



FERRO SCRAP NIGAM LIMITED

PURCHASE AND STORE MANUAL

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This manual covers the policies, system and procedures of inventory control, purchases and store keeping.

Ferro Scrap Nigam limited

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Chapter-1

INTRODUCTION

- 1.01 The primary objectives in management of materials are the procurements of required materials at the reasonable price, with lower procurement and storage cost, continuity of supply, prevention of stock-outs, avoid in over stocking, consistency in quantity & quality and maintaining good vendor relations.
- 1.02 The integrated materials management encompasses within its sphere the three related functions of purchase, inventory control and store keeping.
- 1.03 The main functions of purchase and inventory control are to administer controls over the inventory in order to buy the right quantity, right quality & right time, at the right price and on right terms. It has to be ensured that provision of stores and spares are made on a planned basis so that the inventory holding is minimum consistent with levels of operation and maintenance expected by the management.
- 1.04 Store keeping has to be ensuring that materials are stored properly so that they are not affected by deterioration, fire etc. and are safeguarded against theft/pilferage and arrange issue of the material against demands placed by competent authority. This wing also performs the receipt function, which ensure that the materials received and accepted are of the right quantity. In addition, disposal of surplus, unwanted material, scrap etc. based on recommendation of user department, is also the function of store keeping, finally any storekeeping system has to have to be an efficient system of stock verifications to check and ensure that the book balances tally with the physical balances.
- 1.05 The following chapters described the policies, system and procedures required to be followed in this regard in Ferro Scrap Nigam Limited.

1.06 Genesis:

Procurement function constitutes an important segment in the value chain that facilitates creation and delivery of value. Efficient and effective procurement system helps in economizing resources use, optimizing business process and improving value to customers.

Besides, the present day shift of thrust to quality standards and a 'Total Quality Management' culture in a competitive environment further emphasizes the need for streamlined systems and procedures on Integrated Inventory Management.

Systems & Procedures form the backbone for governing uniform & consistent practices across the organization. The principal considerations in documenting the same in the form of manual are:

Establishing transparent and efficient systems & procedures that effectively handle processes in the value chain

Building preventive control system

Attending core issues of procurement function for compliance for effective performance.

To promote competitiveness, fair and transparency in the system of procurement.

To procure as per specification which is neither too rigid to reduce competitiveness nor too flexible to impact efficient performance.

To promote E-procurement as per Govt. guidelines in order to cut down transaction cost and improve efficiency and transparency.

In the above perspective, Purchase Manual serves as a documented reference

Book on Company's policies and procedures relating to Material Management.

1.07 **Objective of the Manual:**

Purchase manual serves as the operating guide for personnel of Materials Management and also provides documented handbook for reference of other disciplines also.

Since publication of the existing Purchase Manual, efforts have been continuing for further streamlining, standardization and updating of policies, systems & procedures to cope with changing dimensions from time to time. Purpose of this Manual is not only to update the documented systems & procedures on the platform of current practices but also to structure a harmonious, flexible, responsive & efficient work environment having regard to the controls necessary for a accomplishment of desired organizational goals.

Chapter 2

MATERIALS MANAGEMENT IN FSNL

2.01 Each unit has a materials department with the following functions:

- (a) Purchase of all the materials including printing and stationary and works contracts of the unit except those received for centralized procurement/contracting by the corporate materials department.
- (b) Receipt, issues and safe custody of all materials in the stores.
- (c) Inventory management.

The unit materials departments are under the administrative control of the respective unit heads. However, functional control over these departments is with the corporate materials department which provides guidance from time to time regarding system and procedures to be followed.

2.02 The material department in the corporate office has the responsibility for:

- (i) Procurement of all capital equipments required by the units.
- (ii) Procurement of all imported equipments and spares.
- (iii) Procurement of development items.
- (iv) Bulk procurement of high value and insured items and other items i.e. OTR tyres, lancing tube, wire ropes, conveyor belts, H.T.Cables etc.
- (v) Purchase planning and annual purchase budgets, based on inputs from indenting departments.
- (vi) Systems and procedures.
- (vii) Overall inventory control in the company.
- (viii) Contract finalization for operational jobs and hiring of equipments.
- (ix) Vendor registration.
- (x) Prescribe and update quality standards.
- (xi) Maintain quality in procurement & Storage.

4.

2.03 To enable the corporate materials department to discharge its functions effectively, the unit(s) will furnish the following:

- (a) Indents for equipments, hiring of equipments and operational jobs, stores and spares, which are to be purchased centrally in accordance with the time schedule laid down by Corporate Office, Materials Department, from time to time.
- (b) Monthly statement of purchase orders issued, this will facilitate exercise of budgetary control.
- (c) Annual inventory statements, including non-moving and slow-moving items of stores and spares parts.
- (d) The corporate office may require any other reports and returns time to time.

Functional Responsibility

2.04 The materials departments in the units consists of two wings, viz. purchase wing and stores wing. Their functional responsibilities will be as given below: -

Purchase Wing

- (i) To receive the purchase requisition, check and process the same.
- (ii) Inviting tenders and processes the same as per laid down policies and procedures.
- (iii) Issuance of purchase order after obtaining requisite approvals.
- (iv) Carry out all post purchase order work.
- (v) To maintain the list of approved suppliers.
- (vi) Receiving indents for capital equipments and items reserved for centralized purchase, check and process these for forwarding to the corporate materials department.
- (vii) To receive indents for repairs, check and process these invited tenders and issue work order for repairs.
- (viii) Maintain all the records and books/Files.

Stores Wing

- (i) Receive the materials supplied by the suppliers or sent by the user departments with return notes or transferred from other units.
- (ii) Physical arrangement and quality inspection of materials.
- (iii) Maintaining records of rejected goods and return these to the suppliers.
- (iv) Lodging claims against suppliers/carriers/ insurers for shortages/damages.
- (v) Taking the materials in stock and raising GRNS.
- (vi) Receive the materials requisition-cum- issue vouchers and arrange issue of materials against these.
- (vii) Arrange for proper warehousing and custody of stores and maintain numerical records of CAMMS/SAP.
- (viii) Receive surplus/redundant stores and scrap material, maintain records for the same and sending a list to Corporate Office for their disposal.
- (ix) Preparing indents for stock controlled and follow up of the same with purchase wing for each placement of orders and with prompt deliveries.
- (x) House keeping and other allied work relating/stores.
- (xi) Maintaining records/books related to the above functions.
- (xii) Follow up with the vendors for timely supply of materials.
- (xiii) Identification, review & control of non-moving/slow moving/surplus stores as per the existing guidelines and further guidelines issued from Corporate Office time to time.

Material Planning Cells

2.05 Material planning cells (MPC) have been set up at each of the units and also at the corporate office. Their constitution and function are given below:

A. Units

2.05.01 These cells are constituted of the following:

- (i) Head of the material department of the unit (convener)/or his representative.
- (ii) Head of finance department of unit/or his representative.
- (iii) Head of maintenance department/indenting department of the units/or his representative.

These cells will hold weekly/bi-weekly meeting normally, except the urgent one which is to be attended immediately and scrutinize the following (a) to (c) approval of indents and give clearance for following for further procurement action.

- (a) Ensure that correct specifications, items code number, annual consumption of previous three years, stock and dues-in position, maximum and minimum levels etc. stated in the indents and the check list enclosed with the indents are properly filled up.
- (b) Review of the indented quantities on the basis of average annual consumption pattern & stock and dues in position.
- (c) Whether procurement from external source is necessary or whether the items can be made in the unit workshop.
- (d) Select the tendering basis of procurement i.e. proprietorship, authorized dealership basis or Limited Tender basis etc.
- (e) After MPC clearance, purchase department will select the vendors from the approved vendor list and float enquiries accordingly.

B. Corporate Office

2.05.02 Since there is a tender committee with respect to respective proposal value or the nature of procurement whether capital or revenue item etc. at Corporate Office, the function of tender committee to be elaborated.

- (i) Head of Operation/Maintenance or his representative.
- (ii) Head of Finance or his representative.
- (iii) Head of Materials or his representative. (Convenor)

This committee carries out the following functions in respect of all purchases except the items which are purely revenue in nature and whose value is below Rs. 5.00 lakhs.

- (a) Review of the indented quantities and deciding the quantities to be ordered on the basis of average annual consumption, norms, stock and dues in, so as to prevent overstocking.
- (b) Deciding whether procurement from external source is necessary or same item can be made departmentally in the company's workshops.
- (c) Deciding whether import or indigenous procurements action is to be taken.

Delegation of Powers

2.06 Powers have been delegated, separately for the units and the corporate office as mentioned in the Delegation of Power (DOP) for the following: -

- (a) Purchase of stores and spares including emergency purchase with or without financial concurrence in certain cases. Where the purchase are made without financial concurrence, monthly statement of such purchases are to be furnished to Finance.
- (b) According financial concurrence.-
- (c) Placement of purchase orders.
- (d) Award of works contracts.

The powers delegated are reviewed from time to time by the top management.

Chapter 3

INVENTORY CONTROL IN FSNL

3.01 The objective of any inventory management system are to keep down the capital investment in inventories to the barest minimum, to keep the inventory carrying costs as well as the obsolescence losses to the minimum and at the same time endeavor to give maximum services to the indenters so as to reduce idle time of men and machine causes by storage of stores, spares parts etc.

Some essential of a good inventory management system are:

- (i) Codification of inventory items.
- (ii) Fixation of lead time for procurement of different items of stores and spare parts.
- (iii) Determination of lead time usage, safety stock and re-order points.
- (iv) Fixation of economical order quantities.
- (v) ABC analysis.
- (vi) Standardization.
- (vii) Review and control of non-moving/slow-moving/surplus items.
- (viii) Budgetary control.
- (ix) Inventory holding – Control thereof.

Lead Time, Lead Time Usage and Safety Stocks

3.02 Lead time is the time taken in procurement of an item right from the indent is raised to the time the material becomes physically available for issue. Lead time will include the time taken for preparation of the indent and transmission of the same to the purchase wing, time taken by the purchase wing to place the purchase order, time allowed to the vendor to effect supplies, time taken to receive and inspect the items, etc. Lead time, however, never remains constant. It varies from purchase to purchase of the same item, which depends on various factors like availability of the required stores and spares in the market, the pre-occupation of vendors with other orders, etc. However, lead time directly affects the inventory level. Efforts have to be made to reduce the lead time to the maximum possible extent. Lead times will, therefore, be reviewed every year.

- 3.03 The lead time usage is the quantity of stores etc. required during the lead time period. Thus, the lead time usage is equal to the lead time in months multiplied by the forecast consumption during a month.
- 3.04 To take into account the fluctuation in lead time or consumption, safety stock has to be added. It is quite possible that the lead time goes up/down or the consumption varies. So, it is necessary to work out the safety stock, i.e. the quantity that should be added to lead time usage, so as to satisfy all reasonable demands without going out of stock.
- 3.05 Two other essential tools for inventory controls are determination of re-order (stock orders) points and optimum quantity to be purchased at a time. The stores officer will fix the two limits based on his experience till such time it is decided to follow the more sophisticated methods. Safety stocks and re-ordered points so worked out will be recorded.

Store Accounts:

- 3.06 The stores wings maintain numerical accounts for material stocked in the stores. The stores accounts are kept through computerized inventory control package.
- (i) Normally the numerical balance of the items will be reconciled with the corresponding price ledger balance continuously.
 - (ii) For each entry in GRN/SIV/adjustment voucher there should be corresponding entry in inventory package.
 - (iii) All receipts and issue vouchers will be posted online immediately after issue (within 24 hours of the date to which the vouchers pertained). It will be ensured that the missing vouchers, if any, are obtained and posted. Similarly, adjustments authorized as a result a physical verification will be posted immediately on approval.
 - (iv) An indent will be raised when the stock does touch or goes below the re-ordered point. Consumption will be watched so that necessary changes in the stocking limits are made.

