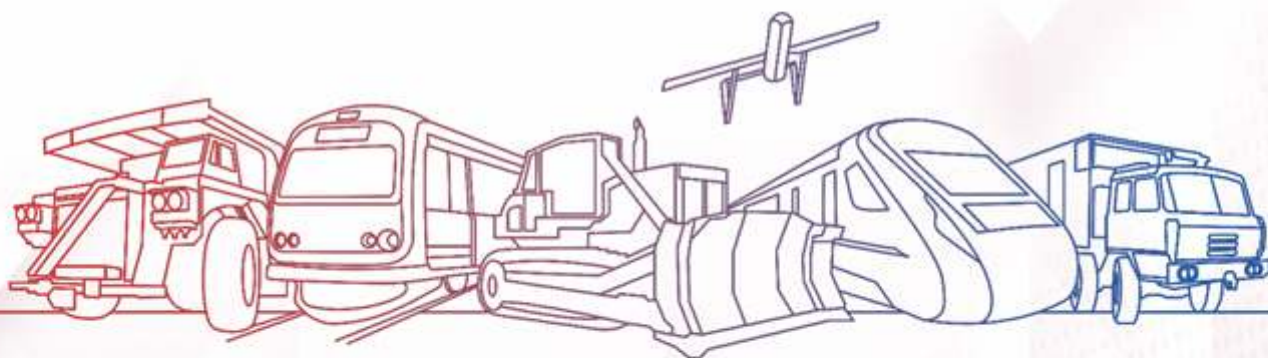




PURCHASE MANUAL





PURCHASE MANUAL

BEML LIMITED

Corporate Office: "BEML Soudha"

No: 23/1, 4th Main Road, Sampangiram Nagar, BANGALORE – 560027

PREFACE

The Purchase Manual broadly deals with the objectives and functions of Purchase department and the procedure to be followed for procurement of materials consistent with the policy laid down by the Management. This replaces the Purchase manual issued on 27.10.2023 and subsequent amendments issued from time to time.

The Purchase Manual is prepared duly aligning with the General Financial Rules (GFR), DoE Procurement Manuals (For Goods, Services & Works), Defence Procurement Manuals (DPM), various Government Circulars, Office Memorandums, CVC Guidelines, and Systemic Improvements in procurement processes.

Regulations and directives issued by various Ministries of Central and State Governments, Central Vigilance Commission or any other statutory bodies that have a bearing on Purchase activities have been incorporated. Any new regulations and directives that may be issued by the concerned authorities in future shall be complied and incorporated in the purchase manual as per laid down procedure.

New chapters added in the Purchase Manual includes Pre-bid / Pre-Award Tie-up, Promoting Self-Reliance through Innovation & Indigenization and Capex Procurement.

The Purchase Manual is intended to serve as a guide to all Executives & Non-Executives deployed in discharging the Purchase functions. While adhering to the practices and procedures laid down, the officers and staffs concerned are required to update the manual continually by incorporating the instructions and guidelines that may be issued by the Management subsequent to the publication of this manual. This purchase manual was approved by Board in its 419th meeting held on 07.04.2026.

I am confident that this Purchase Manual will serve as an important tool in enhancing operational excellence, transparency, and organizational governance ensuring that the commercial and financial interests of the Company are taken care.

Bangalore.
Edition: 2026


SHANTANU ROY
Chairman & Managing Director

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ABBREVIATION

AVL	Approved Vendors List
AWB	Air Way Bill
B/L	Bill of Lading
BDC	BEML Ltd Functional Directors Committee
BEE	Bureau of Energy Efficiency
BG	Bank Guarantee
BI	Bid Invitation
BoM	Bill of Materials
BOQ	Bill of Quantity
C&F	Cost and Freight
CAPEX	Capital Expenditures
CAR	Capital Appropriation Request
CBEC	Central Board of Excise & Customs
CBG	Combined Bank Guarantee
CBP	Consumption Based Planning
CCA	Controller of Certifying Authorities
CFD	Committee of Functional Directors
CIF	Cost, Insurance & Freight
CIC	Capital Investment Committee
CII	Confederation of Indian Industry CNC Commercial Negotiation Committee
DPR	Detailed Project Report
CPPP	Central Public Procurement Portal
CPWD	Central Public Works Department
CQA	Certified Quality Auditor
CRS	Central Registry Section
CTC	Construction Tender Committee
CVC	Central Vigilance Commission

CVD	Counter Vailing Duty
CVO	Chief Vigilance Officer
DGS&D	Directorate General of Supplies and Disposals.
DMRC	Delhi Metro Rail Corporation
DTC	Divisional Technical Committee
SDoP	Sub-Delegation of Powers
DPSU	Defence Public Sector Undertakings
DRDO	Defence Research and Development Organisation
EA	Economic Advisory
ECS	Electronic Clearance service
EDI	Electronic Data Interchange
EMC	Expenditure Management Committee
EMD	Earnest Money Deposit
EoI	Expression of Interest
eRA	e-Reverse Auction
ERP	Enterprise Resource Planning
ERV	Exchange Rate Variation
ESI	Employees State Insurance
E-Tender	Electronic Tender
FAS	Free Alongside Ship
FICCI	Federation of Indian Chambers of Commerce & Industry
FOREX	Foreign Exchange
FOT	Free on Truck
GCC	General Conditions of Contract
GeM	Government E-marketplace
GePNIC	Government e-Procurement System of NIC
GFR	General Financial Rules
GRN	Goods Receipt Note
GST	Goods and Services Tax
GTC	General Terms & Conditions
HSS	High Sea Sales
IC	Indigenization Committee
ICC	Innovation Indigenisation Committee
ICC(A)	Institute Cargo Clauses
ICF	Integral Coach Factory
IED	Industrial Engineering Department
IEEMA	Indian Electrical and Electronics Manufacturers Association
IEM	Independent External Monitors
IGM	Import General Manifest
IOQ	Initial Order Quantity
IP	Integrity Pact
ISRO	Indian Space Research Organisation
LC	Letter of Credit
LD	Liquidated Damages
LOI	Letter of Intent
LPP	Last Purchase Prices
LTC	Long Term Contract
MB	Measurement Book

MES	Military Engineering Services
MoD	Ministry of Defence
MoQ	Minimum Order Quantity
MoU	Memorandum of Understanding
MPC	Material Purchase Committee
MPCRA	Material Purchase Cum Receipt Advice
MRP	Material Requisition Planning
MSES	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
NIT	Notice Inviting Tenders
NT	Non-Tendered
OEM	Original Equipment Manufactures
OFB	Ordnance Factories Board
OPEX	Operating Expenses
PBG	Performance Bank Guarantee
PBTA	Pre-Bid Tie-Up Agreement
PC	Procurement Committee
PCIP	Pre-Contract Integrity Pact
PDO	Parts Disposition Order
PF	Provident Fund
PO	Purchase Order
PR	Purchase Requisition
PRC	Plant Rehabilitation Committee
PWD	Public Works Department
QC	Qualifying Criteria
R&D	Research and Development
RAR	Running Account Remittance
RBI	Reserve Bank of India
RDSO	Research Designs and Standard Organisations
RFP	Request for Proposal
RFQ	Request for Quotation
SBC	Safe Bearing Capacity
SCC	Special Conditions of Contract
SMH	Standard Man Hours
SMV	Small Value Items
SSR	Standard Schedule of Rates
STO	Stock Transfer Order
TOT	Transfer of Technology
VC	Vendor Code

CHAPTER - 1 INTRODUCTION

1.1 ABOUT PURCHASES IN BEML:

The Purchase functions in BEML are decentralized and each SBU is responsible for procurement of its requirements. The head of the Purchase Department is directly accountable for efficient discharge of functions, duties and responsibilities. He is assisted by a team of executives and non-executives for carrying out the purchase functions.

1.2 OBJECTIVES OF PURCHASE DEPARTMENT:

The primary objectives are the procurements of required materials and services at the right price, high inventory turnover, low procurement cost, storage cost, continuity of supply, prevention of stock outs, consistency in quality and from right supplier with good supplier relations.

- a. The materials management encompasses within its sphere the two related functions of Purchasing and inventory control in coordination with Planning.
- b. The objectives are listed as under:
 - i. To ensure uninterrupted flow of materials/services of required quality and quantity for production/ services at right time.
 - ii. To ensure that the items purchased are economical, taking into account their quality, durability and efficiency.
 - iii. To procure the materials required at the best price keeping abreast of price trends and market conditions at the right time.
 - iv. To keep the investment in inventory at the minimum possible in coordination with Planning.
 - v. To ensure continuous search for alternate/additional sources of supply.
 - vi. To promote and develop indigenous sources of supplies wherever possible and to minimize reliance on imports in coordination with R&D and Planning.
 - vii. To strive for cordial, enduring and beneficial business relationship with the suppliers and ensure fair, transparent and equitable transactions.
 - viii. To ensure transparency in purchase functioning.

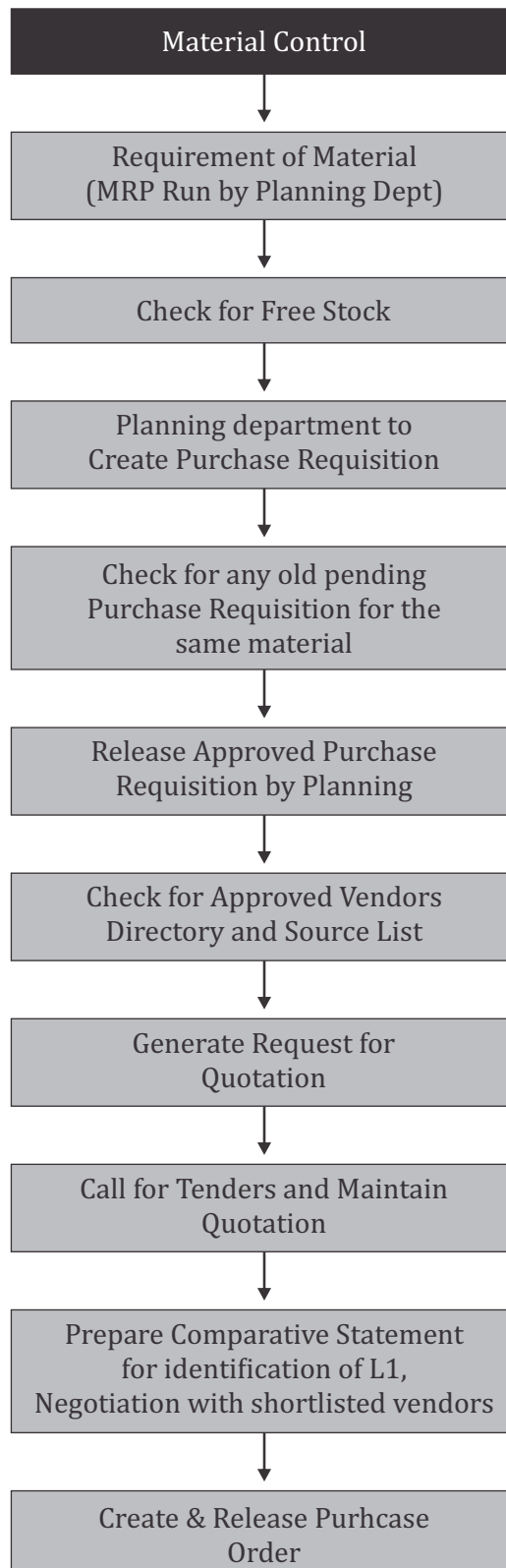
KEY CONSIDERATION IN MATERIAL MANAGEMENT



1.3 FUNCTIONS OF PURCHASE DEPARTMENT:

- a. Identification and selection of suitable sources of supply including promotion and development of potential sources.
- b. Effectively utilize the input from Cost Estimates and/ or analyze purchase history using ERP T-Codes "ME1P - Purchase Order History" and "ZMLPP - Last Purchase Price" before accepting the price.
- c. Wherever tenders are published other than through online GePNIC (Government e-Procurement System of NIC), ensuring that the bids and prices are keyed into ERP system and analyzing same using ERP T-Code "ME49 - Quotation Comparison"/ E-Procurement, ensuring fair opportunity to Bidders/ Suppliers.
- d. Conducting techno-commercial discussion with L-1 regarding technical specification in two bid system, prices, delivery schedule and terms of payment wherever it is absolutely necessary with L1 after obtaining approval of competent Authority.
- e. Comparing the prices, delivery term, terms of payment etc., with orders placed by other SBUs, so as to ensure uniformity in procurement to the advantage of BEML Ltd.
- f. Issue of Purchase Orders using ERP T-Code "ME21N - Create Purchase Order", follow-up for supplies and periodical review for Completion of Purchase Orders.
- g. To assist in standardization of material, supplies and equipment in coordination with Planning & R&D.
- h. To co-ordinate and assist in payment of suppliers bills and recovery of dues in coordination with Finance from suppliers, if any.
- i. Market research for improved products and alternate sources in coordination with Planning and R&D.
- j. To keep updated of Government regulations in regard to purchases and taxes and levies thereon.
- k. Co-ordination and exchange of information between SBUs to ensure that normally there is no variation in prices and other terms and conditions, for items procured across SBUs such as castings, electrodes, CO2 wire, paints, similar machine tools, tyres, transmissions, Hydraulic aggregates, batteries etc.

PURCHASE PROCESS



Note: The Purchase Manual is in accordance with the prevailing SDoP. Matters not specifically covered in the Purchase Manual and where a doubt arises as to the interpretation of any of the provisions of the Manual, the same shall be referred to Head-Corporate Materials for clarification and approval of CMD wherever required. Also, suggestion for changes / improvement of Purchase Manual if any shall be forwarded to Head-Corporate Materials.

CHAPTER – 2 DEFINITIONS AND BRIEF PROCESS

2.1 PURCHASE REQUISITION (PR):

PR is the basic document required by Purchase Department for initiating procurement action.

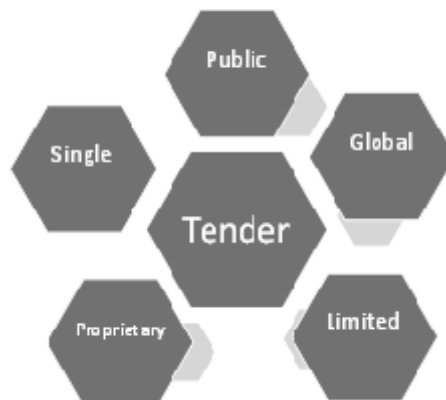
- a. The PR is raised by the Planning Department for project items and user departments for non-project items furnishing inter-alia, the following details of
 - i. Material Number / specification
 - ii. Quantity
 - iii. Delivery
 - iv. Valuation Price
- b. The quantity and the delivery schedule shall be suitably linked to the production/ provisioning programme, taking into account of stock available, pending orders and the lead time for procurement which is taken care by MRP run in ERP system.
- c. The PR shall be generated through ERP and submitted for consideration of respective Inventory Committee and approved by Competent Authority.

2.2 TENDER:

Tender system is adopted to procure materials/ services at competitive rates with wider participation, conforming to ethics of tendering.

2.3 TYPES OF TENDERS :

Different types of tenders are shown under in the diagram:



a. Public Tender :

Public Tender which is also known as Open Tender, shall refer to calling for quotations by advertising Tender Enquiry in GeM Portal.

In case of non-availability of items such as Medicines, Works Contract, etc., in GeM Portal, tender to be published in BEML designated GePNIC and the same to be advertised in Central Public Procurement Portal (CPPP) and BEML Website mandatorily. If the tender value exceeds Rs 1.00 crore (one crore) it shall be published in Indian Trade Journal for non-GeM Tenders.

b. Global Tender:

Global Tender shall refer to calling for quotations from Indian and foreign suppliers by advertising Tender Enquiry in Central Public Procurement Portal (CPPP) & BEML website mandatorily. Further it is required to be published in Indian Trade Journal, and quote to be obtained either in manual mode or in BEML designated GePNIC.

c. Limited Tender:

Limited Tender Enquiry (LTE) is a restricted competition procurement, where a preselected panel of vendors (on the list of registered suppliers for the subject matter of procurement) are directly approached for bidding for goods and services. Bids from uninvited bidders are treated as unsolicited.

Project items procured from Approved Vendor List (AVL) sources shall come under this category.

d. Single Tender:

Single Tender shall refer to the cases where tender enquiry is forwarded to only one supplier/vendor.

i. The Single Tender is to be resorted to only under following circumstances such as:

- Procurement from Collaborator, Licensor, Transfer of Technology (ToT) partner or Customer nominated vendor/ sources.
- Procurement for meeting natural calamities and emergencies.
- No bids received against repeated tenders.
- Technically there is only one supplier who can meet BEML requirements.
- The quantity required cannot be shared for more than one source.
- Development charges are very high and not economical for development of additional source.
- Only one known developed source for the item.
- In the case of an existing or prospective emergency relating to operational or technical requirements to be certified by the indenter, the required goods are necessary to be purchased from a particular source, subject to the reason for such decision being recorded and approval of the competent authority obtained. As per DOE-Manual- Procurement of Goods (4.11 Single Tender Enquiry (STE) without a Proprietary Certificate).

ii. Efforts made to develop alternate source to be brought out in the proposal.

e. Proprietary Tender:

Procurement of items recommended/adopted by R&D / Design Department for Project items and Original Equipment Manufacturers (OEM)/ OEM Authorised Dealers like spares for machine tools / cutting tools as duly certified by User department is classified under this category.

A competent officer level of Grade VIII and above (i.e. GM) shall certify as per **Annexure - F** that the items recommended for procurement are proprietary in nature.

f. Buyer Nominated Tender:

This includes items which are recommended / nominated by customer. These items may be proprietary in nature. When customer nominates a single source, then single / limited tender to be issued.

In case, customer nominates more than one source, then limited tender to be issued.

g. E – Tender:

The above mentioned 6 types of tenders have to be resorted through E-Tender i.e. tendering through GeM / BEML designated GePNIC.

h. Manual Tender:

Manual tender is the NIT sent through manual mode. In exceptional cases where e-tender is not possible, manual tender may be resorted due to certain practical difficulties with the approval of SBU/ Division/ Complex Head.

- **Refer Annexure D for Terms and Conditions of tender.**

2.4 OFFER:

- An offer is the response from a bidder to a Tender Enquiry.
- An offer is considered to be valid if it is not a late / regret / unsolicited offer.
- It refers to the submission of quotation by a Firm in the form of price for supplying the item as per the required specification and quantity or for a service to be rendered in response to an enquiry along with commercial terms.

2.5 THE QUOTATIONS SUBMITTED BY BIDDERS MAY BE CLASSIFIED AS UNDER:



a. Single Offer:

Single offer refers to any tender finalized on the basis of technically accepted single offer received against limited tender/Public tender. A tender finalized on the basis of technically accepted single offer received against Limited tender shall be treated as single tender for the acceptance of tender as per SDoP.

b. Valid Offer:

Valid offer refers to regular offer received in time against a tender enquiry.

c. Regret Offer:

Regret offer refers to 'Nil' quotation from the Bidder indicating that the Bidder is not interested in the Tender Enquiry.

d. Unsolicited Offer:

Unsolicited Offer shall refer to submission/receipt of quotation from a supplier who has not been contacted/to whom no enquiry was sent, in a limited tender. However, an offer received in time from the authorized agent or a sister concern on behalf of the manufacturer contacted in a tender enquiry can be treated as a solicited offer, provided it could be established that the enquiry sent to the manufacturer was passed on to his authorized agent/dealer of sister concern by the manufacturer for submitting quotation. In the case of public tenders, all the bids will be considered as solicited offers offer.

e. Late Offer:

In the case of advertised tender enquiry or limited tender enquiry, late bids (i.e. bids received after the specified date and time for receipt of bids) shall not be considered. (GFR 165 & 202).

Late offers received shall be returned back to the bidder unopened in case of manual tender with reasons in writing. This fact shall clearly be brought out in NIT.

