers.

v. It has also been noticed that although there had been delay attributable on the part of the supplier in making the timely supplies, however, the organizations are extending the letter of credit with the proviso that the L/C extension charges shall be borne by the organization, thereby giving undue benefit to the suppliers.

- It is essential to accord priority to the post contract follow up. The delivery period should be extended on bonafide request and not in a routine and casual manner. After expiry of delivery period, the consignees should be refrained from exchanging correspondence with the supplier. In case of delay in supplies by the supplier, the liquidated damages to the extent possible need to be recovered. Also in case of delay attributable on the part of the supplier, the L/C extension charges should be to supplier's account. In nutshell, there is a need to discipline the suppliers so that the non-performers could be weeded out and the suppliers which can be relied upon with consistent performance, in terms of quality and delivery schedule are encouraged.

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"By unrighteousness men may prosper, men may attain what they desire but they perish at the roots"