ABC Analysis

3.07 Generally, 10 to 15 percent by number of items stocked account for approximately 70 percent of the value of stores in stock for Class "A". The next 20 percent of the number of items account for approximately 20 percent of the value of stock for Class "B" and finally 65 and 70 percent of the number of items account for the balance 10 percent of the value for Class "C". It is clear that for an effective control over inventories, it is important to segregate the few items which account for the maximum value. These items are called A items. The next group is called B items and the balance are called the C items.

A, B and C items are identified from CAMMs package by SAP department.

Control of A items will have to be strict and will have to be at the highest level in materials department. Review of such items in SAP system will have to be carried out more frequently. B items may be reviewed at a slightly lower level.

Standardization

3.08 The objective of any standardization programme are development of standard terminology, codes etc. and standardization of the items so as to reduce to the minimum number of sizes, kinds, types of products essential for efficient operation. Standardization requires a joint in depth study by the purchase and user. It is a pre-requisite that each items proposed to be stocked or purchased must have a proper specification. All specifications are subject to periodic re-examination.

For the purpose of standardization, the proposals received from units, a committee at Corporate Committee consisting each one Executive from (1) O&M Department, (2) Materials Department and (3) Finance Department will be scrutinized the proposals received from Unit and if the standardization of the items/machines etc. are beneficial to the organization, the committee gives their recommendations for approval of Competent Authority. The Committee also looks into the development items for standardization and after approval of the competent Authority; the same will be circulated to all units

The advantages of standardization programme are reduction in inventories, better inspection storage problems, facilitating disposal of non-moving items, lower purchasing and inventory carrying cost etc.

The progress made in standardization will be watched by means of an annual statement to the M.D./Board to be put up by HOD of corporate MM Department.

Review and Control of Slow Non-Moving Items.

3.09 The factors mainly responsible for accumulation of obsolete or unserviceable or surplus materials are:

- (i) Change in design of equipment.
- (ii) Replacement of existing equipment.
- (iii) Erroneous estimation and purchase of requirements.

All these factors and especially the last factor need to be controlled to prevent accumulation or obsolete and unserviceable stores or surplus stores.

In spite of the best of precautions that are taken cases may arise where consumption of certain items in stock become low or nil or the stock become excessive compared to the consumption pattern.

If an item continues to move but at an extremely slow pace the existing stock will fall into the category of over stocks. The item is still required but it will take considerable length of time for the quantity in stock to be used. The position should be checked in consultation with the user department in regard to the reason for the slow movement. In case the position is likely to continue to be the same, immediate action is required to be taken to cancel outstanding purchase orders, to stop further purchase and to dispose of the quantities in surplus of the estimated consumption.

Another category would be where the existing stock has not moved during the last two years. It should be checked up whether the item falls under insurance spares. These are the items which may not have a regular consumption but which have to be kept in stock as insurance against costly break down or sub-normal operations. Items falling in this category will move only once in a while and therefore, if such items have not moved it should not normally cause anxiety. In regard to the items which cannot to be classified as insurance spares, the item should be examined in consultation with the user department and where these are not likely to move for the next 3 years, these should be categorized as surplus.

3.10 A survey committee consisting of representative from stores, maintenance and finance should critically inspect the condition of the stores put up by the materials departments in regards to items what have not moved for the last 3 years, that have deteriorated in value, that have broken or damaged in transit, that are lying

in custody but are unserviceable due to obsolescence and that have been received as scrap. After examination, the committee will decide on:

- (i) Classification as live or dead surplus.
- (ii) Items to be disposed off.
- (iii) Classification as second hand and scrap
- (iv) Mode of disposal.

3.11 The items which are consumed/moved within in one year is categorized as fast moving items. Items which are consumed/moved beyond one year, but within 3 years is categorized as slow moving items. Items which are not consumed/moved within 3 years are categorized as non moving items.

3.12 An Annual statement showing the position of non-moving, slow moving and surplus materials will be prepared and submitted to MD/Board.

Budgetary Control

3.13 An annual purchase budget will be prepared for unit purchase and for centralized purchases based on earlier years consumptions, norms of consumptions, production programme for the year, stocks and dues in and the anticipated requirements. The budget will be detailed for Operating consumables, Repair & Maintenance, Stores & Spares, Miscellaneous, Bought Out Services, Capital items, lumpsum provision will be made group wise. The annual purchase budget will be approved by the MD/Board as part of unit/corporate revenue budget and all purchase will be made with in the respective budget provisions. The annual budget will be reviewed after six months based on the inventory holding, consumption, production and anticipated requirements. The units are advised to provide all the details and project the requirement of next six months. The review meeting will take place at corporate office and accordingly submitted to the Board for approval.

Annual Review of Inventory

3.14 The corporate materials department will prepare a consolidate annual inventory statement which will show whether inventory of different items/groups of items is excessive or reasonable (in the units and for the company as whole) and also measures proposed to be taken to reduce the inventory in cases where it is in excess. Data for preparation of this statement will be furnished by the unit materials departments to the corporate materials departments.

Chapter-4

CODIFICATION OF STORES AND SPARES

Objective of Codification

4.01 The main objectives of codification are:

- (a) To classify the items on functional basis so that one item is kept under one code.
- (b) To bring together the items according to their degree of similarity so as to reveal and suggest suitable substitutes available.
- (c) To prepare a catalogue indicating complete details for procurements action.
- (d) To make available the catalogue to indentors to enable them to requisition an item.

Item Code

4.02 Every item of stores and spare has an individual code number. This code number is available with stores departments. In case of a new item the code number will be allotted by SAP section.

Grouping of Stores and Spares

4.03 All the stores and spares of the company are grouped as under:

- Operating consumables.
- Maintenance stores and supplies
- Repair parts- automotive
- Capital item
- Operational item.
- Miscellaneous items.

Physical Arrangements

4.04 Materials are stored in bins on the basis of groups and equipments. General shop supply items like nuts and bolts, rivets, V-belts etc. are kept at one place. Spares of one type of equipment are stock in adjustment bins.

The location i.e. bin no. for each item is mentioned in the CAMMs ledger of that item. The spare parts are given tags indicating description, part no. type of equipment and sub-assembly concerned for easy identification.

Bigger items like wire ropes, conveyor belts, lancing tube, steel material etc. are kept in sheds outside.

The store items are stocked in such a way that all the items are easily accessible for the purpose of issue and for the counting, measurement, weighment etc. and at the time of physical verification also.

Custody of Stores and Spares

4.05 The stores are under the custody of a store officer who is responsible for the following function:

- (i) Safe custody.
- (ii) Receipts and issues.
- (iii) Maintenance of records.

Security of The Stores

4.06 Following guidelines/instructions will be observed for safe custody of materials in this regards:

- (i) Items which are of the pilferable nature will always be kept under lock and key. All issues of such items must be personally supervised by the store keeper.
- (ii) While closing the store at closing hour, it will be ensured that all strong rooms, cupboards, lockers etc. are properly locked.
- (iii) Proper list of different personnel will be prepared.
- (iv) All stores premises including warehouse, stores yard etc. shall be protected against fire risk by provision of fire extinguishers, water tanks and other fire fighting equipments. In stocking of materials care will be take so as to restrict the fire hazard.
- (v) Storage of proper types will be provided for different categories of stores.
- (vi) Proper issue of items to be accounted with SIV's.

15.

- (vii) In case of any items drawn from stores when the stores is locked during night shift, the concerned shift In-charge has to open the stores with security personnel available and the items drawn are to be mentioned in the Register meant for this and this items are to be regularized with SIV's on the very next day with intimation to unit head.

The security arrangements will be provided and reviewed from time to time and in addition, there will be surprise verification as well.

Chapter –5

RAISING OF INDENTS

- 5.01 Indents or demands may fall into one of the following categories:
- (a) Maintenance/operational requirements – recoupable.
 - (b) Maintenance/operational requirements non-recoupable.
 - (c) Capital requirements.
 - (d) Repair Jobs
 - (e) Requirement of off loading of operational jobs herein after called hiring of services.
 - (f) Requirement of module of equipments on hire.
 - (g) Requirement of equipment on hire.
 - (h) Miscellaneous such as printing and non-printing stationery, transportation, consultancy service etc.

The indent for recoupable items will be raised by the stores officer when stock of the item reaches the re-order level. Indents for non-recoupable items and capital items will be raised by authorized indentors only.

Indents will be signed by the heads of departments or other authorized officers.

- 5.02 indents will be raised by the stores/user departments through combined purchase requirements-cum-order request.

Form this will show, inter-alia, the following:

- (a) whether the requisition is for a stock or non-stock item.
- (b) Normal lead time for the items.
- (c) Whether it is a capital or revenue purchase.
- (d) Whether it is for repair of an equipment.
- (e) Whether the requisition is for special purchase or replacement of stock or it is for routine or special repairs.

The requisitions will also contain the code number, specifications, drawing number specifications drawing if any head of account to which expenditure is to

be charged, date which material is required, budget/ provision reference etc. Information (a) to (e) will be filled in by the maintenance/operations. Information with reference to previous supply including vendor name minimum and maximum levels of consumption for the last 3 years, quantity on hand, particulars of dues in etc .will be given by the stores wing. The stores will also record whether the part number and description has been verified. If the material is available in any other unit as per combined CAMMs/SAP information the same is to be indicated in the indent for non stock items.

- 5.03 Indents for hiring of services and hiring of module of equipment/equipments on rent should accompany justification for availing such services, the economic viability and the departmental estimate.

Emergency Indents

- 5.04 When some materials are required urgently to meet situations of break –downs/ shut –down/ overhauling /preventive maintenance /repair , the indent will be raised by Maintenance / Operations on Emergency purchase Requisition –cum- Approval slip .

The requisition will contain the following details:

- (i) Break down particulars and the expected dates of job being taken up.
- (ii) Maximum allowable time for procurement.
- (iii) Details of any previous indents.
- (iv) Approximate value involved in the ERP.
- (v) Stock or non-stock item.
- (vi) Item Part No., quantity required to be given by the indenter.
- (vii) Item code number, reference to last P.O., vendor etc.

Information at (i) to (vi) in the ERP will be filled in by the indenting department.

The store will give the balance information.

Routing of Requisitions

5.05 The purchase requisition are sent to purchase wing through stores. The stores checks the completeness of the indent and incorporates the date relating to past consumption, availability of stock, code no. etc. If the requisition is found to be incomplete in any respect, the stores returns it to the concerned user department or obtains clarifications.

Important Requirements of Purchase Requisition

5.06 While preparing the purchase requisitions, the following require special attention:

- (i) Indents for non-recoupable and special items may be raised for minimum quantities considered necessary for the purpose. For recoupable items, it should be the optimum quantity laid down to be procure at a time.
- (ii) Last purchase rate must be given wherever the items have been purchased in the past. The purchase order, number and date and the name of the last supplier must be indicated.
- (iii) Great care is required to be exercised in filling up realistic dates for requirement of material. The purchase wing is to be allowed time in according with the established lead time. In really urgent cases, the purchase wing will entertain indents giving lesser period but such demands should preferably be scrutinized by the head of the department and must be accompanied by proper justification.
- (iv) Details of outstanding orders viz. the purchase order number, name of supplier, quantity order, balance quantity, delivery date, etc. must be indicated.
- (v) Indents for spares may be prepared for a number of items but such clubbing should restricted to on sub-group only per indent as per codified list.
- (vi) The description and specifications must be complete in all respect and unambiguous. The specifications should include reference to standards, type or grade actually required (where applicable) and weather a sample is required.