2.6 PURCHASE ORDER:

Purchase Order is a legally enforceable Contract placed on a supplier with mutually agreed price, terms and conditions on acceptance of the valid offer for supply of the items/ services stated therein. All the purchase orders shall be issued only through ERP & GeM Portal wherever applicable.

GeM contract reference shall be brought in ERP Purchase orders enabling Stores department to make CRAC in GeM portal for the materials received and accepted. FLM approval reference numbers must be brought in all ERP Purchase orders.

For General Terms & Conditions forming part of Indigenous Purchase Orders refer **Annexure E**.

2.7 COMPETENT AUTHORITY:

Competent Authority shall refer to the Authority competent to sanction / approve Purchase Orders up to prescribed value in terms of monetary limits given in SDoP. The landed cost of Purchase Order shall be considered as the value for deciding the Authority competent to approve the proposals including subcontracting/ outsourcing proposals.

2.8 EMERGENT / EXPRESS –PR:

Emergent/Express PR shall refer to initiating the Purchase Requisition (PR) by the indenting department for urgent procurement action by the Purchase Department by obtaining quotation/s and approved by the Competent Authority as per SDoP.

2.9 IMPORT LICENSE:

Import of items shall be in line with the Export and Import Policy of Government of India in vogue from time to time.

2.10 LETTER OF CREDIT (LC):

It is an authorization by a bank to a supplier to draw on it for funds, within a stated amount and time in payment for specified goods to be shipped. In other words, it is a letter issued by the bank in favour of the supplier authorizing him to draw bills up to a particular amount (usually the contract price) covering a specified shipment of goods and assuring payment against the delivery of the prescribed shipping documents. It covers not only imports but also inland supplies in specific cases. Efforts shall be made by Purchase Department to make suppliers accept unconfirmed Letter of credit. In case of acceptance of Inland LC less than 60 days credit, approval of PC is required.

2.11 CAPITAL ITEM:

An item is said to be of capital in nature when there is enduring benefit spread over a longer period. It relates to addition to the fixed assets of BEML. It is in the form of acquisition of a new asset duly covered either in the capital budget or through SDoP.

2.12 LOCAL / BAZAAR PURCHASE:

This refers to purchases made on the basis of hand quotations obtained by the representatives from Purchase, User and Finance Department. Purchases of materials not exceeding Rs.5,000/- per case will come under this category. However, such Local Bazaar purchases not to exceed Rs.2 Lakhs per annum per Division SBU / Common Purchase. Approving authority shall keep control on the limit.

2.13 LONG TERM CONTRACT:

Long Term Contract is generally entered into with renowned and reputed suppliers for critical items of materials of high quality standards and also for items involving repetitive purchases.

a. The items covered under long term contract are:

- i. Castings, Forgings
- ii. Cutting Tools
- iii. Electrodes
- iv. Hardware items
- v. Radiators
- vi. Oils & Lubricants
- vii. Diesel/ Petrol
- viii. Non-project items such as Medicines, canteen items, etc.,
- ix. Service contracts including Transport contracts, Customs clearing & forwarding, etc.

b. The advantages of the long term contract are:

- i. Supplier is assured of expected volume of business and hence can offer better prices.
 - ii. The company is assured of continuous supply as per requirement.
 - iii. Assurance of sustained quality supplies.
 - iv. Effective controls on inventory build up.
 - v. Purchasing cost is kept low.
- c. Except in case of purchase of production items from already approved/ proprietary/ Developed sources and where License Agreements/ Long Term Contracts are in force, Rate / Running Contracts or other long supply agreements should be entered with reliable and established sources of supply after obtaining competitive offers through Open Tender/limited tender as per SDoP.
- d. Rates are finalized for a period not more than 5 years at a time (As per DPM Vol-1 - Clause 8.3).
- e. In order to ensure systematic integration of Micro, Small & Medium Enterprises (MSMEs) as long term partners, Long Term Contract (LTC) can be entered with MSMEs for recurring procurement requirements through a fair, transparent and competitive procurement process.

2.14 SUB-CONTRACT:

This refers to orders placed for machining, fabrication and/or for further processing like heat treatment, plating, shot blasting, etc., on materials supplied by BEML at Supplier's premises/ BEML premises (In-Sourcing).

2.15 SMALL VALUE ITEMS:

An item of material costing Rs.200/- or less per item excluding vital performance related items identified by Design & Development dept., is considered as Small Value Item (SMV). Annual budget shall be allocated for such SMV purchases. Purchase Order for Small value items exceeding Rs. 2 Lakh shall be approved as per SDoP.

2.16 LETTER OF INTENT (LOI):

Letter of intent is an authorization to the supplier for taking up production and supply of the item mentioned therein, subject to regularization by a Purchase Order and shall be issued with approval of Functional Director as per **Annexure - G**.

2.17 BANK GUARANTEE:

A bank guarantee is a promise from a bank that if a particular borrower/vendor defaults on a loan or promise the bank will cover the loss. Bank guarantees are to be submitted by the bidders in the form of earnest money deposit, performance bank guarantee etc. The required formats are available at **Format F3**.

PBG to be submitted preferably through online in e-mode through National e-Governance Services Limited (NeSL) portal. Manual BGs to be discouraged.

Bank Guarantees received from the supplier have to be forwarded to the Finance department with acknowledgement.

2.18 REPEAT ORDER:

If the supplies against the existing order are completed, repeat order to the maximum extent of 50% of original order qty., as per SDoP, without calling for fresh tender may be placed against previous order and also for proprietary items, within 12 months from the date of completion of original order quantity including amended quantity, provided there has been no downward trend in prices. No repeat order shall be placed when the original order was placed on the basis of higher prices for earlier delivery and also orders placed on single tender basis. Repeat order clause should be incorporated in NIT & Original Purchase orders.

2.19 DIVISIONAL TECHNICAL COMMITTEE (DTC):

The committee to be constituted at the division level headed by Planning Chief of SBU or Planning Chief of Common services or Head of Capex or Construction Dept Head (as applicable) with representatives from facility planning, manufacturing or maintenance (as applicable), finance, R&D (applicable for R&D items) or User dept, to finalize the specifications of capital item procurements of Plant & Machineries and Civil Works.

For Corporate Office capex requirement, committee shall be headed by Head-Corporate Planning and members consisting of representatives from user dept and corporate quality.

Capex requirements for Zonal/RO/DO shall be forwarded to SBU Head, who shall process the requirement as detailed above.

DTC to inform board on quarterly basis on any change in capex specification.

2.20 MATERIAL PURCHASE COMMITTEE:

The Constitution, terms of reference and the purchase proposals requiring reference to Material Purchase Committee are furnished in **Annexure-A**. In the case of Spare Parts procurement in Marketing / Sustenance, the order projection will take the place of PR and there is a separate Material Purchase Committee constituted. The Constitution, terms of reference and the purchase proposals requiring reference to Marketing Division Committee are furnished in **Annexure-B**.

Procurements made at Corporate Office, Zonal/RO/DO are also covered for MPC as per the guidelines in SDoP.

CHAPTER -3 SOURCE SELECTION & VENDOR ENLISTMENT

- 3.1**
- a. It is the primary responsibility of the Purchase Department to procure materials required of the right quantity and quality, at right time and price ensuring that the best value is obtained for the money spent. Generally, supplies lead time not to exceed two months requirement.
 - b. In order to keep down investment in inventory to the barest minimum, and the product cost under control, it is necessary to ensure that utmost economy is enforced right from the time of receiving Purchase Request for purchase by strictly following the procedure given in this Manual (Chapter 20).
 - c. The generally accepted method for procurement by tender system will be followed, viz., Public tender, Global Tender, Limited tender, Single tender, Proprietary tender through e-mode and Manual tender to be resorted to in exceptional cases with the approval of GM/CGM/ED.
 - d. Having regard to intricate and sophisticated nature of varied items required to manufacture equipment(s) of varied range and capacity for the core sector and the paucity of available sources to meet our requirements in required quantity and quality, the limited tender system will be followed for all production items. Limited tender is also resorted to prevent the drawings of Company getting into possession of spurious spare parts manufacturers. Limited tender / Tender through e-procurement /Manual Mode are also adopted for non- production items including capital items, which are mostly special purpose in nature. However, public tender system is also retained for availing at the discretion of the Purchase Department depending on the inadequacy of the established sources and the need for source development.
 - e. Where a relaxation is required from calling for limited tender the item being proprietary one or urgently required to be procured, on a single tender basis, the SDoP shall be followed for accepting the same as single tender.
- 3.2** In case of Limited Tender action for all items, it is essential that a scientific and systematic approach is made for achieving the goal of utmost economy in purchase and the procedure are given below.

a. Market Survey:

The Purchase Department shall organize registration of suppliers with a planned market survey for source selection.

For this purpose:

- i. The firms coming in contact with BEML and firms registered with other Government Organizations like RDSO, ICF, RCF etc., would be considered.
- ii. The Purchase department may also resort to conducting exhibition / displaying intricate components for attracting new sources of supply.
- iii. EOI to be published in BEML website / CPPP Portal for registration of suppliers for

a broad based approach to develop alternate potential sources.

- iv. New sources are tried out for performance with trial/ development orders. Based on the performance / quality / necessary approvals, new sources have to be included in the list of approved sources. It is imperative to ensure that more than one source is established for each item.

b. List of approved vendors sources for supply:

A list of approved sources of supply will be compiled and maintained category- wise called Approved Vendor List (AVL) by corporate quality.

- i. In the context of limited tender being adopted, it is relevant that care shall be exercised in categorizing the items in a meaningful way. The existing approved vendor list are classified individually under categories such as Fabrication, Machining, Assembly, Raw Materials, Castings, Forgings, Hardware, Electrical, Hydraulic Cylinders, Rubber items, Hoses, Sub-contract etc., and to send enquiries to all eligible approved vendors.
- ii. The vendors shall be assigned suitable vendor code, with their correct addresses and the items supplied by them to BEML. AVL shall be updated periodically incorporating the additions and deletions by Corporate Quality and maintained in ERP system.
- iii. A thorough scrutiny regarding financial soundness and technical capability of the vendor wherever considered necessary will be ensured for the suitability of the sources to cater to our requirements followed by a developmental order before deciding on the inclusion/retention of the firm in the list of approved sources.
- iv. A separate list of new sources will be maintained for considering them for developmental orders till their performance is assessed and taken to the list of approved sources.
- v. Centralised list of DPSU vendors for supply of safety / production consumable / non project items as circulated by MoD has also been uploaded in BEML website can also participate in the tender.
- vi. Vendors registered in other Defence PSUs will be considered as Deemed Registered.
- vii. The Deemed Registration will enable the vendors to participate in all future tenders of DPSUs for similar category of goods/services subject to fulfilment of other eligibility criteria indicated in the RFQ. However, prior to placing of order, in case the vendor is selected after following the due process/procedure, all the formalities relating to completion of regularisation of the Registration Process as per the extant procedure of this will have to be completed". The above formulation for "Deemed Registration of Vendors" may be made applicable for common commercial items /off the shelf items excluding project materials.

3.3 VENDOR EVALUATION FOR VENDOR RATING:

- a. Vendor Evaluation supports in procuring both materials and external services, by making use of data from ERP system and from quality management.

b. Benefits of Vendor Evaluation:

- i. Choose most appropriate vendor depending on the requirement
 - ii. Useful for effective negotiations with vendors
 - iii. Continuous monitoring of existing supply relationships.
 - iv. Ranking of vendors and blocking of vendors
- c. Vendor evaluation is done for vendor with respect to BEML specific Division/ all Divisions.**

d. Vendor Evaluation:

The vendor evaluation has to be done using ERP T-Code "ZQVENDMAT" - Maintain Vendor Evaluation".

- i. The evaluation is done based on quality of supplied items i.e. frequency of rejection and its percentage. The evaluation criteria process shall be done at regular intervals of one year.
- ii. The quality department of the Division will carry out vendor evaluation as per Quality Policy to record the score of the vendor performance and feedback is forwarded to Purchase for onward communication to vendor.
- iii. Vendor who is performing poorly (score < 70) for consecutively two periods, for the respective items procurement action for such vendors shall be suspended.

3.4 NUMBER OF VENDORS TO BE CONTACTED:

- a. As for the number of vendors to be contacted, it is difficult to strike a balance between commercial and technical considerations, particularly when the item to be procured is not a standard product. Nevertheless, the endeavour shall be to keep the tender enquiry as much broad-based as possible for obtaining competitive bids. The number of vendors to be contacted will be dependent on the value of purchase to match the efforts.
- b. Limited Tender enquiries are to be sent to all approved vendors as already notified. Open Tender to be issued in GeM with condition that only Indian Railway approved sources may participate in respect of Rail Business.
- c. The Source List for a particular material can be maintained in ERP using T-Code "ME01 - Maintain Source List". The approved list of vendors can be uploaded to ERP using the above T-code and selection of vendors can be done electronically. The selection of vendors will be from the list of approved sources with a stipulated minimum number of sources to be contacted based on the value of purchase enquiry slab wise as given below.

SELECTION OF VENDORS FROM APPROVED LIST

Value slab	Minimum number of sources to be contacted	Level of officer competent to approve without relaxation	Level of officer competent to waive / relaxation partially the no. of sources
Above Rs 10 lakhs	12 sources	Grade VI	Head-Materials
Above Rs 2 lakhs & up to Rs 10 lakhs	10 sources	Grade VI	Head-Materials
Above Rs 1 lakh & up to Rs 2 lakhs	8 sources	Grade VI	Head-Materials
Up to Rs 1 lakh	6 sources	Grade VI	Head-Materials

- The value of purchase enquiry refers to the estimated total value in the PR, and the relaxation/waiver refers to cases where the number of sources to be contacted falls short of the prescribed minimum, approval of the Authority indicated in column 3 /4 shall be obtained.
- While relaxing the stipulated minimum number of sources for the relevant slab, the reasons shall be recorded and got approved by the competent Authority.
- It is imperative that if the immediate previous supplier is ignored, the reasons for the same shall be recorded as a note in and get approved by the Authority indicated in column 3 / 4.
- If the enquiry is to be sent to only one source, necessary approval as required for single tender shall be obtained as per SDoP.

3.5 VENDOR REGISTRATION PROCEDURE FOR PROJECT ITEMS:

Vendors seeking registration for supply of specific products shall be required to submit their applications in duplicate in the prescribed form. The vendors can use online registration facility by visiting <https://onlinevr.bemlindia.in> as well.

The purchase department shall ensure that the supplier has registered himself with BEML for being eligible to supply various items to BEML.

- The procedure applicable for the Vendors who have established MANUFACTURING UNITS in India, for supply of Project items and off-loading activities (Project item means the Items/ Materials required for manufacturing of BEML Equipment):
- The interested vendors can contact the following any BEML nodal points to seek Vendor Registration formalities described in the subsequent pages.
 - Corporate Quality, BEML Limited, BEML Soudha, 23/1, 4th Main, SR Nagar, Bangalore – 560 027. Phone – 080-22963193 / 180; Email: bemlcq@bemlltd.in.

OR

Any one of the BEML Manufacturing Divisions - Functional Head R&D, Quality & Materials of respective SBUs / Corporate Purchase/ Vendor Development, offices as applicable. [Note - Prior appointment needs to be taken, before visit]

- c. Any Vendor under Manufacturing category and established unit in India, can approach above mentioned 'BEML' nodal contact points and appraise their Manufacturing capability and submit the duly filled formats including MSME / SISTER concerns declaration with the relevant certificates as applicable., etc., as given in the website - Vendor Registration (Application form), which can be downloaded.
- d. The Corporate Quality will allocate temporary vendor code as per Quality Policy based on communication from any 'BEML' manufacturing Division depending upon the requirement of the Items and Preliminary Assessment report.
- e. In the absence of any communication from 'BEML', Corporate Quality Department, within two months, it shall construe that 'BEML' do not have any requirement at present for additional sources in your field of operation.
- f. With this Temporary vendor code, vendors can participate in tenders under development activities of the division who has recommended.
- g. Within one year period, vendors need to successfully execute the development orders and establish delivery and quality of the supplied items as per the order.
- h. Vendors will be upgraded to Permanent registration status on Final Assessment by 'BEML' team at their premises for verification of manufacturing processes and quality assurance systems and after obtaining Management approval.
- i. After the allocation of Permanent Vendor code, the Vendors will be eligible to participate in Tenders of all the manufacturing divisions of 'BEML'
- j. The temporary VC Number will be blocked in our system if there is no business transaction during this one year period.

3.6 PROCEDURE FOR CUSTOMER CERTIFIED VENDORS (GOVERNMENT CERTIFIED ORGANIZATION RDSO, CQA, DRDO, ISRO, ICF, METRO RAIL CORPORATIONS ETC.):

On the requests along with relevant documents received from the Material department of respective SBUs, based on approved vendors list released by the above customer certified organisations and any relevant communications with respect to Vendors for particular items, the Corporate Quality allocates the Vendor codes insisting the vendors to submit the duly filled formats, as given in the web site - Vendor Registration (Application form), which can be downloaded.

GeM Portal vendors to be included in BEML vendor List where ever approval taken for procurement of Goods & Services.

3.7 PROCEDURE FOR TRADERS / STOCKISTS / DEALERS OF INDIGENOUS AND IMPORT ITEMS SUPPLIERS:

On the requests along with relevant documents received from the Material department of respective SBUs, based on production requirements and Principal Certificates of the Original Manufacturers, the Corporate Quality allocates the Vendor codes insisting the

vendors to submit the duly filled formats, as given in the web site - Vendor Registration (Application form), which can be downloaded.

3.8 PROCEDURE FOR OVERSEAS SUPPLIERS / COLLABORATORS AND REPUTED/ PROPRIETARY FIRMS:

- a. The Vendor codes for the above category of Suppliers are allocated by Corporate Quality based on communications from the SBU/ Divisions/ Marketing Head Quarters/ R&D/ Corporate Office with relevant profile documents.
- b. For Critical Functional Items like Welding Consumables, Paints, Oils, Lubricants, Filters, Hoses, Bearings etc., the Vendors need to submit TYPE APPROVAL Certificate for the particular Product issued by BEML R & D in addition to other formats, as given in the WEB site - Vendor Registration (Application form), which can be downloaded, for allocation of Vendor Codes.
- c. Registration of Vendors from a country which shares a land border with India will be governed by the Policies & guidelines issued by DPIIT elaborated in Chapter-33, subject to revisions/ amendments by DPIIT from time to time thereof.

(Amended with ref. to Chapter-1, Clauses: 1.7(iii).1 to 1.7(iii).14 @ Page-10 to Page-18 of DoE Manual For Procurement of Goods).

3.9 Following Formats, as given in the website - Vendor Registration (Application form), which can be downloaded, need to be Filled and Submitted in Hard Copies as appropriate by all the Firms along-with Company's Profile Brochures, if any.

- a. Vendor Quality Assurance Format (General and Technical details)
- b. MSME Status declaration and submission of relevant government issued certificates
- c. Sister Concern Details for Allocation of Multiple Vendor codes Format
- d. Terms and Conditions

3.10 REGISTRATION OF SUPPLIERS FOR NON-PROJECT ITEMS MAINTAINED BY CENTRAL PURCHASE ORGANISATION (e.g. GeM Registered Vendors):

- a. With a view to establishing reliable Sources for procurement of goods commonly required for Government use, the Central Purchase Organisation (e.g. GeM Registered Vendors) will prepare and maintain item-wise lists of eligible and capable suppliers. Such approved suppliers will be known as "Registered Suppliers". The Company may utilise these lists as and when necessary. Such registered suppliers are prima facie eligible for consideration for procurement of goods through Limited Tender Enquiry.

They are also ordinarily exempted from furnishing Bid Security along with their bids in line with MSME Act. Head of Department may also register suppliers of goods which are specifically required by that Department or Office, periodically. Registration of the supplier should be done following a fair, transparent and reasonable procedure and after giving due publicity.

- b. Credentials, manufacturing capability, quality control systems, past performance, aftersales service, financial background etc. of the supplier(s) should be carefully verified before registration.