Check List

5.07 The requisitions will be accompanied by checklist forms (separate for capital items) which are to be filled in by the indenting department/stores/purchase wings. These check list are intended to ensure that the required actions have been taken before sending to the purchase wings as well as to finance department. The main points to be certified therein are:

Revenue Items

- (a) Indenting department:-
 - (i) Whether delivery time has been stated.
 - (ii) Whether correct description, part number, sub-assembly or group number have been shown.
 - (iii) Whether item code has been mentioned.
 - (iv) Whether materials are being asked as per specification and exact requirements and that there is no other indent pending.
- (b) Stores wing:-
 - (i) Whether 3 years consumption has been shown.
 - (ii) Whether quantity indented is within yearly average consumption, if not, whether proper justification has been obtained from the concerned engineering departments.
 - (iii) Stock on hand and dues in have been stated.
 - (iv) Stock Position of other units quantity they can spare is mentioned in case of non stock items by the indenter.
 - (v) Past purchase reference, i.e. vendor's name, rate, purchase order number and date have been given.

Capital Items

- (a) Indenting departments:-
 - (i) Whether this is an addition or replacement item. If a replacement items, whether recommendation of the survey committee for write-off has been enclosed.
 - (ii) In case of additional, complete justification of requirement, with administrative approval is to be provided by the Indenter.
 - (iii) Whether estimated value stated.
 - (iv) Whether complete specifications of the item is given.
 - (v) Whether required delivery time is stated.
 - (vi) Whether material is being indented as per specification and/or exact requirement.
 - (vii) Whether any indent for the same material is pending.

Register of Purchase Indents

5.08 All indents on receipt in the purchase wing from indentors will be entered into the prescribed register. Watch on processing of indents will be kept through this register.

Chapter 6

PROCUREMENT OF CAPITAL ITEMS

- 6.01 Nature of Capital items are Equipments, Machinery, Buildings, Shop Equipments, Office Equipments, Project items and Furniture & Fixtures.
- 6.02 Indenting: Indents will be made by the concerned departments with providing the following information.
- i) Whether this is an addition or replacement item. If a replacement items, whether recommendation of the survey committee for Write-off has been enclosed.
 - ii) In case of additional, complete justification of requirement, with administrative approval is to be provided by the Indenter.
 - iii) Whether capital budget provision exists or not.
 - iv) Whether estimated value stated.
 - v) Whether complete specification of the item is given with suitable tolerance.
 - vi) Whether required delivery time is stated.
 - vii) Whether material is being indented as per specification and/or exact requirement.
- 6.03 Procedure for procurement: Indents for shop equipments, Office Equipments and Furniture & Fixtures shall be processed at unit level and forwarded to Corporate Office for approval and placement of purchase orders. Indents for Equipments, Machinery, Office Equipments, Construction of Buildings and project items etc., shall be processed at Corporate Office after receiving the indents from Units. Indent specifications, requirement etc. shall be scrutinized by the Corporate Office O&M Department/Project Department and will give recommendations before tendering.
- 6.04 Tendering: The following types of tendering may be made.
- (a) Single Tender Enquiry.
 - (b) Limited Tender Enquiry.
 - (c) Open Tender Enquiry through advertisement.
 - (d) Global Tender Enquiry.

- 6.05 Single tender: Items which are of proprietary nature and items which are standardized shall be invited tenders on single tender basis through Manufacturers or their authorized dealers.
- 6.06 Limited Tender Enquiry: In the case of construction of Buildings, non-standard items and project items, a limited tender enquiry shall be issued to approved vendors. Limited tender enquiry can be in the form of single part bid or two part bids depending upon the nature of requirement.
- 6.07 Open tender: In the case of procurement of Equipment and machinery, open tender shall be invited. All the open tenders should be through advertisement in newspapers. The tender documents should be available on official web site of FSNL and can be obtained from FSNL offices or can be downloaded from the web site. The tender documents can be sold for a price. In case of downloaded documents, the tenderer may send the cost of the document along with their offer. However, SSI Units registered with NSIC/SSI are exempted from payment of cost of tender documents, earnest money deposit and security deposit. All the open tenders shall be through two part tendering, Part –I consisting of technical specifications and commercial terms & conditions. Part-II consisting of Price Bid.
- 6.08 Global Tender: Global Tender is an open tender open for foreign bidders also. In evaluating the landed cost, the exchange rate of the currency of the offer as on the date of price bid opening will be considered. In case of Global tenders is also to be given in ITJ (Indian Trade Journal).
- 6.09 Further procedure shall be followed as elaborated in the Chapter-7 from 7.06 to 7.23.

Chapter 7

TENDERING

The following types of tendering may be issued:

- (a) Single Tender Enquiry
- (b) Limited Tender Enquiry
- (c) Open or advertised or global tender.

7.01 Single Tender:

Single Tender Enquiry shall be issued as exception only. Procurement of items against single tender shall be processed in accordance with the delegation of powers after recording proper justification. Complete justification for procuring the item from single source is to be provided by the indenter along with administrative approval of competent authority.

Proprietary Tender:

Equipment manufacturer from whom the materials belonging to the equipment are to be procured is called proprietary source and no such administrative approval is necessary to procure from them on single tender.

When a particular item belongs to a sub assembly manufactured by other than the equipment manufacturer, the manufacturer of sub-assembly is called proprietary source for such item and these can be procured from them on single tender.

The proprietary nature of the manufacturer of such sub-assembly can be ascertained either from parts catalogue/manual/leaflets or physically asserting from the sub-assembly.

Single tender is also resorted for the items/services which are standardized depending on their better quality/better performance/better service. Such items/services can be standardized with the approval of M.D.

All critical items which are being intimated from Corporate Office time to time are to be procured on single tender basis from Original Equipment Manufacturers or original manufactures with sub-assemblies.

In all the above proprietary procurement proprietary certificate is to be provided by the indentor.

The enquiry for single tenders can be sent by post/courier/hand/through fax or email and offers can be obtained in any of these modes. Verbal enquiries are to be avoided completely.

The manufacturer may respond with their offer directly or may authorize/direct any of the dealers to submit offer on their behalf. When dealer is submitting the offer, they should enclose the price list of the manufacturer. If the hard copy of the price list of the Principal is not available, the proposal can be processed based on the price certification of the Principal Company.

7.02 **Limited Tender:**

Limited tenders are to be issued to established sources like approved vendors or known manufacturers. Limited tenders can be in the form of single part or two part bids.

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

Limited Tenders shall be issued considering the following :

- a) The sources are limited and whose products / services are proven.
- b) The demand is very urgent as confirmed by the users Dept.
- c) When reliable manufacturers / registered suppliers/ traders/contractors are known.
- d) Where tender estimated value is low and does not justify going for open tender
- e) When open tender system adopted during previous one/two years has established sufficient and assured sources of supply/services at competitive rates.

In case of limited tender purchase enquiry, Requests for Quotation (RFQ) shall be sent to atleast 5 approved vendors. If five vendors for the same material category/group/service are not available from the approved list, the enquiry shall be limited to the extent of available approved vendors. The number of tenderers shall generally be not less than three.

In case parties available are less than three, the reasons shall be recorded and decided with approval of competent authority. However, additional vendors will have to be identified / developed for future requirements.

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

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

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

7.02.01 Single part tendering : When prices / rates are taken along with technical & commercial offers in open condition then it is called single part tendering. Single part tendering, is resorted to when there is no detailed technical specifications and deviations in commercial terms will not affect the evaluations. The rate and terms can be negotiated only with the L-1 bidder/tenderer under certain conditions as per CVC guidelines.

7.02.02 Two part tendering : when techno commercial offer and price bids are sought separately in sealed covers with an option to open the price bids of those tenderers whose techno commercial bids are acceptable then the tendering is called two part bidding.

In this case acceptable specifications, terms and conditions can be arrived at before opening the price bid.

For evaluating the offers, all the tenderers are to be judged on common terms and conditions and the accepted deviations are to be properly loaded.

7.03 Open tendering : The tenders issued through news paper advertisements are called open tenders. Open tenders are generally issued for

- (i) Enlistment of vendors.
- (ii) When the sources are not known.

- (iii) Procurement of Plant & machinery/equipments/items (except proprietary items) whose individual value is more than 25.00 lakhs. Endeavour will be made to go for procurement through open tender. Threshold limit fixed as above will be reviewed periodically in order to cover maximum transactions in a phased manner, keeping in view organizational need and growth.
- (iv) Selection of vendors/contractors in every 3 years, in order to make a Panel of Vendor/contractor for issuing LTE for centralized procurement items like Tyres & Tubes, Wire Ropes, Conveyor Belts, Cable etc., Operational jobs, Hiring of services and Equipment on rent etc.

7.03.01 All open tenders should be through advertisements in news papers. The tender documents should be available on official web site of FSNL and can be obtained from FSNL offices or can be downloaded from the website. The tender documents can be sold for a price. In case of downloaded documents, the tenderer may send the cost of the document along with this offer. However, SSI Units registered with NSIC are exempted from payment of cost of tender documents, earnest money deposit and security deposit upto the value of the firm registered.

7.03.02 All open tenders shall be through two part tendering viz;

Part - I

- (i) Technical specifications and commercial terms & conditions.
- (ii) Eligibility / prequalification criteria.

Part - II

- (iii) Price bids.

We may call for part - I (i) and (ii) to be in a single sealed envelope and part – II price bid in another sealed envelope.

The eligibility criteria will be evaluated first and the techno commercial aspects are dealt as in case of limited tender.

7.04 Global Tender: Global Tender is an open tender open for foreign bidders also. In evaluating the landed cost, the exchange rate of the currency of the offer as on the date of price bid opening will be considered. In case of Global tenders is also to be given in ITJ (Indian Trade Journal).

7.05 Apart from the above methods of tendering, the following methods for placement of direct orders may also be considered after observing all codal formalities except tendering and in case of urgency of materials/spares required for which time for normal tendering procedure cannot be spared.

- (i) Repeat Orders.
- (ii) DGS & D Rate Contract.
- (iii) Other plant order/rate contract.
- (iv) Emergency purchase.

Tender documents

7.06 The tender document will consist of:

- (a) Enquiry form which will stipulate the item number, quantity, part number, description of the item along with the terms and conditions of the enquiry. These conditions relate to statutory levies, transit insurance, estimate freight rate to the different units, validity period, levy of liquidated damages and risk purchase in case of failure to supply, payment terms, P&F charges, delivery period, and warranty/guarantee.
- (b) Drawing, if any.

In addition to the terms and conditions of enquiry pointed on the back side of the enquiry form, they are other terms and conditions which are supplied along with the enquiry form. Those conditions relate to statutory levies, transit insurance, estimate freight rate to the different units, validity period, levy of liquidated damages and risk purchase in case of failure to supply.

In addition to the general printed terms and conditions of purchase/contract, certain special conditions may have to be laid down for some tenders.

The important terms and conditions of enquiry require the tenders to:

- (i) Quote for the minimum validity period of 120 days.
- (ii) Indicate whether the prices will be firm & fix till delivery or whether price ruling at the time of delivery will be acceptable/applicable.
- (iii) Indicate the estimated freight charges by road/rail to unit destinations.
- (iv) Specify the present applicable percentage of all stationary levies such as excise duty, sales tax, service tax, octroi etc.
- (v) Quote F.O.R price.
- (vi) Commissioning and pre-despatch inspection.

7.07 Following guidance will be kept in view while inviting enquiries:

- (i) In deciding the desired delivery period, one has to be cautious as restriction of delivery period generally results in prices in going up.
- (ii) In case escalations are asked by the tender, the base rate and the method of calculating the ultimate payable price must be unambiguously defined.
- (iii) Tenderers must be asked to provide details of duties and taxes. They should also indicate the current excise duty irrespective of whether the price quoted by them is inclusive or exclusive of excise duty/CST/VAT.
 - a) If the tenderer has quoted the rate inclusive of taxes, he should be asked to provide the breakup of their quoted rate and sales tax/VAT etc. along with valid registration number.
 - b) In case the tenderer has quoted the rate inclusive of excise duty, breakup should be asked and also they must be asked to submit the exciseable invoice for CENVAT purpose.
- (iv) In case of imported items the tenderers must be asked to quote both FOB and CIF rates and preferably indicate the current customs duty.
- (v) **Discounts:**

It should be stipulated in the tender that conditional discount like quantity discount, cash discount against Proforma Invoice payment or earlier payment etc. shall not be considered for evaluating the L-1 status of the offer. Only unconditional discount shall be taken into consideration for arriving a total price for evaluating lowest rate/bidder.