- c. The supplier(s) will be registered for a fixed period (between 1 to 3 years) depending on the nature of the goods. At the end of this period, the registered supplier(s) willing to continue with registration are to apply afresh for renewal of registration. New supplier(s) may also be considered for registration at any time, provided they fulfill all the required conditions.
- d. Performance and conduct of every registered supplier is to be watched by the Company. The registered supplier(s) are liable to be removed from the list of approved suppliers if they fail to abide by the terms and conditions of the registration or fail to supply the goods on time or supply substandard goods or make any false declaration to any Government agency or for any ground which, in the opinion of the Company, is not in public interest.
- e. The list of registered suppliers for the subject matter of procurement be exhibited on the Central Public Procurement Portal and websites of the Procuring Entity/ e-Procurement/ portals. (In line with GRF 150).

CHAPTER 4 – PURCHASE REQUISITION (PR)

4.1 Purchase Requisition (PR) is the basic document required by Purchase Department for initiating procurement action.

- a. The PR is released by the Planning Department for project items and by User departments for non-project items furnishing inter-alia, the details of:
 - i. Material Number/services/ specification
 - ii. Description
 - iii. Quantity
 - iv. Delivery address
 - v. Target Cost / LPP / Estimated price based on Budgetary Quote(s).

When getting a Budgetary Quote for high value requirements, break-up details for the amount quoted against each scope of work to be obtained from the vendor.

Prices paid in emergent procurements shall not be considered for LPP for comparison in future procurement. (DoE 7.6.6.g).

- b. The procurement process shall start with Purchase Requisitions (PR) created in ERP system either through Material Requisition Planning (MRP) or, System generated PR using ERP programme by the concerned section/ department/unit.
- c. In case where new projects are taken up for manufacture and BOM is not finalised and in such cases system generated PRs are released. Co-ordination of Design, Stores and Planning to be obtained duly considering the existing stock level, pending orders if any of the items and approval by the Competent Authority for system generated PRs.
- d. The Planning Department shall take the following precautions at the time of creating the production or project based Purchase Requisition:
 - i. The stock position of the item to be checked using ERP T-Code “MD04 – Displays Stock / Requirement Status” by inputting the material code and plant code.
 - ii. The planning department will also have to run ERP T-Code “MD01 / MD02 – Material Requirement Planning” to link the quantity and delivery schedule to the production/ provisioning programme, taking into account the lead time for procurement.
 - iii. The deliveries shall be staggered and inventory shall be 30 days of consumption only.
 - iv. No stock shall exceed 60 days unless lead time itself is more than 60 days.
 - v. Exceptional cases shall be approved by SBU Head / Complex Head up to 90 days and beyond by Functional Directors. Import items involving lead time exceeding 6 months and steel forgings involving MOQ, shall be however excluded from this (GFR 214).
 - vi. Planning department to issue PRs approved by Competent Authority for production items and by the User Department for Non-Project items to Purchase Department.
 - vii. For services such as professional, intellectual, training, and advisory services or any other services classified or declared as such by user department but does not

include direct engagement of a retired Government/Company servant.

- e. In respect of system generated non project PRs the quantity shall be verified by the User department to ensure the correctness before issue of PRs.

Purchase proposal will be routed as per normal procedure through Head of Finance of SBU/ Division / Complex/ Corporate office.

- f. As the estimated rate in PR is a vital element in establishing the reasonableness of prices, it is important that the same is worked out in a realistic and objective manner on the basis of last purchase prices (LPP) and estimated price. The estimated price is based on prevailing market rates, economic indices for the raw material / labour, other input costs, IEEMA formula wherever applicable and assessment based on technically evaluated price. Price indices can be obtained from the following websites (for reference purpose only):

- i. For price indices of indigenous items: <http://www.eaindustry.nic.in/home.asp.in> (Ministry of Industry);
- ii. For metals and other minerals: <http://www.mmronline.com/> or <http://www.metalprices.com/index.asp> or <http://www.asianmetal.com/>;
- iii. For price trends of nonferrous details; London Metal Exchange - <https://www.lme.com/> gives price trends of nonferrous details, which often show volatile trends;
- iv. Other useful sites: <http://www.tradeintelligence.com/> and <http://www.cmie.com/>. (Centre for Monitoring Indian Economy);
- v. For price trends of different countries: <http://www.imf.org/external/pubs/ft/weo/2015/01/> (International Monetary Fund) and
- vi. For organisation/chambers of commerce such as the (Indian Electrical and Electronics Manufacturer's Association): www.ieema.org; www.ieema.org;

- g. PR quantity shall be combined wherever items are common among distinct projects. Planning Department shall work out the requirement of such common items as far as possible and PRs are to be forwarded to Purchase Department for procurement clubbing the requirement of common item by different projects. No splitting of orders to be resorted to avoid approval of superiors as per SDoP. Any deviation will tantamount to violation of rules.

4.2 PRODUCTION ITEMS:

Approved production programme circulated by Corporate office/SBU Head shall be the basis for procurement action in terms of number of equipment(s) under each model.

This will be generated in the ERP system using the ERP T-Code "MD01 / MD02 – Material Requirement Planning". The details are available in ERP T-Code "MD04". However outstanding quantity against development order shall not be considered for arriving at net quantity till sample is accepted and cleared for bulk productions.

4.3 CONSUMPTION BASED PLANNING (CBP):

In the case of SMV items, consumables, tooling, maintenance items, canteen items, medicines etc., is configured, wherever feasible, in the ERP System by defining safety stock,

re-order level and maximum stock with coordination of planning, user dept., purchase and stores. In such cases PRs generated by system on regular basis to be considered for procurement action for which PR approval is not required.

The items covered under CBP shall be reviewed every year by user department / Planning. The responsibility of CBP items is with user department / Planning for review as and when the requirement changes. E.g. When particular machine tool / product goes out of production.

4.4 NON-PRODUCTION (STOCK CONTROL & TOOL) ITEMS:

a. Standard Stock items:

The Minimum, reorder and maximum levels of stock for each standard item will be fixed in ERP Inventory Master based on past consumption. For these items, CBP procedure will be adopted.

b. Controls in ERP:

- i. The ERP system will automatically raise an alarm for placing purchase requisition once the material quantity dips below the re-order level.
- ii. If the inventory level in the plant falls below the Minimum quantity that has been defined, the ERP may block the sales transactions, or issues an alert, according to the definition for response to Release / Receipt of Inventory outside defined range in the "Document Settings" window.
- iii. If the inventory level in the plant exceeds the Maximum quantity that has been defined, the ERP may block your purchase transactions, or issues an alert, according to the definition for Response to Release/Receipt of Inventory Outside Defined Range in the "Document Settings" window. The above predetermined stock levels so established shall form the basis for raising Purchase Requisition for stock control items.

c. Non-Standard Stock Items:

PR will be raised for the quantity required duly approved by the officer in the department concerned as per SDoP. PRs of estimated value of Rs.1.00 lakh and above will require to be coordinated by the Competent Authority (SBU Head / Complex Head). Basically it is the responsibility of the indenting/user department to ensure prompt usage of the item.

4.5 CAPITAL ITEMS:

- a. Sanction for procurement is accorded by the Competent Authority as per SDoP with finance coordination in Capital Appropriation Request (CAR) against approved capital budget.
- b. The PR will invariably bear a reference to approved Capital Appropriation Request No. and date and in addition, items exceeding Rs.10,00,000/- in values individually shall have the approval of Divisional Technical Committee. The Divisional Technical Committee shall give adequate consideration for the benefits derived in standardizing on a particular type or range of equipment from a reputed single source viz., Process capability, satisfactory sales service, low inventory of maintenance spare parts, etc.
- c. However, if, on price or other considerations, the orders are to be placed on different sources, commonality of vital sub-assemblies like electronics package, motors,

hydraulics, gearbox etc., is to be ensured.

- d. The standardization of capital equipment shall be done for BEML as a whole and procurement done wherever advantageous for the requirements of all SBU / divisions to obtain price advantage and other advantages, after knowing the exact quantity to be procured keeping in view the available capacity and future production plans of the SBU / Divisions. This will help in minimizing the capital investments.
- e. At the time of procuring the Capital items, care shall be taken to include in the Purchase Order terms and conditions, sufficient safeguards to ensure that the supplier proves the performance capacity and capability of the equipment immediately after commissioning, and guarantees the performance during the warranty period and thereafter by providing adequate after sales service. These safe guards shall be ensured at least for the special purpose machines and NC/CNC machine tools costing more than Rs.10 Lakhs each. The detailed guidelines and the terms and conditions to be incorporated additionally in the tender and Purchase Order for procurement of special purpose and costly machines, to ensure necessary safeguards are given in **Annexure - C**.

4.6 R&D PROJECTS:

- a. Based on the PR raised by the concerned R&D project groups and approved by the Competent Authority, concerned Purchase group will issue enquiries to the parties selected/ identified by R&D only for procurement of inputs of new R&D projects and indigenization, within the amount sanctioned by CMD/Board. However, standard items already being procured / produced by SBU / division will continue to be procured by the divisional purchase department. R&D can recommend for direct purchase of new and critical items on proprietary/single tender basis to expedite R&D projects by following purchase procedure and SDoP.
- b. R&D representative will scrutinize the quotations received in response to enquiries referred to in (a) above and identify a list of probable suppliers with the approval of divisional R&D Chief, for technical negotiations.
- c. For the negotiations for deciding the supplier, assistance of the parent Production Division's Finance and Purchase representatives shall be taken, in view of their expertise and experience.
- d. On receipt of materials at Stores, the concerned R&D Project group responsible for procurement of the said items & QC representative will inspect the consignment and give their certification of acceptance or rejection.
- e. Based on above, the Stores department will finalize the Goods Receipt Note (GRN).
- f. The Accounts Officer, at Divisions, will make payment for the bills based on GRN and as per Payment terms of the Purchase Order.

4.7 SPARE PARTS FOR SALE:

- a. Order projections will take the place of PR and each order projection will be coordinated by the officer competent in the parts department as per the SDoP.
- b. The quantum in terms of quantity and value will be determined for each item based on customer demand, forecast of spare parts sales, stock on hand, on order and under manufacture subject to inventory norms prescribed and value will be as per LPP and other guidelines.

- c. PRs are raised for manufacturing/other items by marketing divisions are coordinated by pre-scrutiny cell of Finance in Marketing Accounts for quantity clearance. The PR's will be converted to STO on Manufacturing Divisions and same has to be approved by Competent Authority before releasing STO and cancellation.

4.8 SUB-CONTRACT ITEMS:

- a. This is subject to an over-all assessment of the capacity and the plan for Sub-contracting. For this purpose, the facilities that are found inadequate/not available within the division, necessitating the Sub-contracting decision, will be identified and got approved by the SBU Head / Complex Head.
- b. Based on this approved plan for Sub-contracting, the Production Shop and Industrial Engineering Department (IED) shall draw up a list of items indicating the quantity to be Sub- contracted taking into account the shop loading and the production programme. This list will be given to sub-contract cell, which will form the basis for Sub-contracting. This serves as the PR.
- c. Raw materials/components issued against sub-contract orders will be regulated in accordance with the delivery schedule and periodical confirmation/reconciliation to be obtained by the Sub- contract cell and forwarded to accounts.

4.9 GENERAL:

- a. One PR shall be raised for one item or a group of related items, which has to be tendered out, or ordered simultaneously. Since inventory holdings can be controlled only by controlling the issue of PRs for procurement, it is essential that utmost care is taken to raise PRs as per guidelines given below at the appropriate time indicating a very realistic quantity and value.
- b. The agencies competent to initiate PRs for procurement are:
 - i. Production planning department for production items, duly linking up with approved production/ provisioning schedule.
 - ii. Facilities Planning Department for capital items duly linking up with approved Capital Budget /Divisional Technical Committee approval.
 - iii. Parts department for spare Parts based on firm orders received from customers and/or for stock and sale based on the forecast of Spare parts Sales for budget years after making due allowance for stock on hand, on order and under manufacture subject to prescribed inventory norms.
 - iv. PRs raised by Parts department and coordinated by Marketing Accounts will serve as the basis for procuring as additional quantity or for in-house manufacture in the divisions.
 - v. CBP is followed for Stock Control Items and specified indents for non-stock control items by User Departments.
 - vi. The nominated officer for stationery, printing and capital items is required for Corporate Office and Marketing Division Head Quarters. For this purpose, an officer will be nominated by the GM/CGM/FD in the Corporate Office and Marketing Division Head Quarters, who will coordinate with the user department.
 - vii. The officer so nominated separately for Corporate Office and Marketing Division will be authorized to approve PRs for procurement action. This arrangement will

- be extended to Zonal / RO / DO under the Marketing Division with their annual projection of requirements for stationery and printing items duly approved by the GM/CGM/FD. The procurement will be against the budget allocations.
- viii. R&D department for developmental projects, product improvement and indigenization items. These PRs will be based on approval given by CMD/Board and provisions made in the revenue budget.
 - ix. Construction department for Civil Works items, based on provisions made in Capital budget.
 - x. Plant maintenance department for items required for minor repairs and maintenance of plant and machinery, factory and office buildings, Guest house, Colony etc., subject to provisions in the revenue budget.
 - xi. Tool Planning Department for tools, jigs & Fixtures based on budget provision.
- c. The PRs shall be authorised by appropriate Authority and PR shall be released using ERP T-Code “ME54N – Release PR” duly approved by competent Authority.
 - d. PRs for express/emergent purchases shall be accompanied by approval of the competent Authority as per SDoP.
 - e. While obtaining the sanction for procurement as above, it shall be ensured that requirements are not split up so as to bring them either under the powers of lower Authority or within the limit prescribed from the point of approval and release without financial concurrence.
 - f. PRs for proprietary items will specify the source of supply duly supported by a proprietary certificate (**Annexure-F**) issued by an Officer of level Grade VIII of the user department.

4.10 ERPT-CODES RELEVANT UNDER THIS CHAPTER:

Following are the relevant T-Codes essential at the time of raising Material Purchase Request:

T – Code	Particulars	Functions of T-Code
ME51N	Purchase Requisition Creation	Use this T-Code for creating and changing purchase requisition for material. All changes to the items are logged and stored. Information stored includes when the information was changed, who changed, what changes were made etc.
ME52N	Change Purchase Requisition	
ME53N	Purchase Requisition Display	Any user can view already created purchase requisition by giving the PR number and plant location details.
MEMASSRQ	Mass Maintenance of Purchase Requisition	This T-Code is helpful in deletion of a number of Junk PRs all at once.
ME54N	Release Purchase Requisition	The transaction code allows the user to release single / bulk purchase requisitions that is subject to a release strategy. This transaction is used by approvers to release purchase requisitions. The purchase requisition is then released for placing RFQ on vendors or to the next level of approval in the release strategy.
ME55	Collective Release of Purchase Requisitions	

T – Code	Particulars	Functions of T-Code
ME5F	Purchase Requisition Release Reminder	The transaction ME5F and ME5A is used to display purchase requisitions that are subject to a release strategy and have yet to be released. The initial screen offers the user a list of selection criteria to restrict the output. The selection criteria include material, purchasing group, plant, delivery dates or cost centre. The output shows the purchase requisitions to be released and the user can choose requisitions to release.
ME5A	Displays list of Purchase Requisition	
MD01	Material Requirement Planning (MRP) Run – Plant as a whole	The transaction MD01 is used to generate an MRP run. On the initial screen. The user can enter a scope of planning value, a plant number, processing key, creation indicator for purchase requisitions, automatic scheduling line indicator, planning mode value and planning date. The resulting display shows details on the planning run, such as the number of materials planned and the number of any errors generated.
MD02	Material Requirement Planning (MRP) Run – for individual material	The transaction MD02 is used to perform a single item, multi-level MRP run. On the initial screen, the user can enter a material. MRP area, a plant number, processing key, creation indicator for purchase requisitions, automatic scheduling line indicator, planning mode value, and planning date. The resulting display shows details on the planning run such as the number of materials planned and the number of errors generated.
MD04	Displays Stock/Requirement Situation	The transaction MD04 is used to produce requirements list for an individual material or collectively for a plant or MRP area. The individual requirements report for a material requires a plant or MRP area to be entered. The result shows stock and requirements that have been allocated against the material. The collective requirements report shows the materials in a plant or MRP area with their respective stock level, no. of days' supply without receipts, first receipt days' supply and second receipt days' supply.
MD61	Create Planned Independent Requirements	The transaction MD61 allows the user to create planned independent requirements for a material or product group. The initial screen requires a product group or a material to be entered along with the MRP area, plant area and the planning horizon. The next screen lets the user enter independent requirement values into the planning table for the periods specified. After the values have been entered, the requirements can be saved.

CHAPTER – 5 TENDER SYSTEM IN GENERAL

5.1 INTRODUCTION:

Different types of tenders are in vogue viz., Public Tender, Global Tender, Limited Tender, Single Tender, and Proprietary Tender, as defined in Para 2.3 of Chapter 2.

The award of Contract through Public tender is:

- a. To ensure transparency in public procurement;
- b. To maximize economy and efficiency in public procurement;
- c. To promote healthy competition among Bidders;
- d. To provide for fair and equal treatment to all the Bidders; and
- e. To eliminate irregularities, interference and corrupt practices by authorities concerned.

The CVC vide its various orders and circulars has emphasized upon public tendering as the most preferred mode of tendering and insisted on transparency.

5.2 EXCEPTIONAL CASE FOR NOT FOLLOWING THE PUBLIC TENDER SYSTEM FOR PROCUREMENT OF ITEMS:

The requirements of Public tender system do not apply in the following cases:

- a. BEML has collaboration or price agreement with the vendor;
- b. Project items having limited developed sources.
- c. Purchase of materials at Controlled Rates (i.e. Controlled Commodities) or specific rates approved by Government or Board;
- d. Non project items, which are available at more or less at standard prices from fair price shops, Government, Semi-Government, Co-operative societies, etc.
- e. Khadi Village Industries Commission (KVIC), Handloom Units of Association of Cooperation and Apex Society of Handloom (ACASH).
- f. Purchase Orders on firms such as SAIL, Stores Purchase Department (SPD) of Government of Karnataka, Medical Stores Organisation under Government of India (MSO) rate contract, and subsidiary of BEML like VIL, Karnataka State Cooperative Consumers Federation Ltd (KSCCF), Karnataka Milk Federation (KMF) and its Subsidiaries, Horticulture Producers Co-operative Marketing and Processing society (HOPCOMS), BEML Employees Co-operative Society for non project items and any other Government / Quasi Government Agencies etc., will come under the above categories.
 - i. These cases do not require to be referred to MPC and it will suffice if the SDoP for acceptance of single tender is followed.
 - ii. Placement of Purchase Orders against long term contracts for the above firms do not require public tendering action, but require the approval of competent Authority as per SDoP.

5.3 TENDER:

5.3.1 Tendering Process:

- a. In a Limited Tender, tender notices are sent to the suppliers/contractors as enumerated in Para 2.3(c) of Chapter 2. In a Limited Tender the tender documents are sent along with

the tender notices free of cost. Important terms and conditions of Tender are given in **Annexure-D**. Over and above these conditions, if any additional conditions are to be included based on the need and requirements of a particular situation, the same may be included.

- b. In a public tender, tender notices are published as enumerated in Para 2.3(a) of Chapter 2. Efforts shall be made to publish in BEML website in Hindi and local language also. The tender documents could be downloaded.
- c. In the case of capital items and awarding of technical contracts, for the value above Rs. 5 Lakhs, tenders shall invariably called in two parts i.e.,
 - Part 1 – Technical offer; and
 - Part 2 – Commercial offer; --- (In line with GFR 163 & 164)

The offers must be in two separate covers duly sealed and put in an outer cover duly indicating the tender no., date, date of opening etc., in case of manual tender.

- d. Wherever a group of items forms a Kit, it may be preferable to procure as a Kit to ensure better performance and fix warranty responsibility. In such cases all kit items can be covered under one single PR and Planning Department in liaison with representatives of respective purchasing sections shall prepare the PR. It shall be mentioned in the tender enquiry that competitiveness of the offers will be evaluated based on the offer for total kit. Prices for individual kit items can also be obtained to facilitate negotiations.
- e. As regards to Global tender, single tender & proprietary tender, procedure indicated at clause No.2.3(b), (d) & (e) of Chapter 2 to be followed.