Earnest Money/Security Deposits/Bank Guarantee.

7.08 Firms from whom tenders for proprietary articles are invited/firms *falls under MSME category and having valid registration* with national small scale industries corporation or with the directors of industries of the state governments, need not pay earnest money or security deposit. Other firms who quote against Open Tenders/L.T.E Tenders as decided from time to time are required to pay earnest money deposit equal to 2 percent of the value of the tender. The earnest money deposit may be forfeited if the tenderer withdraws his tender within the validity period.

The earnest money deposit will be refunded by the purchase officer in whose competence the purchase lies, to unsuccessful tenders immediately on opening the price bids. The earnest money deposit of successful tenderers will be retained as security deposit for due fulfillment of the contract. This will be forfeited if the performance of the contractor is found to be unsatisfactory in any respect.

On successful completion of the purchase order, the security deposit must be refunded within the maximum period of two months from the date of completion and on receipt of clearance from all concerned departments.

The earnest money is to be obtained by means of demand draft or pay order or guarantee bond from any schedule bank.

The requirement of submission of Bank Guarantee for the satisfactory performance and observance of the obligations by the suppliers/contractors in respect of the capital/revenue items supplied by them in the prescribed proforma needs to be mentioned in the Tender.

Time Allowance To Tenderers

- 7.09 Three weeks will be allowed to likely tenderers to submit their quotations in case of single and limited tenders. This period can be reduced in exceptional; cases where demand is urgent. Clear 30 days will be allowed in the case of open tenders. This period may be reduced to 21 days if the requirement is urgent. Reduction of the period, however, requires lot of care as this may result in failure of a tender or in a number of late/delayed tenders.

Receipts Of Tenders

- 7.10 The date and time up to which tenders are to be received must be clearly specified in the enquiry form. In case of open tenders, the time of opening of tenders will also be indicated without fail.

Tenderers will be instructed to submit their quotation in sealed covers superscribed with the enquiry number, due date and quotation. Quotations may be received only through post or dropped in the tender box maintained under lock and key. The lock of the box will be sealed by finance representative and will be opened on the date of opening of quotations.

Opening of Tenders

7.11 Tenders/Quotations will be taken out tender box at the appointed time by the tender opening committee consisting of one executive from Materials Department and one executive from Finance Department. Tenders received will be serially numbered. The two officers will jointly examine the tenders for erasures, overwriting, corrections, additions, deletions etc. and they will initial each one of them. The tenders will then be entered in the register received. Both the officers will initial each page of the tender and also in the register and this limited tenders will be opened in the presence of their representatives if they wish to present.

Advertised tenders will be opened in the presence of the representatives of the tenders who wish to remain present. At this meeting the rates quote by different firms and important conditions stipulated by them will be read out. No information on the tenders will be given to the parties after the tenders have been opened.

Extension of Time for Tenders

7.12 In case where there is lack of adequate response by the last date of receipt of tenders i.e. where the number of quotations received is less than three, it may become necessary sometimes to extend the date. In such case, the extension of date will be approved by the Head of materials in the units and a written letter of information sent to all the parties originally asked as well as to some additional parties, if available in the approved list. HOD, Corporate Material Department or his authorized representative shall take decision regarding extension of due date of tenders. Even after extension of due date offers received less than three shall be opened and processed.

Delayed Tenders and Late Tenders

7.13 Tenders posted prior to the time and date of opening but received after the prescribed time for opening, are called delayed tenders. The tenders posted after the time and date prescribed for opening, these are called late tenders. In both the cases tenders will not be considered. No relaxation in this respect will be entertained.

Issue of re-tender:

- 7.14 Under the ordinary circumstances it is not desirable to scrap tender and re-invite quotations. Re-invitation of tender is normally justified only where there has been a material change in the basic specification after receipt of the tenders or where the offers received do not conform to the specifications or where the price quoted are not reasonable. Materials Head should take clearance from the Indenter and Finance before re-tender.

Comparative Statements

- 7.15 After the quotations/tenders have been opened, a comparative statement will be prepared by the purchase wing in the prescribed form. The statement will indicate the price and the amount quoted by each of the parties for each of the items and also the total. Apart from the price, elements of Excise duty, Octroi/Entry tax, sales tax, insurance, freight etc. will also be included, so as to arrive at all inclusive for destination price. The statement will also show the escalation asked for by a vendor, if any delivery period, terms of delivery and any other important information relevant to the consideration of the tender.

This statement will be signed jointly by the purchase officer and finance & account officer.

Processing of Purchase Proposal

- 7.16 After the purchase wing has scrutinized the comparative statement it will send the case to the indenter for technical clarification acceptance whenever necessary. The purchase proposal will then be sent to finance for vetting the comparative statement and according financial concurrence.

In case of two part & three part tendering, the techno commercial offers are evaluated by the designated tender committee and price bids opened in accordance with the recommendations.

Reasonability of Price:

The last purchase price with P.O.number and date should shown against each item for comparison of reasonability of L-1 price. If the last purchase price is inclusive of taxes and duties, it should be properly presented to the basic price level. In case of non-availability of previous price, L-1 party to be asked to provide copies of purchase orders supplied by them for similar item to other PSUs or other reputed customers to justify reasonability of L-1 price.

Jobs like repairs, civil construction, mechanical repairs, fabrication & erection bought out services, equipment hiring etc. where previous rates are not available for comparison, the L-1 rate is to be compared with departmental estimate to confirm rate reasonability.

In case of proprietary purchase the prices quoted by the dealer are to be checked with the price list of the Principal Company. If the hard copy of price list of Principal is not available, the proposal can be processed based on the price certification of the Principal Company.

7.16.1 **Duties and responsibility of Tender Committee:**

a) **Evaluation of Techno Commercial Bid.**

The technical bid received against advertisement, limited or single tender enquiries shall be scrutinized and evaluated by the Tender Committee as per the parameters provided in the Tender Enquiry.

After techno commercial evaluation, the committee shall make out list of technically and commercially accepted bidders. In case the offer is technically/commercially rejected then the Committee should record the reasons for rejection vis-à-vis tender enquiry specifications and the terms and conditions as specified in the tender enquiry.

In case of deviation/non conformation of specification/terms and conditions of tender enquiry by any of the bidder the same is to be recorded. Recommendations regarding acceptance or otherwise of any deviation quoted by the bidders from any of the terms and conditions and specification of the tender enquiry be recorded. Finally recommendations of the names of the bidders whose price bids will be considered for opening and specific reasons for not considering any bid for opening of price bid be recorded.

b) **Evaluation of price bids:**

Price comparison of the techno commercially accepted bids shall be made and deviation with regard to price comparison if any is to be recorded.

Justification of price reasonability is to be examined in case the L-1 rate is not found reasonable. Negotiation in conformity with the procedure and CVC guidelines prescribed is to be carried out, if required in exceptional cases.

Tender committee will recommend the names of the bidder/bidders to whom orders shall be placed indicating the quantity to be ordered, unit price, total price and total financial implication including taxes and duties etc.

Negotiations

- 7.17 The purchase or the Finance Department may recommend negotiation in cases if it is considered that there is scope for further reduction of rates or quantity. Negotiations will be entered only with L-1 tenderer and mainly for securing advantage in rates as ordinarily, sanctity of tenders is to be maintained, Negotiations should be an exception rather than a rule.

However, in certain exceptional cases and situation as follows negotiations can be held. Procurement of proprietary items, items with limited source of supply, single tender cases and in all other cases if annual increase from last purchase price is more than 2%. Even in such cases negotiation should be avoided if increase in rate is justified. Justifications and details of negotiations is to be duly recorded.

The negotiation shall be carried out by the committee consisting of i) Head of the MM Department or his representative (convenor), ii) Head of the Finance Department or his representative and iii) Head of Indenting Department or his representative.

The following guidelines will be observed for negotiations ;

- a) Those attending negotiations will be instructed to bring a letter of authority empowering them to act on their firms behalf .
- b) After the position is explained to them , the representatives of the firms will be asked to think over and return at a specified hour on the same day with their revised rates in sealed covers .
- c) There can be any number of negotiations with L-1 tenderer at different levels.
- d) During negotiation no changes shall be allowed in techno commercial terms and no increase in price under any circumstances.
- e) Corporate Materials Department may issue further detailed guidelines with regard to negotiations from time to time based on CVC guidelines etc.

Guidelines for Acceptance of a Tender

7.18 Each tender has to be dealt with on merits, however, the following guidelines are drawn in this regard:

- (i) Only such tenders will be considered which are complete in all respects and duly signed by the tenders.
- (ii) All other things bringing equal the lowest tender will be accepted.
- (iii) Prices to be accepted must be firm. Where, however, if it is not possible to enter into firm price contracts, the base price must be clearly laid down and the manner in which the escalations which are agreed to will be applied, should also be clearly laid down. As far as possible, the tenderer must be prevailed upon to accept a certain percentage ceiling beyond which the price raise cannot be claimed. Documents to be furnished by the supplier in support of escalation claims must be clearly mentioned.
- (iv) Tenders not to company's specifications will ordinarily be passed over. Such tenders can be considered only if the deviation in specification is considered minor or not of a material nature.
- (v) Splitting of large value orders to more than one firm may be considered. However this intention is to be clearly mentioned at tender stage. Such splitting is possible only when L-2 / L-3 tenderers are ready to execute the order at accepted L-1 rate. Small / trial orders may be placed on any of the firms at the accepted L-1 rate to judge their performance
- (vi) Where the tender is processed on two part or three part bidding and the L-1 tenderer is not executing the orders, case is to be retendered.

In case of time preferences orders i.e. where higher rates are paid for favourable delivery, time becomes the essence of the contract and delayed deliveries may have to be accepted at lower rates.

- (vii) The delivery date should be firm and not vague.

7.19 There is the system that the purchase proposal is accompanied by the check list. The check list indicates the following:

- (i) Whether enquiry was floated to more than 5 or more approved vendors.
- (ii) In case of single tender, whether it is a proprietary quotation from manufacturer or from his authorized dealer.
- (iii) Whether approval of the appropriate authority has been obtained for placement of orders on single tender.
- (iv) Whether the comparative statement has been prepared for all quotations after considering the quotations on FOR units basis and after including Excise Duty, Octroi/Entry tax, Sales tax, Insurance etc.
- (v) Whether it is an import or import substitution items. In case of an import item, whether all the formalities prescribed under the import control regulations were followed.
- (vi) Whether budget provision exists.
- (vii) In case of capital purchase, whether the value of proposal is within approved provision for that item in the capital budget. In case of excess, whether approval of competent authority has been obtained for exceeding the approved provision.

Payment Conditions

7.20 All efforts will be made to get the acceptance of credit terms i.e; payment to be made after receipt and acceptance of the material. However other payment terms like dispatch documents through bank and payment against delivery can be accepted in exceptional cases.

If at all in exceptional cases, if advance payment is to be agreed, such payment are to be made against Bank Guarantee for equivalent amount till the period of successful execution.

7.21 Repair cases (other than proprietary) 90% payment to be made as per credit terms and balance 10% after completion of the guarantee period or on submission of performance Bank guarantee.

Approval of Purchase Proposal

- 7.22 After the concurrence of finance has been obtained to the purchase proposal, it will be submitted to the competent authority for approval in accordance with the current delegation of powers.