5.3.2 Guidelines for Technical Bid Criteria:

5.3.2.1 Work experience:

Following experience criteria to be fulfilled, wherever required. Experience of having successfully completed goods/services of similar nature during last 05 years ending last day of the month previous to the one in which the tenders are invited shall be either of the following:

- a. Three similar nature of goods/services completed each costing not less than the amount equal to 40% of estimated amount of the tender;
-or-
- b. Two similar nature of goods/services completed each costing not less than the amount equal to 50% of estimated amount of the tender;
-or-
- c. One similar nature of goods/services completed costing not less than the amount equal to 80% of estimated amount of the tender;

Note:

- a. The experience certificate shall be considered only in the cases of goods/services completed in full and complete with certification by the customer indicating the contract period, value and purchase order / contract reference.
- b. The meaning of "similar nature" for the purpose of tender shall be defined in the Notice Inviting Tender (NIT).

- c. ESI and PF: The contractors are required to comply with the provisions of ESI & PF act.
- d. If the work order commencement date is before 5 years and completion is within 5 years, the value of work completed within 5 years period shall be considered for the work experience value. Year wise work completion value certified by Customer or with the details of invoices certified by Chartered Accountant shall be obtained for the same.
- e. Work completion certificate has to be supported by respective purchase order / agreement / work order copies mentioned in the experience certificate.

5.3.2.2 Turnover:

Following turnover criteria to be fulfilled, wherever required. Average Annual financial turnover during the last 03 years ending 31st March of previous financial year shall be at least 30% of the approximate estimated amount stated in the tender documents.

In case the previous financial year is not audited, average annual turnover during the last 4 years will be considered for turnover criteria.

5.4 TENDER FEE:

In order to promote wider participation and ease of bidding, no cost of tender document may be charged for the tender documents downloaded by the bidders. (GFR 161 IV).

5.5 BID SECURITY / EARNEST MONEY DEPOSIT (EMD) / BID GUARANTEE:

a. Bid Security / Earnest Money Deposit:

To safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry pertaining to Non-project material and contracts, Bid Security (also known as Earnest Money) is to be obtained from the bidders except Micro and Small Enterprises (MSEs) as defined in MSE Procurement Policy issued by Department of Micro, Small and Medium Enterprises (MSME) or are registered with the Central Purchase Organization or the concerned Ministry or Department. The bidders shall be asked to furnish bid security along with their bids. Amount of bid security shall ordinarily range between **two percent to five percent** of the estimated value of the goods / services to be procured. The amount of bid security shall be determined accordingly by the Purchase department and indicated in the bidding documents. The bid security may be accepted in the form of Account Payee Demand Draft, Banker's Cheque, Online Payment or Bank Guarantee from any of the Scheduled Commercial Bank authorized by RBI or payment online in an acceptable form, safeguarding the purchaser's interest in all respects. The bid security is normally to remain valid for a period of forty-five days beyond the final tender validity period.

Wherever Earnest Money Deposit (EMD) is stipulated in the tender enquiry, bidder has to necessarily make the Payment by DD/ banker cheque / online payment / bank guarantee from any Scheduled Commercial Bank authorized by RBI before tender due date and time. If not, exemption certificate has to be submitted by the bidder before tender due date and time. The firms who have remitted bid security digitally shall indicate the remittance details along with the pre-qualification document. As per DOE/GeM, no EMD is applicable up to 5 lakhs. No interest will be allowed on earnest money deposit.

Traders / Distributors / Sole Agents / Works Contract are not eligible for exemption and are excluded from the purview of the policy as per Public Procurement Policy for MSEs.

Civil works being works contract, MSE firms are not eligible for exemption under MSME Act such as EMD, Cost of tender form fee etc as per office memorandum F.No.1(3)/2018-MA, Part-III dated 25.03.2022.

b. Refund of bid security/EMD:

Bid securities of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity period and latest by the 30th day after the award of the contract. Bid security should be refunded to the successful bidder on receipt of a performance security. However, in case of two packet or two stage bidding, Bid securities of unsuccessful bidders during first stage i.e. technical evaluation etc. should be returned within 30 days of declaration of result of first stage i.e. technical evaluation etc. (Notified vide OM No. F.1/2/2022-PPD issued by Department of Expenditure dated 01.04.2022.).

Bid security should be refunded to the successful bidder on receipt of a performance security. Else, bid security of successful bidder will be converted as part of security deposits and the balance amount of security deposits will be met by the bidder as per the contract/agreement conditions.

5.6 TRANSPARENCY IN TENDERING SYSTEM:

There have been instances where the equipment / plant to be procured is of complex nature and the procuring organization may not possess the full knowledge of the various technical solutions available in the market to meet the desired objectives of a transparent procurement that ensures value for money spent simultaneously ensuring upgradation of technology & capacity building.

As per CVC guidelines in such procurement cases where technical specifications need to be iterated more than once, it would be prudent to invite expression of interest and proceed to finalize specifications based on technical discussions/presentations with the experienced manufacturers/suppliers in a transparent manner. In such cases, two stage tendering process may be useful and be preferred. During the first stage of tendering, acceptable technical solutions can be evaluated after calling for the Expression of Interest (EOI) from the leading experienced and knowledgeable manufacturers/suppliers in the field of the proposed procurement. The broad objectives, constraints etc. could be published while calling for EOI. On receipt of the Expressions of Interest, technical discussions/presentations may be held with the short-listed manufacturers/suppliers, who are prima facie considered technically and financially capable of supplying the material or executing the proposed work. During these technical discussions stage the procurement agency may also add those other stake holders in the discussions who could add value to the decision making on the various technical aspects and evaluation criteria. Based on the discussions/presentations so held, one or more acceptable technical solutions could be decided upon laying down detailed technical specifications for each acceptable technical solution, quality bench marks, warranty requirements, delivery milestones etc., in a manner that is consistent with the objectives of the transparent procurement. At the same time care shall be taken to make the specifications generic in

nature so as to provide equitable opportunities to the prospective bidders. Proper record of discussions/presentations and the process of decision making shall be kept.

Once the technical specifications and evaluation criteria are finalized, the second stage of tendering could consist of calling for techno commercial bids as per the usual tendering system under single bid or two bid systems, as per the requirement of each case. Final selections at this stage would depend upon the quoted financial bids and the evaluation matrix decided upon.

5.7 TRANSPARENCY, COMPETITION, FAIRNESS AND ELIMINATION OF ARBITRARINESS IN THE PROCUREMENT PROCESS:

All Purchases shall be made in a transparent, competitive and fair manner, to secure best value for money. This will also enable the prospective bidders to formulate and send their competitive bids with confidence. Some of the measures for ensuring the above are as follows:

- a. The text of the bidding document shall be self-contained and comprehensive without any ambiguities. All essential information, which a bidder needs for sending responsive bid, shall be clearly spelt out in the bidding document in simple language. The condition of prior turnover and prior experience may be relaxed for Start-ups (as defined by Department of Industrial Policy and Promotion) subject to meeting of quality & technical specifications and making suitable provisions in the bidding document. The bidding document shall contain, inter alia;
 - i. Description and Specifications of goods including the nature, quantity, time and place or places of delivery;
 - ii. the criteria for eligibility and qualifications to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities and financial position etc or limitation for participation of the bidders, if any;
 - iii. Eligibility criteria for goods indicating any legal restrictions or conditions about the origin of goods etc which may required to be met by the successful bidder;
 - iv. The procedure as well as date, time and place for sending the bids.
 - v. Date, time and place of opening of the bid.
 - vi. Criteria for evaluation of bids.
 - vii. Special terms affecting performance, if any.
 - viii. Essential terms of the procurement contract.
 - ix. Bidding Documents shall include a clause that "if a firm quotes NIL charges/ consideration, the bid shall be treated as unresponsive and will not be considered".
 - x. Any other information which the procuring entity considers necessary for the bidders to submit their bids.
 - xi. Initiator of the approval for tendering should ensure draft tender document is in line with purchase manual guidelines and to be attached in the approval. Draft tender document to be approved by competent authority as per SDoP before issue of tender. (5.1.2.3 in DOE-Manual).
 - xii. Depending upon nature of items and procurement values, draft NIT should be

vetted by the concerned user department (with respect to technical specification) before publishing of tender, to ensure compliance with procurement manual guidelines.

b. Modification to bidding document:

- i. In case any modification is made to the bidding document or any clarification is issued which materially affects the terms contained in the bidding document, the procuring entity shall publish or communicate such modification or clarification in the same manner as the publication or communication of the initial bidding document was made.
- ii. In case a clarification or modification is issued to the bidding document, the procuring entity shall, before the last date for submission of bids, extend such time limit, if, in its opinion more time is required by bidders to take into account the clarification or modification, as the case may be, while submitting their bids.
- iii. Any bidder who has submitted his bid in response to the original invitation shall have the opportunity to modify or re-submit it, as the case may be, or withdraw such bid in case the modification to bidding document materially affect the essential terms of the procurement, within the period initially allotted or such extended time as may be allowed for submission of bids, after the modifications are made to the bidding document by the procuring entity.

Provided that the bid last submitted or the bid as modified by the bidder shall be considered for evaluation.

- c. Suitable provision shall be kept in the bidding document to enable a bidder to question the bidding conditions, bidding process and/ or rejection of its bid. The reasons for rejecting a tender or non-issuing a tender document to a prospective bidder must be disclosed where enquiries are made by the bidder.
- d. Suitable provision for settlement of disputes, if any, emanating from the resultant contract, shall be kept in the bidding document.
- e. The bidding document shall indicate clearly that the resultant contract will be interpreted under Indian Laws.
- f. The bidders shall be given reasonable time to prepare and send their bids.
- g. The bids shall be opened in public and authorized representatives of the bidders shall be permitted to attend the bid opening.
- h. The specifications of the required goods shall be clearly stated without any ambiguity so that the prospective bidders can send meaningful bids. In order to attract sufficient number of bidders, the specification shall be broad based to the extent feasible.
 - i. Pre-bid conference: In case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipment or wherever felt necessary, a suitable provision is to be kept in the bidding documents for one or more rounds of pre- bid conference for clarifying issues and clearing doubts, if any, about the specifications and other allied technical details of the plant, equipment and machinery etc. projected in the bidding document. The date, time and place of

prebid conference shall be indicated in the bidding document. This date shall be sufficiently ahead of bid opening date. The records of such conference shall be intimated to all bidders and where applicable, shall also be exhibited on the website(s) where tender was published.

- ii. Criteria for determining responsiveness are to be taken into account for evaluating the bids such as:
 - Time of delivery;
 - Performance/ efficiency/ environmental characteristics;
 - The terms of payment and of guarantees in respect of the subject matter of procurement
 - Price;
 - Cost of operating, maintaining and repairing etc
- iii. Bids received shall be evaluated in terms of the conditions already incorporated in the bidding documents; no new condition which was not incorporated in the bidding documents shall be brought in for evaluation of the bids.
- iv. Determination of a bid's responsiveness shall be based on the contents of the bid itself without recourse to extrinsic evidence.
- v. Bidders shall not be permitted to alter or modify their bids after expiry of the deadline for receipt of bids.
- vi. Negotiation with bidders after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation against adhoc procurement is necessary due to some unavoidable circumstances, the same may be resorted to only with the lowest evaluated responsive bidder.
- vii. Contract shall ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document. However, where the lowest acceptable bidder against ad-hoc requirement is not in a position to supply the full quantity required, the remaining quantity, as far as possible, be ordered from the next higher responsive bidder at the rates offered by the lowest responsive bidder.
- viii. Procurement of Energy Efficient electrical Appliances: while procuring electrical appliances it is to be ensured that they carry the notified threshold or higher Star Rating of Bureau of Energy Efficiency (BEE).

5.8 BUYBACK OFFER:

When it is decided with the approval of the competent Authority to replace an existing old item(s) with a new and better version, the purchase department may trade the existing old item while purchasing the new one. For this purpose, a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders formulate their bids accordingly. Depending on the value and condition of the old item to be traded, the time as well as the mode of handing over the old item to the successful bidder shall be decided and relevant details in this regard suitably incorporated in the bidding document. Further, suitable provision shall also be kept in the bidding document to enable the purchaser either to trade or not to trade the item while purchasing the new one. ---As per GFR 176.

5.9 CONSULTING SERVICE:

“Consulting Service” means any subject matter of procurement (which as distinguished from ‘Non-Consultancy Services’ involves primarily non-physical project-specific, intellectual and procedural processes where outcomes/ deliverables would vary from one consultant to another), other than goods or works, except those incidental or consequential to the service, and includes professional, intellectual, training and advisory services or any other service classified or declared as such by a procuring entity but does not include direct engagement of a retired Government servant.

Note: These Services typically involve providing expert or strategic advice e.g., management consultants, policy consultants, communications consultants, Advisory and project related Consulting Services which include, feasibility studies, project management, engineering services, finance, accounting and taxation services, training and development etc.

---As per GFR 177.

5.10 NON CONSULTING SERVICE:

“Non-Consulting Service” means any subject matter of procurement (which as distinguished from ‘Consultancy Services’), involve physical, measurable deliverables/ outcomes, where performance standards can be clearly identified and consistently applied, other than goods or works, except those incidental or consequential to the service, and includes maintenance, hiring of vehicle, outsourcing of building facilities management, security, photocopier service, janitor, office errand services, drilling, aerial photography, satellite imagery, mapping etc.

–As per GFR 197

5.11 ISSUE OF TENDER:

- a. In case of manual tender BEML may fax or e-mail the tender enquiry but Bidders shall be asked to send quotations in sealed cover.
- b. Bidders shall be asked to send the quotations in the sealed covers. In this connection, we must prevail upon all the suppliers to have Email and Fax to facilitate easy and quick communication and we shall try and refrain from dealing with those not even having email and fax as a rule than exception.
- c. In case of urgency, quotations may also be obtained through e tender box and firms to be advised suitably to submit quote through electronic media.
- d. All tender enquiries shall contain a clause on the following:
 - i. **Price Negotiation:**
There will be no price negotiations if the competition is adequate, offers are technically acceptable and prices are considered reasonable.
 - ii. **Unsolicited letters/canvassing/post tender corrections:**
Canvassing by Bidders in any form including unsolicited letters on tenders submitted or post tender corrections shall render their tenders liable for summary rejection.

iii. Precedence Clause:

In the tender document / quotation the figures written in words will be ultimately considered for commercial evaluation ignoring numerical figures in case of discrepancy noticed between the numerical figures of price and price written in words.

5.12 TIME SCHEDULE:

- a. The following time schedule for tender submission shall be adhered to:

Type of Tender	Minimum number of days		
	Project Items	Non-Project Items	Capital/Service Contracts
Public Tender	10	10	21
Global Tender	17	17	28
Limited Tender	10	10	21
Proprietary / Single Tender	05	05	10

- b. In case of reduction in number of days, approval of Head-Materials to be obtained.
- c. The tender opening date & time shall be specified in the Notice Inviting Tender (NIT) along with the last date and time for receiving the tender. In case if the specified tender closing date is a holiday, the tender closing date shall be the next working day following the specified tender closing date.
- d. In case of multiple line items for evaluation of L1 bidder to be made on over all L1 basis or line item wise depending on the requirement and same to be specifically mentioned in the (NIT) terms.
- e. Extension of Tender Closing time shall be only under exceptional circumstances with the approval of GM/SBU Head/Division Head/Complex Head or the original tender approving authority, whichever is higher and reasons to be recorded.
- f. Tenders shall be opened on the same day of closing of the tender.
- g. The detailed process of opening the manual tender is discussed in Chapter 6 of this manual.
- h. The outer limit for converting PRs into Purchase Orders shall generally be kept within 60 days and 45 days for public tender and limited tender respectively from the date of approval of PR. If delay in placement of order is inevitable due to compliance with procedural formalities, the validity of the quotation shall be got extended well in time. Time taken for tender action shall not exceed 10 days from the date of approval of PRs. In case of shorter notice in the tender than what is prescribed, approval Chief of the Division needs to be taken with necessary justification.
- i. In order to speed up the procurement process, following time bound guidelines are to be strictly complied with:

- i. Techno-commercial discussion, if required, shall be held within 2 weeks from the date of tender opening. The techno-commercial discussion can also be held through e-mail or teleconference and the revised offer to be obtained through receipt of email and to be documented properly. The revised price and the terms can also be received through e-mail and techno-commercial discussion is to be held strictly as per procedure discussed in the manual under chapter Commercial discussion. E-mode can be resorted to for negotiation as far as possible instead of calling parties to BEML premises.
- ii. Purchase Orders shall specifically mention the delivery schedule in consultation with the vendor / supplier and the failure to adhere to supply as per schedule will attract LD. Any delivery schedule issued shall be as per quotation or as per mutually agreed terms. Amendment of delivery schedule and waiver of LD (if any) shall be as per SDoP.
- iii. Purchase Orders to be released within 10 to 14 days from the date of techno commercial discussions. Techno- commercial discussions shall be done by a team of at least three executives comprising of user department, finance and Purchase Department and the level of the officers involved will be determined on the basis of SDoP in vogue. The decisions on file or minutes of meeting on purchase decision are done immediately on the same day or on the following day and file put up to approving Authority without fail to hasten up the purchase process.
- j. Any delay resulting in derailment of the above procedure will result in short supply of materials and slippage in production plan and therefore the revised purchase procedure be adopted in letter and spirit. Guidelines may be rudimentarily followed for import of materials also, wherever possible. For any delay or non-adoption of above time frame, the concerned case worker / officer/ manager need to explain on the file as to why the time frame could not be followed and whenever, the case worker / officer on leave, the file concerned be left with next superior to complete the process as per the stipulated time frames. It must be understood that no other than tendering company employee / owner can be allowed to participate in tender process, in follow up, collection of orders, payment etc., under any circumstances and Security Department shall strictly follow this. Further, no employee or ex-employee shall deal with any purchase issues on above on behalf of any firm / company.

5.13 RESERVED ITEMS AND OTHER PURCHASE/ PRICE PREFERENCE POLICY:

- a. The Central Government, through administrative instructions, has reserved all items of hand spun and hand-woven textiles (khadi goods) for exclusive purchase from Khadi Village Industries Commission (KVIC). It has also reserved all items of handloom textiles required are to be purchased exclusively from KVIC and/or the notified handloom units of ACASH (Association of Corporations and Apex Societies of Handlooms).
- b. Ministry of Micro, Small and Medium Enterprises (MSME) have notified procurement policy under section 11 of the Micro, Small and Medium Enterprises Development Act, 2006. Or as applicable from time to time while making procurements.

- c. To make their purchases for such reserved goods and items from such units as per the instructions issued by the Central Government in this regard, issued from time to time.

5.14 PROCUREMENT FROM MSEs:

Government has notified a new Public Procurement Policy for Micro and Small Enterprises (MSEs) which is effective from 1st April, 2012. The Policy mandates that 25% of procurement of annual requirement of goods and services will be sourced from the micro and small enterprises. out of the 25% of total domestic procurement of goods & services, Government has also earmarked a sub target of 4% from MSEs owned by SC/ST Entrepreneurs and 3% from MSEs owned by Women Entrepreneurs. It is expected that the policy will help to promote MSEs by improving their market access and competitiveness through increased participation by MSEs in Government purchases and encouraging linkages between MSEs and large enterprises.

In line with Government Policy, the following guidelines shall be strictly adhered to:

- a. Every purchasing organization (Division/ Department/ Unit/ SBU/ Central Services Group etc.) shall set an annual goal for procurement from the MSE sector at the beginning of the year, with the objective of achieving an overall procurement goal of minimum 25 percent of the total annual purchases of the products or services produced or rendered by MSEs.
- b. Out of 25% target of annual procurement from MSEs, a sub-target of 4% (i.e. 16% out of 25%) will be earmarked for procurement from MSEs owned by SC/ST Entrepreneurs. However, in the event of failure of such MSEs to participate in the tender process or meet the tender requirements and the L1 price, the 4% sub-target for procurement earmarked for MSE's owned by SC/ST entrepreneur will be met from other MSEs.
- c. The participating MSEs in a tender, quoting price within the band of L1+15% may also be allowed to supply a portion of the requirement by bringing down their price to the L1 price, in a situation where L1 price is from someone other than an MSE. Such MSEs may be allowed to supply up to 25% of the total tendered value. In case of more than one such eligible MSE, the supply will be shared equally.
- d. Prior experience and financial status are relaxable for MSE vendors provided firm is meeting the technical and quality requirements.
- e. List of 358 items to be procured from MSE's is furnished in **Annexure M**.

Whenever, procurement / purchase received the requirement for procurement of project / non-project items, concerned purchase department executive shall mandatorily check whether those items are reserved for procurement from MSEs or not. If those items are to be procured from MSEs (manufacturer / service firms), suitable clause to be incorporated in the NIT.

Product Reservation/ Purchase Preference provision shall invariably be part of the Notice Inviting Tender (NIT) and Instructions to Bidders (ITB).

(Amended with ref. to Chapter-1, Clause: 1.10 Note @ Page-22 of DoE Manual For Procurement of Goods).

5.15 SECURITY DEPOSIT / PERFORMANCE BANK GUARANTEE:

a. Service & Capital Goods:

3% to 5% of PO value for order value exceeding Rs.50 Lakhs (excluding tax) has to be deposited as interest free security deposit/ Performance Guarantee in respect of all service contracts and capital goods like plant and machinery, etc. (DoE Clause 6.1.2.2).

- b. A period of 30 days time from the date of Purchase Order or the delivery schedule, whichever is earlier shall be stipulated for submission of Bank Guarantee so that contractual remedies could be enforced, if required.

c. Goods:

3% to 5% of PO value for order value exceeding Rs.50 Lakhs (Excluding tax) is applicable as given below (DoE Clause 6.1.2.2):

- i. Wherever procurement action is initiated based on the confirmed customer order (LoA, LoI etc.), PBG should be obtained for all purchases above tender value of Rs.50 Lakhs (Excluding tax).
 - ii. For procurement action not based on confirmed customer order, Purchase / Planning may decide on applicability of PBG based on the perception of performance risks, need for competition, intricate and sophisticated, market conditions and commercial practice for the particular kind of goods. Head-Materials in consultation with Head-Planning of respective SBU shall decide on the intricacy and applicability of PBG in case of purchases above tender value of Rs.50 Lakhs (Excluding tax) ---As per GFR 171.
 - iii. Any special provisions / conditions in customer order regarding Performance Bank Guarantee / Security Deposit shall also be included in the tender for those projects only.
- d. A bank guarantee for a nominal amount of Rs.5000/- must be obtained from each Subcontractor valid for a year, on yearly basis.

5.16 PERFORMANCE SECURITY:

- a. To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract. Unlike contracts of Works and Plants, in case of contracts for goods, the need for the Performance Security depends on the market conditions and commercial practice for the particular kind of goods. Performance Security should be for an amount of 3% to 5% of the value of the contract as specified in the bid documents. Performance Security may be furnished in the form of an Account Payee Demand Draft, Fixed Deposit Receipt from a Scheduled bank, Bank Guarantee from a Scheduled bank or online payment in an Acceptable form safeguarding the purchaser's interest in all respects.
- b. Bid Security should be refunded to the successful bidder on receipt of performance security.

- c. Performance Security should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of the supplier including warranty obligations. (As per GFR 171).

5.17 ERP T-CODES RELEVANT UNDER THIS CHAPTER:

The following are the ERP T-Codes essential for process narrated in this chapter:

T – Code	Particulars	Functions of T-Code
ME41	Creation of Request for Quotation (RFQ)	The transaction code is used to create a request for quotation. The initial screen requires that the user enter a date by which vendors must return a quotation, a purchasing organization and purchasing group. A collective number can be entered in the header so RFQS and other purchasing documents can be grouped together. They shall include the material and quantity required, as well as the date the items shall be delivered.
ME42	Change RFQ	The transaction code is used to change a request for quotation. The initial screen requires that a single number be entered. The detail of the RFQ such as the quantity and delivery date can be changed. Other details that can be maintained include the tracking number and the reminder values.
ME45	Release RFQ	The transaction code allows the user to release request for quotations that are subject to a release strategy. This transaction is used by approvers to release RFQ(s) that they are competent to approve. The RFQ(s) are then released to the vendor or to the next level of approval in the release strategy.
ME9A	Print RFQ.	The RFQ(s) can be sent electronically (e-mail) using EDI feature of ERP system. The ERP system also has feature of sending “Rejections” to the Bidders. This can be done automatically or by predefining the “Rejection Reason Codes” in ERP.
ZMTES	Maintaining Tender Summary	This report will display the Tender Collective Number, purchasing organisation, material code, quantity required, name of vendors to whom tender inquiries were sent and approx. Value of the tender based on last purchase price or current market price.
ME47	Maintain Quotations – i.e. Keying in ERP, the Quotation response received from Bidders.	The transaction code is used to enter the quotation received from a vendor to whom RFQ(s) were sent. This step is very crucial as all management decisions are based on the information tabulated in the tender evaluation sheet based on response for RFQ recorded in ERP.

ME48	Display individual quotations	The transaction code is used to display the details from a vendor's quotation. The initial screen requires a single request for quotation number to be entered. The transaction shows the information from the vendor's quotation such as the material, quantity, delivery date and net price.
ZMCMP / ME49	Compare Quotations received from Bidders.	The ERP system is capable of simulating the pricing scenarios allowing to compare a number of different quotations.

CHAPTER – 6 SELECTION OF OFFERS AND ACCEPTANCE OF MANUAL TENDERS

Manual tendering is to be resorted under the exceptional cases only and prior approval of the SBU Head/ Complex Head/ Head Corporate Materials in case of Corporate procurement. to be obtained by justifying the reasons.

6.1 RECEIPT AND OPENING OF TENDER (Manual Mode):

- a. It is the responsibility of Purchase Department to receive the tenders and keep them in safe custody.
- b. A locked tender box will be kept in a prominent place in the division and location of the tender box needs to be specified in the NIT. The representatives of the Bidders who submit the tenders in person shall be asked to drop the tenders in the tender box. Tenders received by post/ courier will be received by Central Registry Section (CRS) and the same will be handed over to tender opening section. The manner of receiving and opening e-tender documents is discussed separately in E-Procurement chapter of this document.
- c. If any tenders are received without reference to the tender number and date of opening and are therefore opened in the normal course in the office and or received in open condition, the same shall be summarily rejected and returned to the bidder.
- d. The tender closing date and time shall be specified in the NIT along with the last date and time for receiving the tender.
- e. Tenders shall be opened on the same day of closing time of the tender after giving a gap of about 30 minutes on the specified date and time.
- f. Public tenders, limited tenders and single tenders to be opened in the presence of representatives one each from Purchase Department and Finance Department.
- g. All the quotations submitted by the vendor shall be preferably typed or computer printed. Handwritten quotation shall be generally avoided. If any quotation is received in handwritten condition same shall be accepted only if it is written in ink.
- h. In case of tenders/ enquiry by e-mail, the Purchase Department shall give time limit of minimum 24 hours as closing time. This shall be resorted only for production items and urgent requirements of non-production items, by recording the reasons. Dedicated email ID, under the control of Head-Materials, should be made available for receipt of manual offers through email. Opening of that dedicated email ID should be in the presence of Purchase and Finance representatives. Password of dedicated email ID should be bifurcated among Purchase and Finance representatives. Password to be entered by both Purchase and Finance representative at the same time to open the email offers. Print of the email offer to be signed by both Purchase and Finance representatives and forwarded to Purchase for further processing.
- i. Late offers are not to be considered.

6.2 EXTENSION OF TENDER CLOSING DATE:

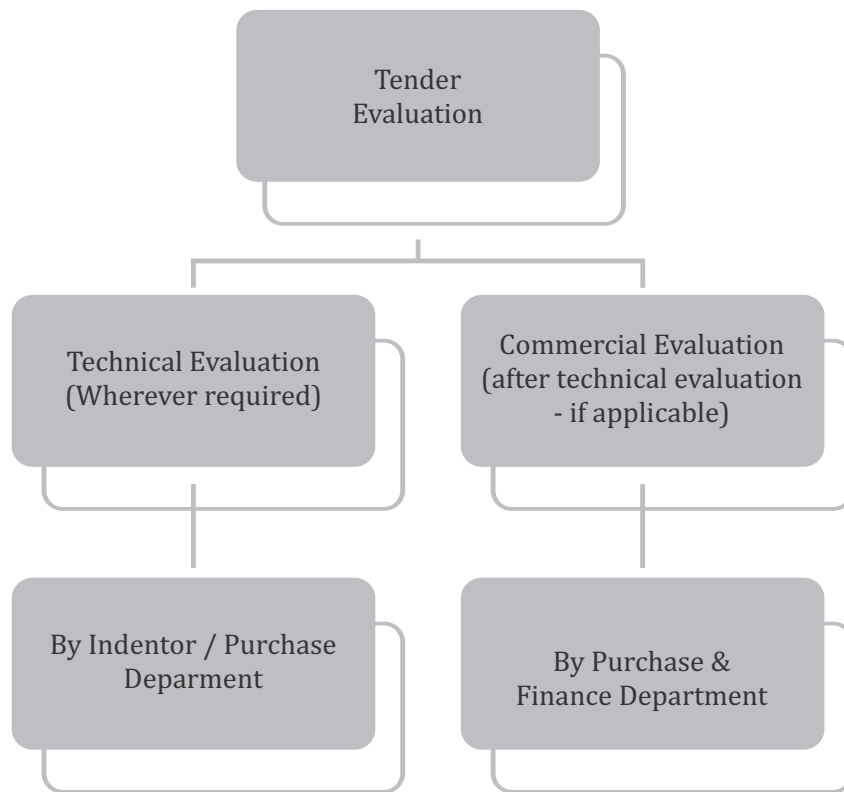
- a. In case of any tender, due date for closing the tender shall not normally be postponed. However, in exceptional cases, if the tender closing date has to be extended, only under exceptional circumstances with the approval of GM/SBU Head/Division Head/Complex Head or the original tender approving authority, whichever is higher and reasons to be recorded.
- b. In case tender closing date is postponed/extended due to inadequate response, the same can be done for a maximum of 7 days at a time. under intimation to all Bidders including those who have quoted.

6.3 IN OPENING TENDERS, THE FOLLOWING PROCEDURE MUST BE FOLLOWED: (Manual mode):

Tenders shall be opened preferably on the same day of closing time after giving a gap of about 30 minutes. In case of manual tender following procedure is followed

- a. Each page of original quotation shall be signed on seal prescribed as below :
 - i. Seal shall have details such as opened on, serial no, number of alterations/over writings, space for signatures of purchase and finance representative.
- b. Alterations or corrections found in the quotation shall be numbered and initialed by members of the tender opening Committee. Blank space if any on key areas of quotation shall be crossed and initialed by the tender opening Committee.
- c. Each quotation must be numbered as "Y/X" (the denominator will be the total number of quotations received and the numerator will be the serial number of the quotations, out of the total quotations received). For example, if there are 5 quotations, each will be numbered as 1/5, 2/5, 3/5, 4/5, 5/5.
- d. Tenders shall be marked 'Original', 'Duplicate', 'Triplicate', etc.,
- e. The Postal envelopes, Courier envelopes & slips shall be signed and preserved in the purchase files.
- f. The details of the tenders received shall be recorded in the proforma prescribed and kept in the respective files.
- g. Signature of the representatives of Bidder's who are present at the time of opening of the tenders shall be obtained.
- h. Where the representatives of Bidder's are present at the time of opening tenders, the following information shall be read out:
 - i. Tender Number and date
 - ii. Name of Bidder
 - iii. Description of materials offered
 - iv. Prices
 - v. Terms of Delivery
 - vi. Delivery period
 - vii. Terms of payment

6.4 TENDER EVALUATION:



- a. Under two Bid Tender System, evaluation of the Technical bids shall be carried out by the Technical Evaluation Committee with a strength of minimum 03 members.

The Committee should consist of members from the following agencies:

Sl.No.	Category	Technical Evaluation by Committee consisting of
1	Items required for production of Equipment including project developmental / spares requirement (Project items)	Design / R&D, Planning, and User Dept. Finance representative to be included on case-to-case basis if required for verifying the Financials submitted by the Bidders.
2	Capital Items	Design / R&D, Quality, Maintenance, Planning and User Dept. In case of financials submitted by the bidders, finance rep can be included to verify the financials in the committee on case-to-case basis.
3	Civil/Construction supply and service	HR, Construction Dept. Finance representative to be included on case-to-case basis if required for verifying the Financials submitted by the Bidders.
4	Tooling items/Jig/Fixtures	Tool Planning, User Dept. and Quality Dept. Finance representative to be included on case-to-case basis if required for verifying the Financials submitted by the Bidders.

Sl.No.	Category	Technical Evaluation by Committee consisting of
5	Maintenance Spares and services	Plant maintenance, User Dept. and Quality Dept. Finance representative to be included on case-to-case basis if required for verifying the Financials submitted by the Bidders.
6	HRD related Items and services	HRD/Welfare, Finance, Quality and User Department
7	Other Non-Project Items and Services	Planning, Quality and User department. Finance representative to be included on case-to-case basis if required for verifying the Financials submitted by the Bidders.

Note:

- Items/ services where in there is no technical criteria such as Pre-Qualification Criteria of a tender shall be evaluated by purchase.
- Purchase shall convene the TEC meeting and shall furnish all relevant documents / information to the TEC for their evaluation and recommendation.
 - i. Head of respective Departments should be the members of the TEC if the approving Authority for placement of Purchase order is Board / Procurement Committee / CMD/ Functional Director.

For opening of Price bid of such tenders, approval of Head-SBU/ Head-Corporate Materials (in case of Corporate procurement) to be obtained.
 - ii. In case, Approving Authority for placement of Purchase order is SBU Head / Complex Head or below, TEC should consist of members nominated by respective Head of Departments.

For opening Price bid of such tenders, approval of one level below the approving authority or the approving authority, whichever is lower shall be obtained.
 - iii. In case of Capital items, representatives of facility planning department (for complexes) and Corporate Planning (for Corporate office), Quality department, Maintenance (for complexes) and user department, to be nominated by respective Head of Departments.

For opening Price bid of such tenders, approval of Head-Materials or tender approving Authority, whichever is lower shall be obtained.

Note:

No member of the Technical Evaluation Committee (TEC) should be reporting directly to any other member of such Committee in case estimated value of procurement exceeds Rs.25 lakhs (Rule 173 (xxii) of GFR 2017). Though the GFR stipulates this provision only when the estimated value of procurement exceeds Rs.25 lakhs, it is desirable that the same provision should be followed in the constitution of all TECs.

- b. While evaluating technical bids before commercial bid opening, if there are any deviations other than mandatory requirements which are not significant in nature and same do not affect materialistically tendering process, in such cases clarification/confirmation may be obtained by giving equal opportunity to all bidders.

The shortfall information/documents should be sought only in case of historical documents which pre-existed at the time of the tender opening and which have not undergone change since then.

These should be called only on basis of the recommendations of the TEC. However, for mandatory requirements, shortfall documents/ representations shall not be considered.

- c. TEC is empowered to seek shortfall documents through the Purchase Representative. Separate approval is not required for seeking shortfall documents.
- d. Tenders may also be evaluated as per combined Quality cum Cost Based Selection (QCBS) as per guidelines mentioned in separate chapter "Guidelines for Selection of Consultants (Service Providers)/ Firms based on QCBS".
- e. The tenders which are not meeting technical specification and where the tender requirements formalities have not been complied with, the reasons for non-consideration / rejection of bids shall be recorded and duly communicated to the bidders concerned.
- f. If the technical bid is finally rejected due to non-compliance of tender requirement as recommended and approved, the price bid will not be opened.
- g. Tenders are evaluated with reference to price, delivery, terms of despatch, payment terms, validity of the offer, etc., in relation to tender enquiry and recorded in the ERP system using ERP T-Code "ME47 - Maintaining RFQ" for tender comparative statement and analysis of the quotations on a like-to-like basis. The Last purchase price is also recorded for assessing the reasonableness of the lowest technically acceptable offer.
- h. Utmost care shall be exercised while recording the response for RFQ in ERP system. Any deviations from the tendered specifications, delivery period or normal terms and conditions and any special conditions, assistance etc., stipulated by the firm, shall be highlighted. It shall be the responsibility of the concerned Purchase Officer to ensure prompt preparation of price statement as well as finalization of the tender papers. All Management decisions are based on the information tabulated in the tender evaluation sheet.
- i. Following points shall be paid special attention while compiling information on the tender evaluation sheet and suitably add/load the charges towards different headings to meet tender conditions such as payment terms, terms of delivery etc.
 - i. The offer was received in time and is not an unsolicited or qualified offer and the offer is accompanied by Earnest Money Deposit, if required, as per the Tender conditions.

- ii. Basic price and the quantities for which it is valid. Also, whether the price is firm and/ or any escalation formula is offered.
 - iii. GST and any other imports/ taxes that are payable.
 - iv. Terms of delivery i.e., ex-factory, BEML stores or FOR and other terms and conditions.
 - v. Packing and forwarding charges.
 - vi. Firm's willingness to accept penalties/ compensation for late delivery as well as BEML's Standard Conditions of contract. Specifications offered are the same as demanded/ alternative offered and benefits claimed for it. Bidder not meeting the laid down specifications may not be ranked in consultation with the Technical Department.
 - vii. The terms of payment and request for advance payments / willingness to offer bank guarantee.
 - viii. Assurance/ methods to replace defective supplies.
 - ix. After-sales-service arrangement and cost of such services, if any.
 - x. Samples if required are submitted with the offer or alternatively party agrees to submit samples as required in the enquiry.
 - xi. Validity period is adequate.
 - xii. Erection & Commissioning Charges.
 - xiii. Handling Charges.
 - xiv. Performance Bank Guarantee.
- j. Taking into consideration the above factors, a net price comparison of the valid tenders only shall be prepared and tender evaluation sheet(s) shall be endorsed L1, L2, L3 etc. to indicate 1st lowest, 2nd lowest, 3rd lowest and so forth.
 - k. In case of bids involving foreign exchange, the exchange rate variation for evaluation of tender shall be considered at the date of opening of Commercial bid. Refer **Annexure-N** for detailed guidelines.
 - l. All offers are to be converted to Indian Rupees based on the "Bill Selling" exchange rate on the deadline of bid submission, as specified in the tender document. If not specified, bill selling rate as published by State Bank of India to be adopted.
 - m. The tender evaluation statement shall be prepared and signed by the purchase assistant who has prepared the statement and shall be vetted and countersigned / approved in ERP by the officer of the purchase and Finance Department. The Tender Evaluation Sheet/ Tender Comparison Sheet shall be taken from ERP system using the ERP T-Code "ME49 / ZMCMP- Quotation Comparison".
 - n. Offers may be classified as single, regret and unsolicited as defined in Chapter 2 paras 2.5 (a), (c) & (d).
 - o. The lowest and technically acceptable offer is availed and Purchase Order is placed. PO co-ordination to be obtained from Finance where the PO value is more than Rs. 2.0 Lakhs for production items and Rs. 1.0 Lakh for non-project items and approved by the competent Authority as per SDoP. Where the lowest offer is ignored on technical ground, concurrence of user department will be obtained.