Purchase Preference to MSME

- 7.23 All applicable benefits/facilities are to be extended as per procurement policy of Government of India time to time to the firm's falls under MSME category having valid registration certificate with NSIC or with DIC of the State Governments.

Chapter 8

TYPES OF CONTRACTS

- 8.01 The purchase contracts entered into by the company are either fixed contracts or running rate contracts.
- 8.02 A fixed contract is a contract where both the rates (subject to such escalations or variations as agreed upon between the company and the supplier) and the quantities are fixed.
- 8.03 A running contract is a contract under which the rates of the item are fixed for the contract (subject to such escalations or variations as agreed upon between the company and the supplier) and in addition the company undertakes to order and the supplier undertakes to supply a certain quantity with a tolerance which is agreed upon in advance, during the period of the contract.
- 8.04 A rate contract is a contract under which rates of items are fixed for the contract period ((subject to such escalations or variations as agreed between the company and the supplier) but the quantities to be procured are not specifically included in the contract. A rough idea of the requirements during the contract period is however given at the time of tendering.
- 8.05 While fixed contracts are entered into both by the corporate office as well as the units, only the corporate office will conclude running/rate contracts. The units order the materials against the latter contracts. Copies of such contracts are endorsed to the unit purchases wings.
- 8.06 The period of running and rates contracts will be for one year or more than one year depending upon the circumstances of each case. As far as possible the policy will be to enter into as many running contracts as possible for items required by the units all the year round. For items whose consumption is not so regular or for ad-hoc indents fixed contracts will be arranged.
- 8.07 In regard to rate contracts, parallel contracts may be awarded on more than one party. These may, as far as possible be at the same rate and on the same delivery terms. Where parallel contracts exist, normally business will be equitably distributed having regard to the prices in each of the parallel contracts.

- 8.08 Both in regard to running and rate contract the delivery terms will be defined clearly. A clear stipulation will be made on the time allowed to the supplier for executing orders of different magnitudes. It will also be made clear that purchase orders will be placed up to the last date of currency of the contract and those will have to be executed within the time allowed.
- 8.09 For items covered by running contracts/rate contract, purchase order must be issued within 7 days of receipt of an indent in the purchase wing.
- 8.10 The corporate materials department will issue to the units an up-to-date list of rates/running contracts every quarter.
- 8.11 While placing orders against running contracts. The units will endorse copies of the purchase orders to the corporate office to enable them to keep centralized to control on quantities ordered. When however the cumulative quantities are likely to go beyond the permissible tolerance, the quantity in the contract will be increase with the consent of the supplier and approval of the competent authority. Such increase, however, will not exceed the original quantity by more than 50 percent. Only after the increase in quantity in contract is agreed upon, further purchase orders will be placed.

CHAPTER –9

PURCHASE ORDERS

General

- 9.01 A purchase order must clearly reproduce all decisions taken it shall define in clear unambiguous terms what the contractor is to supply and the terms of supply .Firm purchase orders will be issued in the approved standard form the general terms and conditions of the contract including the packing and dispatch instructions insurance of materials while in transit, sending of RR's and other dispatch documents, submission and payment of buy more or less up to 25 per cent of goods covered by purchase order and guarantee of materials , are printed at the back of the form the terms and conditions also include mode of despatch, terms of payment , terms on which variations and deviations , if any are to be permitted , measures to be adopted in the event of a breach of the contract and the method of settling disputes, if any Additionally , any special conditions agreed up on between the contractor and the Company will be reproduced in full.
- 9.02 Care will be taken that if the validity of the acceptable tender has expired ,to get it extended before the purchase order is actually issued .
- 9.03 The purchase orders will be numbered in such away that these indicate the materials group and enable stores wing and Accounts sections to check up if they have received all purchase orders and if not, to call for missing number.

Extension of Delivery Period and Liquidated Damages

- 9.04 Where a firm is unable to complete supplies with in the stipulated delivery period , it may seek extension of delivery period occasionally, it may become necessary to consider granting extension even without a formal request. The following principles will be followed in granting extensions :
- (a) All extensions must be given only when it is considered that by giving the extension there is a reasonable chance of the supplies materializing and that fresh purchase, if made is likely to take longer time or the fresh purchase is going to be costlier.

- (b) Liquidated damages is not a source of revenue but is a form of deterrent to firms habitually delaying suppliers. The action should not therefore, be to levy liquidated damages and earn money but to get supplies quicker.
- (c) If the conditions laid down in 'force majeure' clause are fulfilled, extension may be granted without imposing liquidated damages.
- (d) In case of a time preference purchase order, greater thought is required to be given when granting any extension. When it is decided to grant an extension in such case, it should ordinarily be with penalty.
- (e) In the amendment to purchase order giving extension, it should be clearly specified that no increase in price shall be admissible.

Risk Purchase

9.05 In case of non-supply of part or full quantity against a purchase order, a fresh purchases at the risk and expense of the defaulting firm can be considered. Where risk purchases penalty is imposed, the difference in cost between the defaulter and the new supplier will be recovered from the defaulter.

Following principles will be observed in these cases:

- (a) Risk purchaser is not tenable if there is a change in description of material or if it is not made with in a responsible time of default (with in 3 months of the date on which the old purchasers order on the defaulter is cancelled).
- (b) For a risk purchase to be effective the mode of purchase should not be more restrictive than the original purchase e.g. fresh purchase should not be made against limited tenders if the original purchase was made against open tender.
- (c) Before placing the risk purchase order, it may be checked if it will be possible to recover the risk purchase amount or otherwise, it would be desirable to forfeit the security deposit instead of imposing risk purchase penalty.
- (d) Ordinarily, risk purchase may not be made against purchase order up to Rs 25,000/- for such order security deposit may be forfeited or where there is no security deposit, a penalty of ten percent of the value of the order may be charged and recovered from the outstanding bills of the defaulter.

Change of Terms and Condition

9.06 Requests from firms regarding change of terms and conditions will be carefully considered and will be agreed to if these do not result in any financial benefit to them. If they do, they will be considered only if benefit is passed on to the company. However, no amendment will be agreed to after the execution of the contract.

a) **Amendment of Government levies:**

The Government levies such as Excise duty, sales tax, service tax will change from time to time as per the notification given by Central/State Government. On request by the party with documentary evidence, the amendment orders shall be issued by incorporating the change of levies. However, the amendment order shall not be issued, in case the supplier is requested after expiry of delivery period. In the cases where the supplier has delivered the materials after expiry of delivery period and requested for amendment order for revised Government levies, no amendment order shall be issued.

b) **Price escalation**

In the cases, where, the procurement is made from OEM supplier and the price escalation clause is stipulated in the order, it should be clearly mentioned in the purchase order the price ruling at the time of supply shall be applicable subject to materials will be delivered within the delivery period. Under no circumstances price escalation shall be made if the delivery period expired and supplied the materials after delivery period.

a) **Short/Excess Supply**

Some of the items like cables, lancing tube, wire ropes, conveyor belt, steel materials etc. plus/minus 5% tolerance shall be stated in the purchase order so that short/excess supply of materials shall be accepted. Wherever the other materials, the unit measurement is in numbers and supplier made

excess supply. In such cases it should be returned to the supplier the excess quantity received within three days. However, some times it may be necessitated the requirement in such cases the Indenter should give complete justification of the requirement to Materials Department. Materials Department should see whether any price benefit by keeping the excess supply and will issue the amendment order with concurrence by Finance and approval of competent authority.

b) Cancellation of purchase orders

Where the supplier is abnormally delaying in supply of materials or where we found the ordered materials are no more required, in such cases materials department may forward a note to the Indenter and get clearance from the Indenter for cancellation of the order. It is necessary to issue proper notice to the supplier before cancellation. This notice shall be sent to the supplier through registered post/speed post. Cancellation order may be issued after getting clearance from Finance and approved by Competent authority.

Repeat Orders

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

Repeat orders may be placed within six months of original order. The value of repeat order(s) should not exceed the value of the original order. Any number of repeat orders may be placed subject to these two conditions. It is essential that agreement of the firm to placement of repeat order is obtained before hand (if it is not provided in the original contract). Placement of repeat orders will be approved by the officer who approved the original order, but if the placement of repeat order takes the total value of the ordered quantity(original plus the repeat order) beyond his powers, sanction from the competent authority in whose powers the total value lies, will be taken.

Concurrence of finance will be obtained for all repeat orders.

If the tendered quantity is available against the tender and the supplier / contractor accepts to keep validity of the offers any numbers of orders can be placed with in total tendered quantity.

9.08 **EMERGENCY PURCHASE / JOB CONTRACT:**

Emergency purchase / Job contract shall be resorted to only where it is absolutely necessary for meeting the emergency needs. Emergency Purchase Requisition (EPR) for emergency requirement shall be prepared by the Indenter giving proper justification. The EPRs should be captioned as “EPR”. The delegation of powers under “Emergency” category shall be followed.

9.09 **E – PROCUREMENT:**

Purchase of goods / services through electronic mode of interface with tenderers and IT enabled management of the entire procurement process (notice inviting tenders, supply of tender documents, receipt of bids, evaluation of bids, award of contract, and execution of contract through

systematic enforcement of its various clauses and tracking of claims, counter-claims and payments) is to be adopted as per Govt. Guidelines in order to cut down transaction costs and improve efficiency and transparency.

Appropriate cut-off points in terms of the size of procurement shall be decided based on the nature of the procurement.

The required IT system for e-procurement shall be developed and same shall be secure, capable of maintaining complete confidentiality at appropriate stages of the bidding process, so that the tenderers feel confidence in electronically transmitting their queries and bids.

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

9.10 **CASH PURCHASE FROM MAINTENANCE AND STORES IMPREST**

Cash purchase shall be made only in cases of emergent / exceptional and only in unavoidable circumstances as per Delegation of Power. Request for cash purchase shall be assessed keeping in consideration the following aspects:

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

Cash Purchase may be resorted to in the following circumstances :

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

Mode of Transport

- 9.11 It may, occasionally, in the increase of work, become necessary to authorised a mode of transport other than the one originally agreed upon and include in the purchase order. In case of alternative suggested by the supplier is cheaper, the benefit should pass to the company. In case where an alternative is suggested by the supplier and that is more expensive, the cost differential must be born by the later.

Imported Materials

9.12 The material imported by the company fall under the following two categories.

- (i) Capital equipments
- (ii) Spares

The capital equipments are imported against specific licence for capital goods. The spare are imported under open general licence or specific licenses for restricted spare depending on the category of spare.

Before applying for the import licence for capital equipments, the requirements have to be advertised in the Indian Trade Journal and Indian Export Bulletin for a period of 45 days.

9.13 All imports of equipments/spares are arrange by the corporate materials department. The units will send their requirements (indents) of equipment/spares to be imported in the beginning of the financial year. The corporate materials departments will examine these requirements, consolidate and issue enquiries to foreign manufacturers and/or their authorized dealers. Normally five to six weeks time will be allowed for submission of quotations by foreign suppliers. The Corporate materials departments will also arrange to obtain necessary import licences.

Letter of Credit

9.14 Payment for imported spares and equipments is made through irrevocable letters of credit opened for the purpose. Whenever the payment to a foreign supplier is to be made, the corporate materials departments will send requisition for opening a letter of credit to the accounts department in the prescribed form with the following details:

- (a) Name and full address of the party.
- (b) Name of the country.
- (c) Amount foreign/Indian currency.
- (d) Brief description of material.
- (e) Date of delivery/shipment.
- (f) Validity date of letter of credit.
- (g) Country of origin of goods.

46.

- (h) Port of shipment.
- (i) Exchange control copy of the import licence or licence reference number.
- (j) Copies of purchases order/amendments.

The letter of credit will thereafter be arranged with the bank by the accounts department.

Procurement from Steel Plant

9.15 Sometimes, the units obtain their emergent requirements of stores and spares from the steel plant in cases of break-down and even for preventive maintenance. The following procedure will be followed such cases.

- (i) The purchases from the steel plant, will be made after checking that the item required is not available in the store. An emergency purchase requisition will be prepared for such purchases and send to the purchase wing by the indentor.
- (ii) The purchase order will be issued by the purchases wing for each such item. If the price of the material cannot be obtained from the steel plant, the last purchase price or the market price of the material will be shown on the purchases order how ever, the original copy of the purchase order will not be dispatched to the steel plant since it is meant for internal regularisation only.
- (iii) Financial concurrence will be obtained for each of these purchase orders.
- (iv) A monthly statement of such order will be submitted by purchase wing to finance department for adjustment of the financial concurrence values on the basis of the prices charged in the bills.
- (v) When the bills are subsequently paid by the accounts department the difference in value will be adjusted by direct charge to cost of production.
- (vi) Goods received notes and store issue vouchers will be raised as is done for other purchases and inventory ledger will be posted for receipt as well as issued.
- (vii) The value of purchases for the steel plants will be added to those from the market and the overall budget limits will be adhered to.

9.16 Availing services from Steel Plant

Sometimes it is required to avail services from Steel Plant such as hiring of equipment etc. In such cases the following procedure will be followed:

- i) Unit should obtain the administrative approval from Corporate Office after giving detailed justifications.
- ii) An indent shall be raised with departmental estimate based on administrative approval received from Corporate Office and send to purchase wing for raising purchase order.
- iii) Financial concurrence will be obtained for the proposal based on previous rate or on the basis of departmental estimate if the previous rate is not available.
- iv) After obtaining concurrence, purchase wing shall place the work order based on the previous rate or on the basis of departmental estimate if the previous rate is not available.
- v) When the bills are subsequently paid by the accounts department the difference in value will be adjusted by direct charge to cost of production.
- vi) The value of purchases from the steel plants will be added to those from the market and the overall budget limits will be adhered to.

Chapter –10

ENLISTMENT OF VENDORS

Vendor Management

10.0 Vendor Management group in Purchase Department shall maintain list and records of approved vendors, national and overseas, as applicable, preferably for each category & group of materials.

Approved Vendor List shall be reviewed and updated periodically as an ongoing process.

Approved vendor List shall not contain name of any banned vendor (separate list of banned vendors will be maintained). As and when vendors are banned or any vendor's name is reverted from banned vendor's list with the approval of competent authority, information thereof shall be shared with the Senior Management Group including Functional Heads. Guidelines of Government/CVC in this regard shall be kept in view.

For each category of material / service, as far as practicable, names and relevant data of at least 5 approved vendors shall exist in the vendor database.

For registration of a new vendor, approved procedure shall be followed.

Performance of Vendor shall be evaluated as per approved procedure of vendor performance evaluation.

Periodically, list of material categories/groups will be identified for which alternative sources are required to be developed either in view of risk of failure of existing vendors or to mitigate single /limited source dependency risk.

Quality shall not be compromised in consideration of other exigencies – stock out, ready delivery, price etc.

Registration Procedures:

- 10.01 In respect of centralized procured items (like Tyres & Tubes, Wire Ropes, Conveyor Belt, Cables, lancing Tube), Equipment hiring, operational jobs the selection to vendors are carried out once in three years through open advertisement.
- a) In case of items like tyres & tubes, wire ropes, conveyor belt, cables and lancing tube, prequalification tenders are carried out once in three years and LTE shall be issued to these enlisted vendors along with our regular vendors.
 - b) In case of equipment hiring, operational jobs, the selection of vendors are also carried out once in three years through open advertisement calling prequalification tenders. The LTE shall be issued to these enlisted parties only.
- 10.02 The corporate materials department will maintain list of approved vendors and the updated list is to be circulated to units on monthly basis.
- 10.03 Manufacturer/suppliers desirous of getting registered, will be required to submit an application, which is available in our website, for enlistment to the corporate/units materials departments along with the following details/documents, as required therein.
- (i) Groups of store/spares/equipments for which they want to get registered.
 - (ii) In case of manufactures, list of workshop equipment and facilities available with them stating equipment capabilities in case of tenders, agencies/representations / other facilities available with them.
 - (iii) Copy of income tax clearance certificate.
 - (iv) Copy of deed of partnership, if a partnership firm, copy of articles and memorandum of association and latest copy of published accounts, if a company
 - (v) Copy of small scale industries registration certificate, in case it is a SSI unit/NSIC or registration with the Director General, Suppliers & Disposals (DGS &D) or with other public sector undertakings.
 - (vi) In case of safety items, DGMS approval certificate.

- 10.04 On receipt of an application and where a firm is not registered with SSI/DGSD/public sector undertaking, it will be necessary to make on the spot investigation at the firm's premises. This will be done by deputing an inspection team comprising or representatives of materials and operation/maintenance department to the premises/workshop of the applicant. The team will conduct investigations submit report on the equipment and facilities available with the manufacturer and their capability and suitability to satisfactorily execute the contracts of the company etc. This report will specifically state the type of jobs for which the applicant has been found suitable and the stores and spares which can be supplied by him. Were an inspection team is sent by the unit, its report is submitted to the unit materials head who will forward it with his comments to corporate material department.
- 10.05 These reports will be examined by the corporate material department in consultation with finance. Approval of the competent authority for the enlistment of a vendor will be obtained.
- 10.06 While registering a firm, it will be necessary to decide:
- (i) Group or groups of stores, spares and the manufactured items etc. for which the firm should be registered.
 - (ii) Size of an individual order which it would be possible for it to execute.
 - (iii) Total business which can be entrusted on the firm in a year.
- 10.07 After registration of the firm as an approved supplier, its performance has to be watched. The respective vendor files will, therefore, contain details of business secured by the firm from the company during the year, the business actually executed by them by way of supplies physically made also the business, which they were unable to transact after securing the order. Details regarding quality of material, rejections and short suppliers' etc. will be also kept in the file.

Performance Appraisal of The Vendors

- 10.08 The corporate materials department will maintain record of performance of the vendors. The performance record will contain details of all the orders issued to a vendor, the price, the quality of suppliers and the performance with record to delivery schedule etc. the rating of vendors will be done the basis of the data

recorded in the performance record. Vendors with satisfactory performance on quality and delivery will be given preference for sending enquiries. Where a firm is found indulging in malpractice of a serious nature, it will be necessary to black list the firm (for a period to be indicated) or to delete it altogether.

The units will send details reports on the performance of the vendors to the corporate material department which will scrutinize the same carefully and give its recommendation to the managing director for deletions, etc.

10.09 **Vendor Evaluation:**

Performance of the vendors will be reviewed once a year. If the performance of any Vendor is found to be unsatisfactory, or if the conduct of the suppliers(firm) is under suspicion or in the event of any breach of the contract committed by the vendor/party, or in the close of their business, the firm/vendor to be decided to the extent of default and action to be taken for removal/black listing for certain period as the case may be. The Unit materials should watch the performance of vendors and found if any un-satisfactory performance, they have to initiate a note and forward to Corporate Office with recommendations of technical department, unit Finance and through Unit Head. Corporate Office materials department will take clearance from HOD of Maintenance, Finance and put up for approval to competent authority.

10.10 **Vendor Development:**

The material department will make efforts continually to locate vendors for:

- (i) Items where the number of vendors, registered is small.
- (ii) Hard to fill items.
- (iii) Items/equipments which have been imported in the past.
- (iv) Finding alternatives for import spares.
- (v) When new item is procured/developed.

10.11 On need basis the registered vendors/contractors of respective steel plants/client plant can also be considered for floating enquiries and that parties are to be included in the approved vendor list of FSNL with the approval of MD.

Chapter 11

RECEIPT OF MATERIALS AND INSPECTIONS

11.01 As far as possible all materials will first be received in the receipt section of the stores wing and no mix up of such materials should take place with the existing stock.

The stores receipt section will be responsible for:

- (i) Maintaining purchases order files.
- (ii) Taking delivery of the materials from the suppliers, railways, and road transports carries and others.
- (iii) Verification/arraigning verification of the materials on receipt quantitatively and reporting cases where delays have taken place.
- (iv) Issuing GRNs and rejection advices.
- (v) Preferring claims against carriers for shortages, damages, losses etc.

Purchase Orders

11.02 The purchase orders placed by the purchase wing will be received in the receipt section and entered in the prescribed register. Since all purchases orders are serially numbered, the receipt section will call for such orders which are not received by it.

Receipt of Materials

11.03 The materials may either be delivered by the suppliers at the store or they may be collected from the vendors or from the railways or the transport company by presentation of R.R. and other relevant documents. Immediately after receipt of material, a consignment arrival report will be prepared and sent to the suppliers, purchase wing and the indenter. It will be clearly mentioned in that the material received are not been checked up both in regards to quality and quantity. A goods receipt register will be maintained for all receipts to watch the progress of processing of the receipts up to stage of acceptance/rejection.

Shortages/Damages

- 11.04 All consignment on receipt will be checked up for outward damage to the package, if any. If outward damage is noticed, open delivery of the consignment will be insisted upon from the carrier and if any damage/shortage is noticed to the consignment, a joint report will be prepared. A copy of this report will be sent to insurance also. This report will be followed up with formal claim on the carriers if the responsibility for damage/shortage is attributed to them or on the supplier firm if the latter is responsible. Claims on the carriers will be preferred within the time limit fixed for the purpose. Where the packages are received in outwardly damaged condition or any shortages/excesses are observed, a shortage / excess / damage material report will be prepared.
- 11.05 Weight shown on the receipt documents and weight actually found will be tallied. Also the quantity received in other units will be physically verified. Ultimately this will be the quantity which will either have to be accepted or rejected. If there is a discrepancy in the quantity received. The supplier will be advised immediately.
- 11.06 Railway receipts (RRs) will be entered in a register and if consignment is not received within a reasonable time of the receipt of RR a claim will be preferred on the carriers. A claim register will be maintained for a proper follow up of claims.

Material Verification Report

- 11.07 On receipt of materials the store officer will make a request to the operations/maintenance department to inspect the materials. The material verification report will contain details of the party from whom material are received, plant order number, challan and details of materials. The operations/maintenance will carry out the inspection within two working days and report on the following.
- (i) Whether they strictly conform to the specification and make laid down in the purchase order or the same supplied before hand.
 - (ii) Whether the quantity supplied is correct.
 - (iii) Whether there is any damage or breakage.

In case the materials are not found to be satisfactory, reasons will be recorded. In case the materials have already been inspected at the suppliers premises, this fact will also be mentioned in the material verification report.

Normally the inspection will not be done by an agency other than the indenter.

No material will be accepted without proper inspection.

- 11.08 The pre-dispatch inspection in case of advance payment will be arrange on receipt of request to this effect from the suppliers. Such materials will be re-inspected on receipt.
- 11.09 Where material fails to conform qualitatively to the specification on the purchase order, the rejection will be entered in the rejection register and a rejection memo to the supplier is issued within a reasonable time. The rejection advice will give in clear and unambiguous terms, the reasons for rejection, the supplier will also to be told that the rejected material is kept at the risk in the store and he should remove the material within a specified time or advise the company regarding its disposal. If the supplier does not respond within the time limit, the material will be returned to him at his risk on freight to pay basis. Inward freight charges if paid by the company will be recovered from the suppliers; any advance payment made will also be recovered. Where the supplier offers to replace the material, the rejected materials will be returned after replacement supply has been made.
- 11.10 Where the material received is marginally different from the specification and it is possible to accept and use the same a reduction in rate will be obtained in consultation with finance before accepting the material
- 11.11 Any rejection of material covered by a supplier's warranty will be issue within the warranty period and all necessary actions to ensure this will be taken by stores/user.
- 11.12 The return/disposal of rejected will be watched through the receipt register.