- p. In case of urgency, due to production exigencies, letter of intent stipulating the quantity and other important conditions of contract such as Price, Delivery terms etc., may be issued with the approval of the Authority competent to accept the tender as per SDoP, subject to release of the Purchase Order thereafter without any delay. No financial pre-scrutiny of such intent letters is required for release. However, in the case of Capital items and imported items pre-scrutiny by finance of the letter of intent is required and approval of competent authority as per SDoP to be obtained where required. A specimen of Letter of Intent is given in at **Annexure-G**. However, payment for the Supplies affected shall be made only on release of Purchase Order and also as per the payment terms indicated therein.
- q. While accepting the tenders, the deviations of following nature shall be referred to the Material Purchase Committee (MPC).
- Where only one valid quotation is received against Proprietary/ Buyer Nominated/ Single tender/ Single known developed source/ Single technically accepted offer received against Open /Public/ Limited tender and requires approval as per SDoP for placement of order.
 - Acceptance of offers where specifications are relaxed from those indicated in the tender and the proposal requires approval as per SDoP for placement of order.
 - Procurement of proprietary items / procurement on single tender basis and requires approval as per SDoP.
 - Any other matter, which the Head-Materials desires to refer from time to time.

r. OEM/ Authorised Dealer/ Agents of Supplier:

Except in case of Commercially-Off-The-Shelf (COTS) items, when a firm sends quotation for an item manufactured by some different company, the firm is also required to attach its quotation, the manufacturer's authorisation certificate and also manufacturer's confirmation of extending the required warranty for that product as per formats given in SBD. This is necessary to ensure quotation from a responsible party offering genuine product, also backed by a warranty obligation from the concerned manufacturer. In the tender, either the manufacturer or its authorised dealer can be considered as valid bidders.

In case of large contracts, especially capital equipment, the manufacturer's authorisation must be insisted upon on a tender specific basis, not general authorisation/dealership, by so declaring in the bid documents clearly.

In cases where the manufacturer has submitted the bid, the bids of its authorised dealer will not be considered and EMD will be returned.

And in case of violations, both infringing bids will be rejected.

s. Conflict of Interest among Bidders/ Agents:

A bidder shall not have conflict of interest with other bidders. Such conflict of interest can lead to anti-competitive practices to the detriment of Procuring Entity's interests.

The bidder found to have a conflict of interest shall be disqualified. A bidder may be considered to have a conflict of interest with one or more parties in this bidding process, if:

- i. they have controlling partner (s) in common; or
- ii. they receive or have received any direct or indirect subsidy/ financial stake from any of them; or
- iii. they have the same legal representative/agent for purposes of this bid; or
- iv. they have relationship with each other, directly or through common third parties, that puts them in a position to have access to information about or influence on the bid of another Bidder; or
- v. Bidder participates in more than one bid in this bidding process.
- vi. Participation by a Bidder in more than one Bid will result in the disqualification of all bids in which the parties are involved. However, this does not limit the inclusion of the components/ sub-assembly/ Assemblies from one bidding manufacturer in more than one bid.
- vii. In cases of agents quoting in offshore procurements, on behalf of their principal manufacturers, one agent cannot represent two manufacturers or quote on their behalf in a particular tender enquiry. One manufacturer can also authorise only one agent/dealer. There can be only one bid from the following:
 1. The principal manufacturer directly or through one Indian agent on his behalf; and
 2. Indian/foreign agent on behalf of only one principal.
- viii. A Bidder or any of its affiliates participated as a consultant in the preparation of the design or technical specifications of the contract that is the subject of the Bid;
- ix. In case of a holding company having more than one independently manufacturing units, or more than one unit having common business ownership/management, only one unit should quote. Similar restrictions would apply to closely related sister companies.
- x. Bidders must proactively declare such sister/ common business/ management units in same/ similar line of business.

t. Tender Evaluation of Capital Items:

The Purchase Department, shall study offers and prepare a price comparative statement for endorsing the offers that are prima facie suitable. The file then is to be passed to Divisional Technical Committee for further study and selection of accessories, special tooling, maintenance requirements, special civil works etc., if any, needed. Divisional Technical Committee after examining the offers shall also suggest the details of additional accessories and spares which are to be initially procured. Some of the essential factors which shall be taken into consideration are:

- i. Estimated operation cost, maintenance cost, and the total cost over the portable life of equipment.

- ii. Availability of service at the initial stage and regular after-sales-service
- iii. Availability of spares on ex-stock basis or delivery at short notice
- iv. The existence of similar-make machines in service
- v. Training of operators in case of special-purpose machine.
- vi. The detailed guideline to ensure process capability and maximum availability of capital equipment(s) is placed at **Annexure-C**.

6.5. DIVISION OF PATRONAGE:

- a. At times the tendered quantity may be divided amongst 2 or 3 developed and reliable sources with a view to have more than one source as a prudent measure. The decision whether more than one source is required for a particular item shall be taken at NIT stage and shall be so recorded for the purpose of transparency and shall form part of NIT.

In such cases it is also essential that the right of splitting the supply with more than one party is mentioned in the tender itself.

- b. Where there was no prior decision to split the order quantity (division of patronage not indicated in the NIT) and after processing the bids, if it is found that the quantity to be ordered is more than what L1 alone is capable of supplying/express inability to supply full tender quantity, the quantity finally ordered shall be distributed in exceptional cases only among the L2, L3 bidders after acceptance of L1 price in a manner that is fair, transparent and equitable like 60:40 or 50:30:20 with due approvals as per SDOP for acceptance of tender. If L2 or L3 failed to accept the L1 price then fresh tender is to be resorted to, excluding L1 for the balance quantity & procedure as enumerated for tender evaluation to be followed.
- c. As far as possible, the other terms and conditions of Purchase Order, such as, payment, delivery terms being equal and uniform, and delivery of items shall be staggered to avoid simultaneous deliveries leading to inventory build-up.
- d. It may be ensured that normally higher share of the quantity is given to the firm who have quoted the lower price and accepted.
- e. The value of the tendered quantity as per PR is only relevant and the Authority competent to accept the tender shall be with reference to this value and not the split-up values of the Purchase Orders to be placed under any circumstances.

6.6 RE-TENDERING:

Re-tendering is not to be resorted to in the normal course. However, re-tendering shall be considered in the following exceptional cases:

- a. When the prices quoted are considerably very high/very low.
- b. When it is suspected that there is a ring existing and price have been manipulated.
- c. Material change in the basic specification has been introduced after receipt of tenders.
- d. None of the offers meet the desired specifications and prequalification of tender criteria.
- e. L1 Firm withdraws the offers or do not agree for extension of validity when it becomes necessary.

- f. When there is a sudden slump in the market which is to be approved, sustained and justified.

Re-tendering when resorted to shall be only after obtaining the approval SBU Head/ Complex Head / Head Corporate Materials in case of Corporate procurement.

6.7 CVC GUIDELINS ON TRANSPARENCY IN TENDER PROCESS:

- a. As per CVC guidelines, in case of procurement of technical items, the 2 stage tendering shall be followed.
 - i. Calling for Expression of Interest for supply of technical item wherever specification not known.
 - ii. Financial Bid will be opened after selection of technically eligible vendors.
- b. During the technical discussions with the shortlisted vendors who are technically and financially capable of supplying the material, the procurement team may also consult finance team who could add value to the decision making on the various technical aspects and evaluation criteria.
- c. A proper record of minutes of such meeting shall be maintained by the purchase dept.
- d. Once the technical specifications and evaluation criteria are finalized, the second stage of tendering could consist of calling of techno-commercial bids as per the usual tendering system. Final selection at this stage would depend upon the quoted financial bids and the evaluation matrix decided upon.

6.8 PUBLICATION OF TENDER RESULTS AND RETURN OF EMD OF UNSUCCESSFUL BIDDERS:

The details of award of contract and name of the successful tenderer should be mentioned mandatorily in the notice board/ bulletin/ website of the concerned Ministry or Department/ GePNIC. [Rule 173 (xviii) of GFR 2017].

In case publication of such information is sensitive from commercial or security aspects, dispensation may be sought from publishing of such results by obtaining sanction from the Secretary of the Department with the concurrence of associated Finance. Upon the successful bidder furnishing the signed agreement and performance security, each unsuccessful bidder will be promptly notified and their bid security be returned without interest within 30 (thirty) days of notice of award of contract. The successful supplier's bid security shall be adjusted against the SD or returned as per the terms of the tender documents. In cases, where PSUs compete with private firms in public tenders, publication of details of contracts awarded by the PSU concerned to various sub vendors, suppliers, technology providers and other associates before firming up their offer, may hurt the interest of the PSU as the competitors may get to know the details of sub vendors, suppliers, technology providers and other associates as well as the price at which the contracts are placed. Therefore, in such cases, publication of details of contracts awarded may be dispensed with.

CHAPTER – 7 E-PROCUREMENT

(In line with GFR 160)

7.1 INTRODUCTION:

Electronic Procurement (e-Procurement) refers to the business-to-business purchase of supplies and services over digital platforms, primarily through Government e-Marketplace (GeM) as mandated by GFR 2017 Rule 149, and BEML's GePNIC for specialized procurements not available on GeM.

e-Procurement encompasses all digital procurement processes mandated under GFR 2017, including Procurement of Goods and Services available on GeM as per GFR Rule 149, Electronic Reverse Auction as per GFR Rule 167, and e-Publishing / e-Procurement requirements under GFR Rule 159 & 160.

7.2 OBJECTIVES OF E-PROCUREMENT:

To put in place a simplified alternative to traditional tendering / procurement / negotiation process aimed at:

- a. Increasing operational efficiency.
- b. Achieve compliance with mandatory digital procurement requirements.
- c. Enhanced transparency and elimination of arbitrariness (GFR Rule 173).
- d. Cost rationalization through competitive online bidding.
- e. Digitization of purchase documentation with mandatory Digital Signature.

7.3 BENEFITS OF E-PROCUREMENT:

- a. Direct cost reduction - due to hidden inefficiencies inherited in generic tendering/ negotiation process.
- b. Cycle time savings for buyers and suppliers.
- c. Increased Buyers reach.
- d. Transparency.
- e. Overall process efficiency/ productivity:
 - more throughput per buying
 - spend less time on managing the tactical and operational logistics of sourcing
 - can undertake more professional, value added activities beyond traditional negotiations.

7.4 STAKEHOLDERS:

- “Buyer” - BEML Unit / Division Purchase Team
- “Bidder” - Supplier
- “Service Provider” - BEML-SRM Service Provider

7.5 ROLES AND RESPONSIBILITIES:

a. Buyer:

- a. Complete ownership of the process.
- b. Approval of purchase norms.
- c. Approval / empanelment of bidders.
- d. Preparation of RFQ document and circulation of the RFQ document amongst empaneled vendors and ensuring conformity.
- e. Resolving bidder queries related to product specifications and purchase terms.

- f. Selection of suitable e-procurement process (whether e-bidding or e-bidding cum auction) method.

b. Bidder:

- a. Unambiguous interpretation and understanding of RFQ terms.
- b. Adherence to process deadlines defined in RFQ.
- c. Make proper infrastructure arrangement for participation in e-Bidding/e-Auction.
- d. Quote a realistic and sustainable price.

c. Service Provider:

- a. Clarify queries of the bidders with respect to bidding on Online platform.
- b. Compilation and post bid analysis of e-Reverse Auction event result.
- c. Ensure complete documentation within legal framework.

7.6 BEML's e-PROCUREMENT PROCESS (GePNIC):

7.6.1 Tender Creation:

BEML's GePNIC through Service Provider to be used only for specialized procurements not available on GeM.

Such tenders to be floated online on Government e-Procurement System of NIC (GePNIC) using the link <https://eprocurebeml.nic.in>. Complete tender document will be available online for downloading and submission of offer by bidders. For wide publicity, the complete tender document to be published on BEML website (<https://www.bemlindia.in>) and Central Public Procurement portal (<https://epublish.gov.in>) for downloading only. If the tender value exceeds Rs. 1.00 crore, it shall be published in Indian Trade Journal for non-GeM Tenders.

Tenders to be published in GePNIC by authorized executives of BEML with Digital Signature Certificate (DSC) with the approval of the competent authority. The authorized executive for this purpose will be the Head of Purchase Department or any executive authorized by the Head of Purchase Department.

After creation of tender, a unique "Tender ID" is automatically generated by the system. Tenders can be accessed by the prospective bidders on the above websites and may be downloaded by them, if required.

7.6.2 Bid Openers:

While creating/ publishing the tender, four officers (preferably two from Purchase Dept and two from Finance Dept) will be identified as "Bid Openers". In case of non-availability of required officers from both the departments, officers from other departments also may be identified as Bid Openers. Tender may be opened by any two of the above four officers (preferably one from Materials Dept and one from Finance Dept).

7.6.3 Start Date of Bid Submission:

The bid submission will start from the day of e-publication of NIT, but if there is a pre-bid meeting, it will start on the next day of pre-bid meeting or as specified in the NIT.

7.6.4 Single Tender:

In cases where tender is required to be issued to a single party, the enquiry will be sent to the concerned firm through the GePNIC system generated e-mail along with

SMS alert. Offer will also be required to be submitted by the bidder online through the GePNIC.

7.6.5 Limited Tender:

In case of limited tenders, enquiry will be issued to the known firms through the GePNIC by system generated e-mail along with SMS alert.

7.6.6 Downloading of Tender:

The tender can be downloaded by any prospective bidder from the GePNIC free of cost. The downloading of tender may start immediately after e-Publication of NIT and shall continue till the last date and time of bid submission.

7.6.7 System Requirement:

In order to submit the online offer on BEML's GePNIC, the bidder should comply with the system requirement i.e., hardware, software and internet connectivity at bidder's premises to access the e-Procurement website.

Under no circumstances, BEML shall be liable to the bidders for any direct/indirect loss or damages incurred by them arising out of incorrect use of the e-Procurement system or internet connectivity failures.

7.6.8 Digital Signature Certificate (DSC):

The Digital Signature Certificates (DSCs) have to be obtained for BEML users from certifying agency which is authorized by Controller of Certifying Authority (CCA) of Govt. of India. The bidders will have to obtain the Digital Signature Certificate with signing & encryption from any Certifying Agency, which is authorized by CCA.

7.6.9 Registration / Enrolment of Bidder on GePNIC:

In order to submit the bid, the bidders will have to get themselves registered online on GePNIC with valid Digital Signature Certificate (DSC) issued from any agency authorized by Controller of Certifying Authority (CCA) and which can be traced up to the chain of trust to the Root Certificate of CCA.

The online Registration of the bidders on the portal will be free of cost and one time activity only. The registration should be in the name of bidder, whereas DSC holder may be either bidder himself or his duly authorized person and the DSC has to be mapped in the name of the bidder.

7.6.10 Clarification of Bid Documents:

In case of e-procurement, the bidder may seek clarification on-line which will be provided by the department and the same will be visible to all the prospective bidders.

7.6.11 Pre-bid Meeting:

Pre-bid meeting may take place, if required, on the scheduled date & time, as specified in NIT. All the pre-bid queries and clarifications shall be documented and shared with all prospective bidders to maintain transparency and ensure equal access to information.

7.6.12 Amendments/ Modifications to Tender Enquiry:

Amendments / modifications to tender enquiry shall be uploaded on GePNIC, BEML Website & CPP portal.

7.6.13 Extension of Due Date of Bid Submission:

Extension of due date of bid submission shall be done prior to be closing date and time.

7.6.14 Auto Extension of Due Date of Bid Submission:

In case of number of bids received is less than the number chosen, will be done automatically by the system without seeking any input from or sharing any information with anyone.

7.6.15 Bid Submission:

The bidder shall upload their bids online in the GePNIC within the stipulated due date and time of tender submission. No offline bid shall be accepted. The bidders will have to upload Technical bid and scanned copies of various documents required for eligibility and all other documents as specified in NIT.

7.6.16 Price bid:

The Price bid containing the Bill of Quantity (BOQ) will be uploaded during tender creation. This will be downloaded by the bidder who will quote the rates, taxes & duties etc. for the offered items on this Excel file. Thereafter, the bidder will upload the same during bid submission.

The Price-bids of the tenderers will have no condition. The Price Bid which is incomplete and not submitted as per instructions will be rejected.

7.6.17 Modification / Withdrawal of Bid:

Modification of the submitted bid shall be allowed online only before the deadline of submission of tender and the bidder may modify and resubmit the bid online as many times as may wish. Bidders may withdraw their bids online within the end date and time of bid submission.

7.6.18 Bid Opening in Two Bid System:

The Technical bids will be opened on the pre-scheduled date and time of tender opening. The bids will be decrypted on-line and will be opened by the "Bid Openers" with their DSCs. Price Bids (BOQ) of technically acceptable bidders will be opened subsequently on the scheduled date and time and to be notified later.

7.6.19 Technical Evaluation of Bids in Two Bid System:

Technical documents submitted by the firms will be downloaded by the Purchase Department and forwarded to the TEC, who will further scrutinize the system accepted bids in light of documents uploaded by the bidders.

After the technical evaluation by the TEC, recommendations in respect of short listing of technically acceptable bidders to be obtained.

7.6.20 Clarification of Bids/ Shortfall Documents:

The Purchaser may ask for clarifications/ shortfall documents during the evaluation of the bids.

The above documents will be specified on-line under the link "Upload shortfall document" indicating the start date and end date for on-line submission by bidder. The bidders will get this information on their personalized dashboard.

Additionally, information shall also be sent by system generated e-mail and SMS, but it will be the bidder's responsibility to check the updated status/ information on their personalized dash board at least once daily after opening of bid. No separate communication will be made in this regard. Non-receipt of e-mail and SMS will not be accepted as a reason of non-submission of documents within prescribed time. The bidder will upload the requested documents within the specified period and no additional time will be allowed in this regard for on-line submission of documents.

7.6.21 Opening of Price Bid:

After shortlisting of technically acceptable bidders as above, the date and time of opening of Price Bid and/or conducting reverse auction, shall be uploaded in the Portal and shortlisted firms will be informed through system generated e-mail and SMS alert.

Where no reverse auction is to be conducted, the Price bid of the shortlisted bidders (qualified in Technical bid) will be decrypted and opened on the notified date and time by the Bid Openers.

The Price bids and system generated Comparative Statement will be downloaded and will be signed by the officers opening the Price Bids.

7.7 APPROVALS:

Approvals related to procurement process are to be taken outside GePNIC.

7.8 AWARD PURCHASE ORDER / CONTRACT BASED ON E-BIDDING:

Awarding of Purchase Order/ Contract will be done as per the laid down purchase procedure. All follow-on documents will be created in ERP since all financial entries, valuation and payment will take place in ERP.

7.9 ELECTRONIC REVERSE AUCTION:

- a. Electronic Reverse Auction means an online real-time purchasing technique utilized by the procuring entity to select the successful bid, which involves presentation by bidders of successively more favourable bids during a scheduled period of time and automatic evaluation of bids;
- b. A procuring entity may choose to procure a subject matter of procurement by the electronic reverse auction method, if:
 - i. It is feasible for the procuring entity to formulate a detailed description of the subject matter of the procurement;
 - ii. There is a competitive market of bidders anticipated to be qualified to participate in the electronic reverse auction, so that effective competition is ensured;
 - iii. The criteria to be used by the procuring entity in determining the successful bid are quantifiable and can be expressed in monetary terms.

7.9.1 PROCEDURE FOR ELECTRONIC REVERSE AUCTION:

BEML shall solicit bids through an invitation to the electronic reverse auction to be published or communicated in accordance with the provisions similar to e-Procurement; and

The invitation shall, in addition to the information as specified in e-procurement, include details relating to access to and registration for the auction; Opening and closing of the auction and Norms for conduct of the auction -- As per GFR 167.

7.9.1.1 Scope and Applicability:

Electronic Reverse Auction shall apply to procurement made through GeM / GePNIC Portal under the following criteria:

The Reverse Auction procedure shall be applicable to both project and non-project procurement for more than Threshold value of Rs. 10.0 Lakhs, (Rule 149(iii), GFR-2017), with minimum of three, 03-Qualified Bidders for Goods & Services, unless specifically exempted by SBU Head / Complex Head.