Preparation of Goods Receipt Notice

- 11.13 After the receipt of the material verification report and acceptance of the material, Goods Receipt Notes (GRNS) will be issued. GRNS are prepared through CAMMs/SAP package and the correctness of value will be ascertained from

unit Finance before locking the same. Besides the details of the purchase order and the challan and the name of the supplier, full description of the material including the item code, inventory group, quantity received, quantity accepted/rejected and the order numbers shown in this document. One copy of GRN is sent to purchase department, two copies to Finance department, one copy to vendor and two copies meant for stores, out of which one is used for feeding data to computer. The supplier will claim payment directly from the Finance department for the accepted material by enclosing copy of the GRN.

- 11.14 No material will be issued without it having been inspected and GRN having been raised. Issue of materials before taking those on stock will be in exceptional cases and that also only after the materials have been inspected qualitatively and accepted.
- 11.15 The accepted stores will be handed over by the receipt section to the Stores section and the Stores will tally the quantity with that shown on the GRN and acknowledge receipt of the same.

Return Notes

- 11.16 Drawn out materials, which are not used and also not likely to be used in the near future will be returned to store with Return Note. This retention of material will be duly recorded in the inventory and their value adjusted by debit to inventory and credit to the account head which was originally charged at the rate at which these were issued.

In addition, certain items which are retained in the workshop and the items which are partly used but are in serviceable condition are also returned to Stores for safe custody till future use. A Return Note will be prepared for those items also but these will be taken on stock at no charge basis.

After the Return Note is registered the stores received will be physically checked to ensure that the distribution of the material given on the Return Note and the code number, and the quantity tally with the material received.

A register of Return Notes will be maintained to watch the receipts taken into the custody and accounted/disposal of all such materials.

Posting Receipts on CAMMs/SAP inventory ledger

- 11.17 Entering GRN details into CAMMs/SAP inventory ledger will automatically update the CAMMs/SAP inventory status.

Chapter 12

STORES ISSUES

Material Requisition-Cum-Store Voucher

12.01 Materials will be issued from the Stores to the indentors on Material Requisition-cum-Stores Issue Vouchers. The indenting department will give the description of the material, part number, quantity and job order. The Stores will fill in the quantity actually issued, stock before issue and will acknowledge the receipt of old item where returned. The voucher is used by the Finance departments to give the unit rate value of material issued.

Procedure For Issue

12.02 The person authorized to draw a material will bring along with him, description of item, part number and the equipment it belongs to & item code number if available.

Store issue counter will check the availability through CAMMs/SAP inventory package and issue the material and process transaction through computer online.

The following procedure will be followed in issuing materials.

- (i) The indenter will prepare the material requisition separately for each item required and it will be signed by an authorized officer of the indenting department.
- (ii) The person presenting the material requisition will be allowed to take delivery of the material against the requisition provided he is in a position to give proof of his identity.
- (iii) For all materials issued and going out of plant area, (to a contractor for fabrication, for example), delivery challans will be prepared.
- (iv) At the end of each day the completed material requisitions will be forwarded to the ledger section of the account department with a summary of store requisitions.

Field Requisitions

12.03 In certain items of consumable nature, materials requisition-cum-vouchers are not prepared for each small issue. In these cases, field requisition will be used, which are serially numbered and are addressed to the Stores Officer, giving the description of the material, part number quantity required. These requisition will be noted in chronological order in a daily Stores Issue Register. The signature of the receiver will also be obtained in the register. At the end of the day/month, all the fields requisitions will be consolidated and a covering Store Issue Voucher will be prepared.

Issues to contractors

12.04 The materials issued to contractors for repair jobs at the site will be drawn by the indentors through Material Requisition –cum –Store Issue Vouchers in the same way as for departmental jobs. It will be responsibility of the engineering department to keep a proper account of these materials.

An issue note / delivery challan will be prepared for the materials issued to the contracts for doing some job at their own premises. The delivery challan will contain reference of order number and full details of the material. Return of these materials will be watched through these challans.

Inter Plant Transfers

12.05 The material sent to other units will be accounted for through Inter Plant Transfer memos which will contain full description of the material including unit number part number and the quantity transferred. The receipt of stores so transferred are acknowledged on this memo with or without report of any loss or damage. A Stock Transfer Sheet will also be prepared as an authorization to en-route check posts. The receipt of interplant transfers will be entered into CAMMs/SAP package and issues will be made through Material Requisition cum Stores Issue Voucher.

Chapter 13

STOCK VERIFICATION

Object of Stock Verification

13.01 The object of stock verification is to ensure that:

- (i) All materials in stock tallies with the description and specification as shown in the CAMMs/SAP.
- (ii) Physical balance agree with the balance as per CAMMs/SAP.
- (iii) Excesses and deficiencies found during verification are properly investigated, explained and account for.

For stores department stock verification is a continuous process and they should organize verification in phased manner for all the groups.

However stock verifications for accounting purpose will be done yearly once during quarter starting from October.

The stock verification is done by committee consisting of unit stores head, one store keeper assigned for this purpose by unit head, one unit accounts officer assigned by the head of F&A deptt. of the company, and any one executive assigned by unit head other than stores and Accounts Department *and* preferably from Maintenance Department.

The inventory available as per CAMMs/SAP on any day is to be counted.

Inventory Count Sheet

13.02 Stock verifiers will record results of verification initially in their fields books from which results will be entered into the inventory count sheets. The count sheets will show the location description of item verification, part no. & group, book balance according to CAMMs/SAP & ledger balance.

Actual balance found excess or shortage, value of the excess or shortage, etc. are shown in the count sheet which will be signed by the Store Officer or his representative in acceptance of the physical balance. A copy of count sheet will be given to the Store Office for remarks.

Guidelines

13.03 Following given guidelines will be observed for stock verification:

- (i) Usually one day's notice will be given to the storekeeper in regard to the group of stores verification of which it is proposed to start.
- (ii) Normally all articles in the stores will be verified by physically measuring, counting, etc. There may, however, be some exceptions to the general rule e.g. packages of electrical material liable to damage or certain items of ball bearing etc. which have to be preserved in the manufacturer's original packing. In such case, the stock verification will obtain a certificate from the Stores Officer that the quantities shown on the packages are correct.
- (iii) Stock verification will not enter the book balances in the count sheet from the CAMMS or the stores ledger before completion of verification of the items in question.
- (iv) He will obtain a certificate that all available stores have been presented for verification.
- (v) Presence of storekeeper or his representative is required during stock verification. The representative of stores shall sign token of his acceptance of verification results.
- (vi) Large discrepancies found during verification will be investigated in accordance with the prescribed procedure.
- (vii) In addition to the physical verification of stock, the stock verifier will also look into the following:
 - (a) case of errors in classification i.e. items which have not been classified correctly in accordance with the codification list.
 - (b) Adequacy of security arrangements.
 - (c) Items declared surplus but not moved for one year thereafter.
 - (d) Unauthorized or unaccounted stock, if any; where unaccounted material is found, proper investigation will be made to ascertain how the material found its way to the Stores.
 - (e) Whether issues are being made on age basis.

Discrepancies During Stock Verification

13.04 The Stores Officer will explain the discrepancies found as shown on the count sheet within one month of receipt of such sheet, from the stock verifiers. While explaining the differences, following will be kept in view:

- (a) Where the accounting unit is in number, there should not be any large discrepancy except where cross issue items are taken.
- (b) In explaining the excess against one item by clubbing it with shortage against another items, only similar items are taken.
- (c) In regard to weighment, errors large than 2 percent of the total transactions, cannot be allowed.
- (d) Any shrinkage of an item must be with in permissible limits.

13.05 The discrepancies between the physical balance and the CAMMs/SAP card balance adjusted with the approval of the competent authority. Appropriate certificate that the discrepancies have been adjusted after due examination will be recorded by the stores officer on the count sheet.

13.06 The difference between the physical balance and the store ledger balance will then be valued, and the total amount of difference will be transferred to account code "store suspense account" by credit/debit to the relevant inventory account code with the approval of the Head of the Unit.

These differences will be properly investigated and submitted to the Board for approval for write off of the shortages and adjustment of surpluses.

Monthly Report on Stock Verification

13.07 A monthly report on the progress of stock verification will be sent by the unit accounts department to the corporate accounts department detailing the number of items held in stock, number verified during the month, progressive total, variances and value of variances. Both during the month and cumulative.

Chapter 14

DISPOSAL OF SURPLUS/REDUNDANT MATERIALS

Nature of Material

- 14.01 The material to be disposed of may be obsolete, assets expired its life, second hand or scrap. No material will be disposed of unless it has been examined by Survey Committee and the disposal action has been approved by the competent authority.
- 14.02 Survey Committee at Unit level: The committee at unit level is consisting of each one Executive from (1) Maintenance Department/Operation Department, (2) Materials Department and (3) Finance Department. The Committee will scrutinize the disposable items at unit and provide the details such as assets unit number/serial number, status of the equipment/sub-assemblies, serviceable parts of the asset, non-serviceable parts of asset and realizable value of the assets excluding the serviceable parts. With the Committee recommendations Unit Head will forward the proposal to C.O. for further recommendation.
- 14.03 Survey Off recommendations Committee at Corporate office: The Committee at Corporate office is consisting Head of the Department of (1) Materials, (2) Operation & Maintenance, (3) Finance and (4) Unit Head of respective Unit. The Committee will be scrutinized the proposed assets of units and work out the details such as life of the asset, number of hours worked, whether repairing is economical or not, condition of the asset, book value of the asset, usable sub-assemblies of the asset and the realizable value of the asset. After recommendations of the Committee, the proposal will be forwarded to Finance for concurrence and approval before put up to Board for survey off the asset.
- 14.04 Reserve Price Fixing Committee: After the Board has approved for survey off the assets, the committee (Reserve price fixing committee) consisting of one each Executive from (1) Operation Department/Maintenance Department (2) Finance Department and (3) Materials Department shall examine the surveyed off assets/ and fix the reserve price of assets i.e. the lowest price at which the assets are to be sold. This reserve price duly recommended by the committee is to be concurred by finance and approval of the Competent Authority.

Method of Disposal

14.05 For purpose of disposal suitable lots will be formed of the items to be disposed of. It will be ensured that in the formation of such lots, new, second hand and scrap materials do not get mixed up as the price that can be secured for the three types of materials will be different.

Disposal of stores will be either by call of tender or through auction. However, as far as possible, material will be disposed off by action. Generally, auction sales are preferred because on the spot decisions are taken regarding sale and earnest money is collected on the spot. Where, however, it is found that the bidders in the auction have formed a ring as a result of which or where due to other reasons, proper rates are not forthcoming, tender sales may be restored to.

The help of MSTC can be obtained as service provider to carryout the e-auctioning until such time the required facilities are developed in house.

Conditions of Auction / Tender

14.06 Both in respect of call of tenders/auction, standard conditions will be prescribed.

Some important stipulations are:

- (i) The successful bidder in the auction will have to deposit a sum of 10 per cent of his bid at the fall of hammer. In the case of sale by tenderer, the tenderer will be required to send 10 percent of his bid as earnest money along with his tender.
- (ii) A time schedule will be laid down for payment of balance money.
- (iii) The store will be sold on "as is where is" basis and the bidder/tenderer is expected to examine the lot fully.
- (iv) The quantity given in the auction schedule/tender is approximate. Delivery will be given only to the extent of material found in lot.
- (v) No sorting of material will be allowed.
- (vi) The Company will be reserve the right to withdraw any lot from the sale.
- (vii) The successful bidder/tenderer will take delivery in accordance with the stipulated delivery schedule.

(viii) In the event of successful bidder/tenderer not lifting the material within the time stipulated or the extended time the sale will be cancelled and any amount deposited by him by way of earnest money or sale price will be forfeited.

14.07 The successful bidder/tenderer will be required to deposit the balance amount with the accounts department before delivery of the material can be given. Delivery of sold material will be given in the presence of a representative of the finance department.

14.08 The store department will maintain a register in which all sales through tender or auction will be listed. Progress of deliveries will also be noted in the register.

Chapter 15

WORKS CONTRACTS

Nature of Work Contracts

15.0 Work contracts will be for getting following jobs.

- (i) Construction of buildings, fabrication / erection of equipments etc.
- (ii) Repairs and maintenance of any kind.
- (iii) Hiring of services.
- (iv) Providing module of equipment/equipment on rent.

The contracts for hiring of services & equipment on rent are dealt in the following chapter separately and the other contents/details mentioned at point Nos. 15.07 to 15.16 of chapter 15 will also be applicable in this case.

15.01 Work contracts will either be for construction of building, fabrications/ erection of equipments/plant installation etc. or for repairs and maintenance including special repairs. A special repair is that, repair to equipment whose estimated cost is more than Rs. 15 lakhs.

Capital Budget Provision

15.02 Following will be checked in the material department before inviting tenders capital works/special repairs. for

- (a) Whether there is provision for the capital work/special repair in the approved capital/special repairs budget.
- (b) Whether approval of the competent authority has been obtained to the capital work/special repairs after detailed examinations of the need and costs/benefits.
- (c) Whether detailed estimates of the capital work/special repairs have been prepared and approved by the competent authority.

Approved List of Contactors

15.03 Construction of Buildings / Fabrication / Erections: Limited tender enquiries will be issued to those enlisted with FSNL or with the steel plant where the unit is situated for the above requirements. However if the estimated value of the construction is more than 25 lakhs, open tendering is recommended.

All requirements will be processed through two part tendering only as per the procedures laid down earlier in material supply. Processing through tender committee's recommendation is essential for placement or order.

The procedure of registration of contracts for capital works/special repairs will be generally be similar to that for registration of suppliers. In their case, applicant contactors for registration will have to furnish authentic proof of their:

- (a) Capacity to undertake works of different valued and types.
- (b) Financial status.
- (c) Equipments and other resource besides the income tax clearance and other certificates.

The list drawn up of the contractors to be approved will be scrutunised and finalized by the committee consisting of representatives of purchases, operations / maintenance and finance department . The list of approved contractors will be kept up to date by deletions/additions with the sanction of the competent authority.

Raising of Indents

15.04 The procedure prescribed for capital purchases will generally be followed in these cases as well.

- (i) Construction / Fabrication / Erection : The procedure prescribed for capital purchases will generally be followed. Estimate of cost is to be enclosed with the indent.
- (ii) Repair & Maint. : The procedure followed for procurement of materials for Stores will be generally followed. Estimate of cost is to be enclosed.

Repair & Maintenance :

Procedure for Repair & Maintenance Jobs:

- 15.05 Whenever a proposal is made for getting outside help for repair of any component/sub-assembly, the indenter has to prepare the indent along with justification as to why the repair cannot be done departmentally, prepare estimation of repair cost and put up to Unit Head for approval.

Unit Head after studying the justification will give approval for sending the component for outside repair if the estimated cost is below Rs.15,000/-

If the estimated cost is more than Rs.15,000/-, the proposal will be sent to Corporate Maintenance Head for administrative approval. This proposal will contain the information regarding earlier repair and the life obtained against the repair in approximate number of hours of operation.

On obtaining administrative approval, the item will be sent to outside agency for repair after following codal formalities.

In case the cost obtained for repair is more than Rs.15,000/- but the item was sent for repair with the Unit Head's approval, the reasons for such variation in the cost obtained from departmental estimation is to be recorded and the unit may place the work order up to variation of 20% of estimated cost. If it is more than 20% of the estimated cost, it should be sent to Corporate Maintenance Head for administrative approval with detailed justification.

Once the material is sent for repair estimate with administrative approval from Corporate Office, further administrative approval from Corporate office after obtaining the quotation from the repairer is not required. If the cost of repair is beyond Unit Head's delegation of power, the proposal should be sent to Corporate Office for approval. In case it is within the Unit Head's delegation of power, order should be released from unit. However, the cost of repair should be intimated to Maintenance Head at Corporate office for record.

For all the repairs done through outside agencies, the details of job, work order number and cost of repair should be sent to Corporate Maintenance Head to reach on or before 10th of every month for record.

Limited tender enquires will be issued to those enlisted with FSNL or with steel plant.

Processing of the Requirements :

For (i) and (ii) processing will be initiated after verifying whether administrative approval of the competent authority is available.

15.06 Tenders

Open tenders will be invited in all case (except proprietary cases) involving the award work exceeding Rs 25 lakhs. Limited tenders will be invited for works estimated to cost less than Rs. 25 lakhs , from the contractors on the approved list the period of notice given to the tenderers will not be less than one month except in the case of minor works were local contractors only would be interested.

Were for works of more than Rs. 25 lakhs, limited tenders are resorted to due to urgency or any other reasons, the reasons for resorting to limited tender preference to open tender will be recorded by the officer authorised under the delegation of powers.

At least five sources among the most likely suitable tenderer will be addressed and where the number of addresses is less than three, approval of the unit head/managing director will be obtained

Single tender will be invited only in case were the value of work does not exceed Rs. 25,000/-. The competent authority will record the reasons for single tender where the estimated value exceeds Rs 25,000/-.

Processing Tenders

15.07 The system and procedure of processing the tenders including consideration of delayed/late tenders and preparation of comparative statement and negotiations for purchases, will be followed in the case of works tenders as well. The comparative statement prepared for works tenders will include free issue of material to the contractors, free supply of services like power and water and monetary effect of any special condition included by contractors in their tenders.

Single Response

15.08 The single response against an open tender will be accepted after examination and establishing the reasonableness of the rate. A single response against a limited tender will, however, not be accepted and the work will be retendered. Where for special reasons which should be only in exceptional cases, a single response against a limited tender is accepted approval of an officer next higher to the one who is authorize to award the work, will be obtained.

Earnest Money

15.09 Earnest money up to 2 percent of the estimated cost subject to a maximum of Rs 20,000/- is to obtained from tenderers for all cases relating to construction of building, mechanical repairs, fabrication and erection, bought out services and hiring of equipments and where this condition is waived, approval of the competent authority will be obtained.

The SSI Units registered with NSIC under its single point registration scheme or with the Directorate of Industries of the State Government are exempted from payment of earnest money. The claim of a firm shall be considered for exemption from submission of E.M.D. only on production of their valid registration certificate.

Earnest money will be forfeited if the contractor revokes his tender within the stipulated period after opening the tender or increases his earlier quoted rate or he does not commence the work after it is awarded to him.

Schedule of Rates and Detailed Estimate

15.10 Detailed estimates will be prepared for all contracts for major and minor works or repairs/maintenance based on schedule of rates.

Annual Maintenance Contracts

15.11 Annual maintenance contracts may be entered into as far as possible on the basis of open or limited tender and more than one such contract may be entered into covering different units.

Issue of materials

15.12 Where the works contract provides for supply of materials by the company either free of charge or on charge, the responsibility of drawal of materials from the stores, handing over to the contractor, keeping quantity control and preparing a reconciliation statement of issues to the contractor, quantities used in the works and the balance with the contractor will be that of the indenting department.

Regularization of Excess Over Estimate

15.13 The expenditure on a particular work/special repair will invariably be kept within the budget provision and sanction estimate. Where the budget/sanction estimate is exceeded, approval of the competent authority as per the delegations of power will be obtained.

Approval of MD/ Board will be obtained for the following:

- (a) Re-appropriation of fund provided in the approved budget.
- (b) Expenditure in excess of lump sum provision made in the budget for minor/revenue charged items.

Extension of Time

15.14 Approval of the Managing Director/Unit Head or such other competent authority to whom the power is delegated, will be obtained for extension of time in respect of all contractors including single tenders and justification for the same will be recorded in every case.

Financial Concurrence

15.15 All case of estimates and award of contracts will be sent to the finance department for concurrence as per the delegation of power before the sanction of the competent authority is obtained.

Contractors Bills

15.16 All bills of the contractors for the capital works/special repairs will be received and are processed in the corporate finance department.

The contractors bills will be supported with:

- (i) Certificate measurement/certificate of work done.
- (ii) Certificate statements of materials issued (wherever provided in the contracts), consumed, returned and recoverable.
- (iii) Certified statements of service provided to the contractors.

The final bills supported by a 'No claim certificate' from the contractors

Completion Report

15.17 The indenting department prepare a completion report on completion of the capital work/special repair. Among others, the report will show the actual expenditure on the job and compare it with the approved estimates. The variances, both excesses/ shortages, will be explained.

The completion report will be examined and vetted in the finance department before being submitted to the competent authority for acceptance.

CHAPTER – 16**CONTRACTS FOR HIRING OF SERVICES/MODULE OF EQUIPMENTS AND EQUIPMENT
ON RENT FOR CARRYING OUT VARIOUS OPERATIONAL/MAINTENANCE JOBS.**

16.01 Prequalification open tenders shall be issued once in three years for enlistment of contractors for execution of operational jobs by hiring of services/module of equipments/equipments on rent and panel of enlisted contractors shall be made.

Selection of the contractors from pre-qualification tender shall be based on the following parameters:

- a. Equipment owned by the contractors and in running condition.
- b. Experience in recovery, processing and handling of Iron & Steel Scrap and Slag.
- c. Satisfactory performance certificate of similar nature of jobs.
- d. Financial status of the contractors.
- e. Registration with SAIL/CPWD/other PSU's.
- f. Turnover of the contractors.
- g. Income Tax clearance for last 3 years
- h. Solvency certificate.
- i. Details of equipments, their ownership, year of manufacturing, registration documents and lease agreement etc.

16.02 Unit shall send indent, along with scope of work and justification for hiring of services/module of equipments.

16.03 Operational Committee at Corporate Office shall peruse the indent and verifies justification provided by the unit and thereafter recommends for hiring of services/module of equipments.

16.04 Limited tender shall be sent to enlisted contractors, as listed at 16.01.

16.05 Tender Committee at Corporate Office shall recommend price bid opening on acceptance of techno-commercial bid.

- 16.06 Tender Committee shall compare the lowest rate obtained against Limited tender with departmental estimate if it is a new job or with pervious rate if it is a running contract and gives recommendation on reasonability of rate and economic viability.
- 16.07 Tender committee shall peruse the proposal and recommend placement of order, if the lowest rate is found reasonable and proposal is found economically viable.
- 16.08 Finance shall concur the proposal after assessing the budget provisions.
- 16.09 Approval of the competent authority shall be obtained before placement of the order.

Annexure – I

The various committees constituted and elaborated their functions in the manual are as below:

1. MATERIALS PLANNING CELL AT UNITS.

Members of the Committee and their functions are described under the points 2.05 & 2.05.01 of Chapter-2.

2. TENDER COMMITTEE AT CORPORATE OFFICE.

Members of the committee and their functions are elaborated under the point No. 2.5.02 of Chapter-2 and 7.16.1 of Chapter 7.

3. STANDARDISATION COMMITTEE

Members of the committee and their functions are elaborated under the point 3.08 of Chapter-3.

4. TENDER OPENING COMMITTEE

Members of the committee and their functions are elaborated under the point 7.11 of Chapter-7.

5. Negotiation Committee.

Members of the committee and their functions are elaborated under point 7.17 of Chapter – 7.

6. SURVEY COMMITTEE AT UNIT LEVEL

Members of the committee and their functions are elaborated under the point 14.02 of Chapter -14.

7. SURVEY OFF RECOMMENDATION COMMITTEE AT CO

Members of the committee and their functions are elaborated under the point 3.10 of Chapter -3 and 14.03 of Chapter-14.

8. RESERVE PRICE FIXING COMMITTEE

Members of the committee and their functions are elaborated under the point 14.04 of Chapter-14.