7.9.1.2 Statutory and Policy Framework:

The Reverse Auction procedure on Online Portal shall be governed by the following:

- i. General Financial Rules (GFR), 2017, as amended from time to time
- ii. GeM General Terms and Conditions
- iii. Department of Expenditure (DoE) instructions, as applicable

7.9.1.3 Dynamic Price Discovery - Electronic Reverse Auction (eRA):

(Clause 4.5.1 of DoE-Manual for Goods-2024 edition/ Page: 91)

Electronic Reverse Auction (eRA), classified as a dynamic procurement mode, is an online real-time purchasing technique used to select a successful bid. eRA is an iterative process with automatic evaluation of bids, where bidders can offer successively more favourable bids to displace the lowest bid at any given moment within the duration of the eRA. The starting price, minimum bid decrement and duration of the auction are announced before the start of the online reverse auction. If a new lower bid is received within the last few minutes (say within last 10 minutes) of closing time, the closing time will get automatically extended (pre-announced, say ten minutes) for others to respond. The most favourable bid at the end of the process is declared as successful. It has, however, to be ensured that the entire process is conducted transparently and fairly.

7.9.1.4 Potential Risks & Drawbacks in eRA:

(Clause 4.5.2 of DoE-Manual for Goods-2024 edition/ Page: 91)

Electronic reverse auctions can be a powerful tool for procuring goods and services, but they also come with potential risks and drawbacks. Here are some reasons why caution is advised:

- a. **Quality and Supplier Relationships:** In an electronic reverse auction, the focus is on price and suppliers may be forced to cut corners to win bids, affecting the overall quality of the product or service. Additionally, aggressive bidding can strain supplier relationships, leading to long-term negative effects.
- b. **Value for Money:** While reverse auctions can drive down immediate costs, they may not optimize value for money. Factors like total cost of ownership, lifecycle costs, innovation, reliability, sustainability, and strategic alignment may get overlooked.

- c. Lack of Technology Development: Suppliers may hesitate to invest in innovation or process improvements if they are constantly pressured to lower prices. This can hinder long-term competitiveness and limit the introduction of new technologies or ideas in high tech goods and services.
- d. Risk of Supplier Dropouts: Aggressive bidding can lead to suppliers dropping out of the market segment, reducing competition. If critical suppliers exit, it can disrupt the supply chain and impact availability.

7.9.1.5 Applicability of eRA:

(Clause 4.5.3 of DoE-Manual for Goods-2024 edition/ Page: 91 & 92)

Electronic reverse auctions can drive cost savings. However, they should be used judiciously, considering the broader implications beyond price alone. Therefore, eRA should not be used indiscriminately or as a default mode of procurement. Purchase department may choose procurement of goods / services that are amenable to procurement by this mode as per the following guidelines:

a. Reverse auction would be appropriate where:

- i. Items are commodities, Commercially-off-the-shelf items;
- ii. It is feasible to formulate a detailed description of the subject matter of the procurement;
- iii. There is a competitive market of bidders (say more than five/ three) anticipated to be qualified to participate in the electronic reverse auction so that effective competition is ensured;
- iv. The criteria to be used by the procuring entity in determining the successful bid are quantifiable and can be expressed in monetary terms;

b. Where caution is needed in Reverse Auction:

- i. In the case of repetitive/ regularly procured items, future procurements may be affected, as there may not be the same type of price reduction in future procurements as in the first Reverse Auction. The company may face a situation of not being able to justify the higher rates received subsequently or
- ii. Where it is proposed to issue parallel orders by splitting the total order quantity among more than one supplier, a reverse auction may be avoided. However, in such a case, if the reverse auction is resorted to, then there should be adequate suppliers available, i.e., if the quantity is to split into N parts, then suppliers available should be at least N+3.

c. Reverse Auction would not be appropriate for:

- i. The requirement is not of high enough value to generate competitive pressures on bidders.
- ii. Items of strategic/ critical/ vital/ high technical complex nature, items that are in short supply in the market, or
- iii. Where the QCBS system of selection is used (wherever permissible in case of Consultancy, Non-consultancy Services or Works); or
- iv. Where FBS (Fixed Budget Based Selection) system of selection is used in Consultancy Services wherein the only parameter for evaluation is quality/

technical criteria or

- v. In Engineered products having complexity in design; or
- vi. EPC contracts and complex Works contracts, or
- vii. Items where there are only a few suppliers.

7.9.2 E-REVERSE AUCTION PROCESS:

In the case of E-Reverse Auction (eRA), RFQ document is to be prepared considering the following points:

- i. Contact information of “Buyer – BEML Unit / Division” and “E-Procurement Link and other details”.
- ii. Activity schedule - clearly earmarking clear deadlines for each scheduled activity.
- iii. General Terms and Conditions of Purchase.
- iv. Product/Service specific information and Supply Location.

7.9.2.1 eRA Platforms:

eRA to be conducted through e-procurement Service Providers like GeM, GePNIC. Concerned Purchase Executive has to co-ordinate and take necessary action to complete the process of eRA.

7.9.2.2 Standard operating Procedure (SoP) for Reverse Auction:

a. Purpose of E-Reverse Auction (eRA):

This clause describes the guidelines and standard operating procedure to be followed for conducting reverse auction for procurement of material / services / works.

The NIT document should specifically mention that the tender will be finalized after carrying out E-Reverse auction (eRA).

b. Evaluation of offers from Bidders:

In reverse auction to evaluate the offers on equal footage the calculation schema **(separate for Local and Foreign Bidders)** will be provided in the tender.

The offers of bidders are evaluated on landed cost basis as per the following,

For local Bidders - The Price for the Reverse auction would be the FOR/DAP-Destination price, which should include all the components of all non-creditable Taxes (i.e., the tax for which input tax credit is not available to BEML) and levies applicable, Freight, Insurance etc.

For Foreign Bidder - The Price for the Reverse auction should be the CIF price. Further in order to conduct reverse auction the foreign currency would be converted to INR by applying SBI TT Selling rate prevailing on the date of tender opening.

eRA is not applicable in cases where domestic and foreign vendors are technically qualified in that tender.

c. Requirements of Reverse Auction:

- i. The bidders shall be, initially, required to submit their offers in 3 stage bid system as below:

- Pre-qualification document - EMD, Integrity pact etc., if applicable, as per tender.
 - Techno-commercial Bid - Technical and Commercial offers without price.
 - Price Bid - Only item wise price to be quoted in Online Portal as per price bid template provided in the tender.
- ii. Reverse auction is applicable for Open tenders (2-Bid system) and Limited tenders (2-Bid system) with techno-commercial qualified bidders with elimination of "H1 bidder".
 - iii. Reverse auction L1 status is not final as the procurement involves MSE and "Make in India" policies.
 - iv. Threshold value for reverse auction will be fixed by CFD from time to time. Presently, the threshold value is fixed at Rs.10.0 Lakhs.
 - v. Reverse auction to be followed in all the tenders which are more than threshold value. If eRA is not conducted, then reasons to be recorded and same has to be approved by SBU Head / Complex Head before tendering.

d. Purchase preference to Make in India:

The NIT need to clearly indicate whether the items tendered are covered under public procurement (preference to Make in India) order 2017. (PPP-MII).

If items are covered under PPP-MII, then qualification of bidders will be carried out as per the order no P-45021/2/2017-PP(BE-II) dt 15-06-2017 as amended from time to time.

e. Purchase preference for MSEs:

The NIT need to clearly stipulate the quantity reserving for MSEs.

MSE bidders are eligible for purchase preferences in terms of MSE policy, and the quoted price is within price band as specified in relevant policy/order. In such a case the extent of quantity reserved for them will be offered as indicated in tender by offering L1 price. However, MSE vendor/s shall be allowed to supply up to quantity/value as defined in applicable policy.

f. Business Rule for finalization of the tender under eRA:

- i. Date and time of e-Reverse auction will be communicated to all qualified bidders by BEML GePNIC as advance intimation for participation in eRA process.
- ii. It shall be the responsibility of the bidder to be ready for eRA with all the requirements.
- iii. It is mandatory for bidder to have a valid digital signature certificate of Class III issued in the name of Company with signing certificate issued by any of the valid Certifying Authority approved by Government of India for submission of bids in e-tenders.
- iv. Wherever, the validity of digital signature is expiring, the bidder shall take due care to get it extended before its expiry. The cost of obtaining such digital signature shall be borne by respective bidder.

- v. As valid digital signature is one of the pre-condition for participation in eRA event, if any bidder does not have valid digital signature or the same has expired on the date of eRA event, he will not be eligible to participate in the eRA event.
- vi. Bidder will be using the User ID provided by BEML GePNIC for submission of bids against the e-tender and same will be applicable for e-Reverse auction also.
- vii. If required and if requested for, by the bidder, without any cost, specifically for the bidders who will participate 1st time in eRA, clarifications on eRA can be obtained from concerned Purchase Executive.
- viii. The reverse auction will be treated as closed only when the bidding process gets closed in all respects for the item listed in the eRA event.
- ix. All bids made from the Login ID given to bidder will be deemed to have been made by them.
- x. e-Reverse Auction (eRA) shall be conducted on pre-specified time & date. The bidders shall have to log into BEML GePNIC and take part in eRA from their own offices/ place of their choice. Internet connectivity and other paraphernalia requirements shall have to be ensured by bidders themselves. In order to ward off such contingent situation like internet connectivity failure, power failure etc., bidders are requested to make all the necessary arrangements / alternatives whatever required so that they are able to circumvent such situation and still be able to participate in the reverse auction successfully. However, the bidders are requested not to wait till the last moment to quote their bids to avoid any such complex situations. It is to be noted that BEML shall not be responsible for these unforeseen circumstances.
- xi. BEML shall not have any liability to bidders for any interruption or delay in access to the site irrespective of the cause.

g. Elimination criteria of Bidders in eRA:

- i. The offers, which are techno commercially acceptable including prequalification criteria, shall be eligible for participation in e-reverse auction.
- ii. Bidders with highest quote will be identified as “H1-Bidder.
- iii. In case of eRA carried out through GeM Portal or Online Portal, option exists for H1 elimination or 50% elimination. Purchase Executive has to choose any one of the options judiciously.

h. Decrement amount for e-Reverse Auction:

Decrement amount for e-Reverse Auction is the minimum amount or its multiples by which bidder will reduce the bid value on the lowest bid.

i. Process of e-Reverse Auction:

During the Reverse Auction, following will be applicable:

- i. Bidder can submit multiple bids – each lower to the previous one.
- ii. Bidder will get status dynamically as whether their bid is lowest or otherwise in Bidder screen
- iii. Lowest price will be displayed to the bidders. Dynamically, bidder will be displayed whether the bidder is L1 or not.

- iv. The auction event will be for duration as determined by BEML GePNIC. There will be provision of unlimited auto extensions of pre-determined time in closing phase of auction to provide fair chance of participation to all the Bidders. In case any bidder submits bid during the last minutes, (say 10 minutes), the auction time automatically gets extended by pre-determined time duration. This will lead to change in closing time of the reverse auction event.
- v. However, bidders are advised not to wait till the last minute or last few seconds to enter their bid during the last ten minutes/auto extension period to avoid complications related with internet connectivity, network problems, system crash down, power failure, etc. which ultimately leads to non-acceptance of such offer.
- vi. During Reverse Auction, if no bid is received within the specified time, BEML, at its sole discretion, may decide to proceed to finalize the tender based on price bid received against tender.
- vii. Placement of order on the conclusion of Reverse Auction shall be at the discretion of BEML. The bidders are to note that lowest Bid Price obtained on the conclusion of the eRA may not be the only criteria for awarding a contract.
- viii. BEML may, at its sole discretion, cancel the eRA event or the tender itself, before, during or after the eRA event.
- ix. If L1 price after conclusion of eRA is not reasonable, further price discussion, if required, will be carried out as per applicable guidelines/policy.
- x. As per tender conditions, BEML will offer L1 price as determined by the above eRA/ finalized L1 price to the other bidders for matching in case division of patronage is indicated in Tenders. Such Bidders shall be offered to confirm their acceptance to match L1 FINAL / Closing Price in Reverse Auction/ the finalized price in sequence of their ranking as L2, L3, L4 based on the last bid made by each of the bidder in eRA event, if required. In case of such splitting of contract, the such matching of rates by L2, L3, L4, shall be with rates (all the items in case of more than one item) finalized with L1 party.

7.9.3 SEQUENCE OF EVENTS IN eRA:

7.9.3.1 Bid Creation and Publication on Online Portal:

- i. The purchaser shall create the bid on BEML GePNIC by entering the approved technical specifications, eligibility criteria, delivery schedule, payment terms and other contractual conditions.
- ii. The Reverse Auction option shall be enabled at the time of bid creation itself and shall not be introduced at any subsequent stage.
- iii. The bid shall then be published on BEML GePNIC, providing equal opportunity to all eligible bidders to participate.

7.9.3.2 Technical Bid Opening and Evaluation:

- i. On the notified date, technical bids shall be opened electronically in Online Portal.

- ii. Evaluation of technical bids shall be carried out strictly in accordance with the criteria specified in the bid document. No relaxation or modification of eligibility conditions shall be permitted after bid opening.
- iii. The recommendations of the Technical Evaluation Committee shall be recorded and approved by the Competent Authority, and only technically qualified bidders shall be allowed to participate in the Reverse Auction.
- iv. If two bidders have quoted the same H-1 net landed cost/price, the bidder who had submitted/ frozen the bid later, shall be rejected and will not be able to participate in Reverse Auction.
- v. However, H-1 elimination will not be applicable to the preferential category of bidder like MSEs, Make In India, Ancillaries and other preferential category of bidders notified by Government of India from time to time.

7.9.3.3 Initiation and Configuration of Reverse Auction:

- i. After completion and approval of the technical evaluation, the purchaser shall initiate the Reverse Auction on the Online Portal among the technically qualified bidders.
- ii. The Reverse Auction is configured as below:

Parameter	Description
Start Price	Start bid price for eRA will be auto selected by online portal (L1 price among the price bids received).
Bid Decrement	Minimum reduction of bid decrement or its multiples. Decrement value to be rounded off to nearest value.
Auction Duration	24 hours
Auto Extension	Auto extension (say 10 minutes) would be provided if bid is received (say 10 minutes) before closing time.
'H1'- Bidder/ Bidders Elimination	H1 bidder will be auto-eliminated by online portal. GeM / online service may provide additional option of 50% elimination. Purchase executives to choose elimination criteria judiciously.
Max Ceiling Percentage	Maximum value a bidder can quote in multiples of decremental value in the auction. In order to displace a standing lowest bid and to become "L1", bidder can offer a minimum bid decrement or in multiples of decremental value up to above Max Ceiling of 50 %.
Conversion Rate	The exchange rate prevailing on the price bid opening date, shall be fed to the system before start of eRA.

7.9.3.4 Conduct of Reverse Auction:

- i. The Online Portal shall automatically notify all technically qualified bidders regarding the Reverse Auction schedule through Email / SMS Alerts.
- ii. Bidders can view the below details of Reverse Auction in the portal:
 1. Start time
 2. End time
 3. Decrement value
- iii. During the Reverse Auction, the bidders shall submit successively lower price bids within the permitted decrement value or multiples of decrement value.
- iv. Portal will not allow the bidders to submit quote lower than the permissible amount.
- v. The identity of participating firms shall remain anonymous throughout the auction.
- vi. The system shall automatically extend the auction time if bids are received near the closing time, as per the configured auto-extension rules.
- vii. The entire process shall be system-driven, time-stamped and recorded electronically.

7.9.3.5 Closure of Reverse Auction and Determination of L1:

- i. The Reverse Auction shall close automatically at the scheduled time after auto extensions, if any.
- ii. The bidder who submits the lowest bid at the time of closure shall be declared as the L1 bidder by the system.
- iii. On expiry of the closing of the reverse auction, the bid history showing all the last valid bids offered along with name of the bidders shall be published. All bidders shall have the facility to see and get a print of the same for their record.
- iv. If a bidder does not submit his bid in the Reverse Auction, the price quoted by him in the initial price bid shall be considered as the valid price of that bidder. The status of the bidder (L1, L2 etc.) shall be evaluated considering either the bid price submitted in Reverse auction or the Price quoted in the price bid, whichever is lower.

7.9.3.6 Examination of Abnormally Low Bids:

- i. In cases where the final price quoted through Reverse Auction appears to be abnormally low, the purchaser shall seek justification from the concerned bidder and examine the technical and commercial feasibility of the offer.
- ii. Acceptance of such bids shall be subject to due diligence and approval of the Competent Authority.

7.9.3.7 Approval and Award of Contract:

Based on the outcome of the Reverse Auction and after due examination, approval of the Competent Authority shall be obtained as per SDoP. The Purchase Order or Contract shall thereafter be issued to the successful L1 bidder. Price Discussion shall be held under following circumstances: (Clause 7.6.9 of DoE-Manual for Goods-2024 edition/ Page: 173)

- i. Negotiation with bidders for price reduction after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation is necessary due to some unavoidable circumstances, it should be held only with the lowest acceptable bidder (L1), who is techno-commercially responsive for the supply of a bulk quantity.
- ii. In no case, including where cartel rates are suspected, should negotiations be extended to those who had either not tendered originally or whose bid was rejected because of unresponsiveness of bid, unsatisfactory credentials, inadequacy of capacity or unworkable rates.
- iii. Price negotiations may not be considered except under the following exceptional circumstances:
 - a. Where L1 price is not considered to be reasonable, and
 - The procurement is done on a nomination basis or
 - Procurement is from single or limited sources or
 - In situations where the requirements are urgent, and the delay in re-tendering for the entire requirement due to the unreasonableness of the quoted rates would jeopardise essential operations, maintenance, and safety - negotiations with L1 bidder(s) may be done for a bare minimum quantum of immediate requirements. The balance bulk requirement should, however, be procured through a re-tender, following the normal tender process.
 - b. Where there is suspicion of cartel formation, which should be recorded.
- iv. The decision whether to invite fresh tenders or to negotiate (and with whom) should be made by the tender accepting authority, based on the recommendations of the TC. Convincing reasons must be recorded by the authority recommending negotiations. The CA should exercise due diligence while accepting a tender, ordering negotiations, or calling for a re-tender, and a definite timeframe should be indicated.
- v. Normally, all counter-offers are considered negotiations by other means, and the principles of negotiations should apply to such counter-offers. For example, a counter-offer to L1 to arrive at an acceptable rate shall amount to a negotiation. However, any counter-offer (at the rates accepted by L1) to L2, L3, and so on in case of splitting of quantities (and in parallel Rate Contracts) shall not be deemed to be a negotiation. Similarly, dynamic bids in the Reverse Auction process are not to be considered as negotiations.
- vi. After the CA has decided to call a specific bidder for negotiation, the following procedure should be adopted:
 - a. It must be understood that if the period of validity of the original offer expires before the close of negotiations, the original offer will not be available for acceptance. The period of validity of the original offer must, therefore, be extended, wherever necessary, before negotiations;
 - b. Revised bids should be obtained in writing from the selected bidders at the end of the negotiations. The bidder should not be permitted to change any

other condition of their bid other than lowering the price. If necessary, the negotiating party may be given some time to submit its revised offer. In case, however, the selected bidder prefers to send a revised bid instead of being present at the negotiation, the offer should be considered. In case a bidder does not submit the revised bid, decision shall be taken based on its original.

CHAPTER – 8 FINANCIAL CONCURRENCE:

- a. The scrutiny of Purchase proposals before the approval of 'Competent Authority' and before release of Purchase Orders shall be done by Purchase Scrutiny Cell of Finance Department.
- b. Revenue purchases for production and spares for re-sale up to Rs.2,00,000 shall not be subject to purchase scrutiny section of Finance. Similarly for Non-Project items up to Rs.1,00,000/- shall not be subject to purchase scrutiny section of Finance. All Purchases on Single tender and proprietary basis irrespective of the value shall be coordinated by Purchase scrutiny before approval of Competent Authority. However all purchases up to Rs. 2,00,000/- shall be subject to post audit and a scrutiny of PO placed could be carried out once in 6 months on random basis.
- c. The Purchase scrutiny cell will also assist Purchase in all matters of price negotiations with vendors except as above.
- d. Approving Authority for these purchases shall be as per the SDoP.
- e. Any purchase requisition (PR) shall not be split into smaller quantities with a view to avoid financial concurrence and taking approval of competent authority of higher level for placing Purchase Orders.
- f. Finance co-ordination / purchase scrutiny cell shall be under the administrative & functional control of the concerned SBU/ Complex Finance Head.
- g. The Purchase Manual is in accordance with the prevailing SDoP. Matters not specifically covered in the Purchase Manual and where a doubt arises as to the interpretation of any of the provisions of the Manual, the same shall be referred to Head-Corporate Materials for clarification and approval of CMD wherever required. Also suggestion for changes / improvement of Purchase Manual if any shall be forwarded to Head-Corporate Materials.
- h. Sanction/ Approval of "Competent Authority as per SDoP" to be sought by the officers to whom procurement function is assigned. In the case of Zonal/ Regional / District Offices, the Zonal/ Regional/ District Manager and the officer to whom this function is assigned by the Zonal/ Regional/ District Manager shall carry out the procurement function in accordance with the SDoP subject to financial concurrence from the Accounts-in-charge of the Zonal/ Regional/ District office.

CHAPTER – 9 TECHNO COMMERCIAL DISCUSSION

9.1 INTRODUCTION:

The purchase or the Finance Department may recommend techno commercial discussion in cases it is considered that there is scope for reduction and it shall be done after obtaining approval from competent authority. Techno commercial discussion will be entered into mainly for securing advantage in rates as ordinarily, sanctity of tenders is to be maintained, and negotiations shall be an exception rather than a rule.

9.1.1 FRAMEWORK FOR CONDUCTING TECHNO COMMERCIAL DISCUSSION:

Sl. No.	Competent Authority for approving the procurement proposal as per SDoP	Approving Authority for Negotiation	Committee members
a	Procurement Proposal Requiring approval of AGM/DGM/GM	Same authority approving the Purchase proposal respectively i.e. AGM/DGM/GM	Chairman of the Committee: Officer of minimum One level below the approving authority from Materials department. Members: Officers from: i. Finance ii. Materials iii. User dept/ Planning
b	Procurement Proposal Requiring approval of CGM/ED	Same authority approving the Purchase proposal respectively i.e. CGM/ED	Chairman of the Committee: Head-Materials. Members of concerned SBU: . i. Head-Finance ii. Section Head-Materials iii. Head-User dept/ Planning
c	Procurement Proposal Requires approval of Functional Director/ Procurement Committee	Chief of Complex / Division Head	Chairman of the Committee: Chief of Complex / Division Head Members of concerned SBU: i. Head-SBU ii. Head-Finance iii. Head-Materials iv. Head-User dept/ Planning
d	If the negotiated prices at (c) are not reasonable		Chairman of the Committee: Functional Director Members: i. Chief of Complex/ Division Head ii. Head-SBU iii. Head-Finance iv. Head-Materials v. Head-User dept/ Planning

- a. On the date of techno-commercial discussion if officer in the committee is on leave / outstation duty then next immediate officer will attend the techno-commercial discussion.
- b. Apart from above committee members, any other members may be included depending upon the requirement.
- c. Mode of techno-commercial discussion: In person / Telecon / Video Conferencing / through e-mail/ sending counter offer.
- d. Justification for techno-commercial discussion should be clearly indicated such as Proprietary item, Limited source, higher than the estimated etc (as per CVC circular number 005/CRD/012 dated: 03-03- 2007)
- e. Price break-up to be taken from the firm ahead of negotiation and if not provided, then relevant indices for major component and contribution towards items may be taken and to be discussed by techno-commercial discussion team before going ahead with negotiation.
- f. If Vendor requests for certain time to revert on the BEML offer (if any), then the initial discussions must be brought out in detail in the form of minutes and the final consent of the Vendor to be taken via email or on the letter head of the firm. In any case, the points discussed must be minuted on the same day.
- g. Every point discussed in the techno-commercial discussion meeting must be minuted and the points which are not minuted must never be referred in the subsequent approvals.
- h. In respect of civil works techno-commercial discussion to be conducted as per the Chapter - 29 of Purchase Manual.

9.2 GUIDELINES FOR TECHNO COMMERCIAL DISCUSSION:

The following guidelines will be observed for techno commercial discussions:

- a. As per CVC guidelines, Technical Scrutiny of tenders will precede the decision to discuss. Tenders whose offers are technically acceptable and discussion with L1 Bidder preferably in persons or through Email / Teleconferencing.
- b. The justification and details of such techno commercial discussions shall be duly recorded and documented without loss of time and convincing reasons must be recorded while recommending techno commercial discussion.
- c. The model time frame from according such approval to completion of the entire process of award of tenders shall not exceed one month from the date of submission of recommendations. In case the file has to be approved at the next higher level a maximum of 15 days may be added for clearance at each level in exceptional cases. The overall time frame shall be within the validity period of the tender / contract.
- d. Counter offer will tantamount to techno commercial discussion and shall be treated at par with techno commercial discussion.

- e. Firms selected for techno commercial discussion will be addressed advising them that their rates have been considered high and requesting them to come for techno commercial discussion on the specific date, time and place.
- f. Those attending techno commercial discussion will be instructed to bring a letter of Authority empowering them to act on their firms' behalf.
- g. There will be only one round of techno commercial discussion. If even after the negotiations, rates received are considered high, Bidder L1 will be re-invited.
- h. In the case of splitting of order as discussed in Chapter 6. Para 6.5(b), any such offer to L2, L-3 etc., (at the rates accepted by L1), shall not be deemed to be a negotiation.
- i. In case of L1 backing out, there shall be re-tendering as per extant instructions leaving L1.
- j. Tender shall invariably be finalized within the validity period and the following time schedule is to be followed:
 - i. In case of Limited Tender, 45 days from the date of tender;
 - ii. In case of Open Tender, and where two bid systems are followed, it shall be 60 days from the date of tender.
- k. Techno Commercial discussions will be recorded and Minutes signed by all the members of the techno commercial discussion Committee along with bidders.

9.3 ERP T-Codes relevant under this chapter:

The following are the ERP T-Codes essential for process narrated in this chapter:

T – Code	Particulars	Functions of T-Code
ME1M	Info Records per Material	The transaction code is used to display all the purchasing info records for a single or range of materials. The output shows the purchasing info record details for each material within the selection criteria.
ZMLPP	Last Purchase Price	This transaction code is customized for BEMLERP which will generate report on last purchase price of various items along with the date of purchase and name of vendor.

CHAPTER – 10 – PLACING OF PURCHASE ORDER

10.1 INTRODUCTION:

Placement of Purchase Order is being made after taking due approval as per format F1 from Competent Authority as per DoP.

10.2 GENERAL PROCEDURE:

- a. The draft PO proposed to be released along with all the terms and conditions of PO must also be put up and got vetted by the purchase scrutiny section of Finance as per Chapter 8, para b & c.
- b. On receipt of approval for release of order from the competent Authority the PO in line with draft proposed and vetted by the purchase scrutiny section of Finance will be released by the Purchase Department.
- c. Any deviation in the standard terms and conditions of PO must be specifically indicated in the note for approval.
- d. Generally, the officer heading the concerned Purchase section is authorized to sign and release the Purchase Order.
- e. Care shall be exercised to incorporate the observations made by the officials / competent authority while coordinating the purchase proposals and the points covered in the Record Note of Discussions in the purchase order, wherever applicable.

10.3 CO-ORDINATION BY FINANCE DEPARTMENT:

As stated above, all the Purchase Orders are vetted by Finance as per Chapter 8, para b & c. All stakeholders involved in the procurement activity shall be guided by high standards of propriety. It is the duty of all the stakeholders to enforce financial order and strict economy at every step. This involves following checks:

a. Revenue Items:

- i. Whether the purchase procedure has been followed correctly.
- ii. Whether the purchase amount is within the approved budget.
- iii. Whether all the commercial aspects have been properly complied with.

b. Capital Items:

- i. Whether the proposal has been included in the capital budget approved by the Board.
- ii. Whether the purchase procedure has been followed correctly.
- iii. Whether the amount / quantity is within the approved limit.
- iv. Whether all the commercial aspects have been examined by purchase.

10.4 PURCHASES THROUGH TENDER SYSTEM:

The lowest technically acceptable offer received in public/limited /Single tender shall

generally be availed and Purchase Order placed for the requirement of materials in accordance with the purchase procedure and as per SDoP.

In case of receipt of 2 or more identical quotes with same price & all other terms & conditions, separate "counter offer" to be issued to those firms through email as per clause 6.1.h and based on the counter offer received, L1 to be arrived at.

10.5 PURCHASE ORDERS FOR ADDITIONAL REQUIREMENT:

- a. Placement of orders to cover additional requirements arising on account of increase in production programme / receipt of approved PR for resale, spares / warranty / in-house rejections can be released in the following manner, provided there is no adverse vendor rating notified by the Quality Engineering Department and the requirement is very urgent and there is no downward trend in the price.
 - i. **Variation of Quantities at the Time of Award :** At the time of awarding the contract, the quantity to be procured must be re-judged based on the current data, since the ground situation may have very well changed.

The tendered quantity can be increased or decreased by 25 % / 50 % for ordering, if so warranted. This needs to be mentioned in the tender documents. Any larger variation may throw up issues about transparency. The above provisions are in line with GEM procedure. Any change in GEM procedure, to be suitably adopted by purchase department.
 - ii. If the order already exists on one supplier and supplies are not yet completed, then the existing Purchase Order may be amended with the additional quantity to the extent of 25% / 50% of original order quantity in line with the SDoP.
- b. If the supplies against the existing order are completed then the quantities can be increased by way of repeat order within 12 months from the date of the completion of original order including amended quantity up to 50% quantity on the original existing order provided there is no downtrend in price in line with the SDoP. No repeat order shall be placed when the original order was placed on the basis of higher prices for early delivery and also orders placed on single tender basis.
- c. Even within 50%, if prices have gone down in market, benefit of such reduction, if any, shall be availed. Price discount for additional quantity must be attempted. Repeat orders will not be treated as single tender for the purpose of SDoP.
- d. If the orders already exist on more than one source at different prices, preference shall be given to the cheapest source for a maximum quantity in order to minimize additional cost.
- e. In case more than one source is available at the same price, preference shall be given to the source whose deliveries are in time without any quality deficiency.
- f. If there is a valid reason that the prices of the item has come down due to reduction of statutory levies and/or existence of market conditions, in the case of such items to which they relate, the prices can be negotiated in the presence of Finance representative with existing vendors.

- g. The repeat orders shall not be placed to split the requirement to avoid sanction of next higher competent Authority thus leading to violation of SDoP.

10.6 SINGLE TENDER & PROPRIETARY ITEM:

- a. Single Tender Purchases are to be resorted for items defined in Chapter 2.3.d of this manual. Whenever a Single Tender Enquiry is resorted to, due diligence on the reasonableness of the prices quoted and proposed to be ordered need to be made.
- b. Some such criteria could be as under:
 - i. Checking the prices in the international market for the same item.
 - ii. Checking the prices with other end-users.
 - iii. Checking the prices of similar items from other vendors.
 - iv. Web-auction of items.
 - v. Studying the trend in the movement of prices of the items.
 - vi. Correlating the prices of items vis-à-vis the price for assembled/semi-assembled component.
 - vii. Examining the financial statements of Single Vendor and drawing inferences there from.
 - viii. Undertaking technical study of the Single Vendor items vis-à-vis alternate items available in the Market and deriving estimated prices of the Single vendor items considering the cost implications of additional features available in those items.
 - ix. Getting Quotations from Single Vendor having multiple locations and Marketing outlets.
- c. In a Single Tender and for a proprietary item, the Purchase Order shall be approved by the competent Authority as per SDoP.
- d. Materials required for production & Maintenance of plant and equipment, which necessarily have to be of particular make or manufacture shall be referred to as proprietary item. This will be supported by a Proprietary Certificate issued by an officer not less than the GM grade duly specifying the source of supply in the PR.
- e. For Production items GM, R&D and for Maintenance items GM-Production/ Maintenance are authorised for issue of Proprietary certificate.

10.6.1 Indigenisation of Import Items:

- a. Each SBU-Head shall form Indigenisation committee at SBU level headed by Planning and members from R&D, Quality & Purchase.
- b. The team shall continuously work to establish indigenise import components / aggregates and also alternate sources for single sourced items.
- c. Planning to identify the items for indigenisation / alternate source development & coordinate with other members in the team for overall indigenisation activities.
- d. R&D to lead for development of indigenisation of components / aggregates.

- e. This team will report progress of indigenisation activities quarterly to SBU Head and CIO.

10.6.2 Expenditure incurred on Indigenisation:

- a. To monitor and report on the Indigenisation initiatives undertaken by the company, any payment made towards Non-Recurring Cost (NRC), Tooling or any other one-time expenditure incurred for developing Import substitution (only import substitution) will be accounted in the year of incurrence and should not be inventorised.
- b. All such expenditure will be accounted under separate GL: 22130120 meant for indigenization to be used while creating PO.
- c. The above expenditure incurred towards indigenization as import substitution can be reported to the Ministry as Indigenization cost.

10.7 LONG TERM CONTRACT (LTC) / MOU:

- a. The object of entering into long term contract/MoU is to ensure continuous supply at competitive rates. In keeping with this objective long term contract is generally entered into for a period of not less than one year and not more than five years at a time. This shall cover services / items like Castings, Forgings, Cutting Tools, Electrodes, Hard-ware items, Radiators etc.
- b. Long Term Contract finalized for item/s by one division shall be made use of by other divisions as well. The feasibility of combining the requirements of other divisions must also be kept in view. Long term contracts are to be finalized by following the Purchase Procedure as per manual.
- c. Wherever vendor developed items are involved long term contract can be entered into with approval of competent Authority. Long Term Contracts require the approval of competent Authority as per SDoP based on the recommendations of MPC, setting out the terms and conditions including commercial aspects very clearly.
- d. The appropriate Authority for approval of LTC shall be reckoned in line with the value of the total requirement during period of LTC. Against such approved LTC staggered delivery schedules shall be released by the division purchase with the concurrence of purchase scrutiny for quantities/values indicated in the approved PRs.
- e. Approval of competent authority in line with the SDoP to be obtained for the quantity or value in case of value based contracts projected. The prices payable shall be as per the mutually agreed prices kept firm for the period as agreed to at the time of entering into contract. Against such approved LTC, PO with staggered delivery schedules shall be released by the division purchase with the concurrence of purchase scrutiny for quantities/values indicated in the approved PRs.
- f. If Price variation clause (PVC) is applicable, the labour and material element of the base price shall be spelt out so that the prices for subsequent year could be determined based on the published wholesale price indices by RBI / Office of Economic Advisor (OEA).

Applicable PVC shall be arrived at based on the PVC formula on case to case basis by the concerned Material / Finance group of the respective Division and to be indicated in the NIT.

- g. Approximate value and tonnage/number of units of the items covered shall also be indicated in the contract. It is characteristic of long-term contract for castings, forgings that issues like pattern charges, development, cost of dies, and establishment of weight for regulating payment need to be dealt with carefully.
- h. In all long term contracts, wherever turnover discounts are applicable, availment of turnover discount shall be ensured by all concerned.

Following procedure shall be followed:

- i. Purchase Officer while receiving the materials and forwarding the invoice to finance department for payment at MIRO/MIGO stage should clearly mention that for this invoice "Turnover Discount is Applicable".
- ii. The officers processing Invoices of the Vendors in Finance Department (wherever Turnover Discount is applicable) should ensure that Turnover Discount (TOD) is availed, either by recovery from the Vendors Invoices or refund given by the Vendors, in such case, officer processing the invoice in finance department shall communicate to purchase for obtaining refund from the vendor for the TOD not recovered from the bills.
- iii. For capturing TOD in SAP, a separate T-code to be created to generate TOD invoices (MIRO-wise), which will track whether the TOD is availed for all supplies.
- iv. TOD should not be adjusted against any other party or values such as Liquidated Damages (LD) on vendor, penalties on performance, warranty recovery etc.,
- v. The Head of Finance of each unit should conduct frequent reviews to ensure availment of TOD as per Contract terms and issue suitable instructions at frequent intervals and whenever officer handling such Vendor payments are changed.
- vi. Purchase Officer concerned and Head of Materials shall ensure that wherever TOD is applicable, Vendor issues Commercial Credit Note (i.e., without GST) for the TOD, in line with CBITC Circular No. 92/11/2019-GST dated 7th Mar 2019, which is necessary for avoiding any discrepancies between BEML and the Vendor balances.

10.8 PATTERN CHARGES / DEVELOPMENT COST OF DIE / TOOL:

- a. Normally, pattern charges/development cost of die/tool is to be borne by the suppliers. However, in regard to special patterns for intricate castings, pattern cost in lump sum may be negotiated reserving our rights to place further indents/orders up to a predetermined total quantity with no further charge/payment for pattern charges. In regard to development charges, the reasonableness will be assessed and accepted based on the merits of each case in its totality. Unlike in the case of pattern, the charges for forgings are for the erasable portion of the die.
- b. Tooling charges are paid for structural and fabrication work and they have a long life.

- c. Vendors shall be asked to quote separately for the cost of pattern/die/tools so that the same can be negotiated for as onetime payment and also the procurement price of castings etc., from time to time from the vendors will not be vitiated, besides serving to have control on the payments made till we obtain the full quantity during the life period of Patterns/Dies/Tools.
- d. However, as a special case where justified, Aluminium and Metal pattern charges may be admitted for intricate items of castings, for second time, after availing full quantity till the life period of the wooden patterns for which payment was made earlier. The patterns/dies/tools would be BEML's property and they shall not be used by the firms for manufacturing parts/components for parties other than BEML. The Bills payable unit shall maintain a register indicating payments made to vendors towards the cost of pattern/die/tool and also the period over which the same shall last or the quantity for which the same was paid for.

10.9 ONLINE PURCHASES:

Online purchases for items of nominal value up to Rs.25,000/- in each case, which are not available in GeM Portal, can be indented and procured through various online websites (such as Amazon, Flipkart, etc.) by following the approved purchase procedure with prior approval of Head-SBU-Materials.

SBU Head may approve for increasing the limit in pre-loaded Debit card to the nominated officers for making online payment.

Post release of online order, SAP Confirmatory PO to be made for regularisation of transaction.

An annual cap of Rs.60.0 lakhs will apply to total purchases made on the online platform, with a maximum limit of Rs.5.0 lakhs per month.

Purchases of electronic or AI-based software, tools, USB drives, or any other such electronic devices are prohibited from being purchased online.

10.10 ORDER ON BEML RELATED WELFARE ORGANISATION:

Purchase without tendering will also be applicable for procurement of non-project items / services, which are created/value added (except trading) by BEML related welfare organisations by whatever name called (such as BEML Women's Welfare Foundation, Labour Welfare Fund, etc.) formed for the purpose of welfare of BEML employees/ex-employees and their family members, not exceeding the value of Rs. 20 Lakhs per Division per annum.

However, the Divisions/ Offices have to ensure reasonability of the price, delivery and other terms and conditions in the proposal.

10.11 ESTABLISHED WEIGHT FOR REGULATING PAYMENT FOR CASTING SUPPLIES:

- a. In regard to supply of castings in rough/proof machined/ fully machined condition, the rate is normally fixed on weight basis at "Rate per Kg" as quoted by the suppliers.

- b. However, it is necessary to have the rate fixed on "per piece" basis in respect of fully machined castings as components and also in the case of proof-machined castings when the item is developed and before bulk supply is effected.
- c. Considering the inherent but latent defects like blow-holes, hot tears etc., and consequently the high rate of rejections on the shop floor and the re-arrangement of facilities in the shop floor, it is preferred to procure castings in proof machined and/or fully machined condition. In the case of rough castings and proof-machined castings for new items, weight shall be established for each item when the first batch of supply is received and the "established weight" will form the basis for regulating payment.
- d. Normally, the established weight need not be different for the same item, if obtained from different sources. In the case of proof-machined castings the, machining charges shall be worked out separately. The fixing of "established weight" calls for proper technical assessment in relation to the net weight of the component as per drawing so that payment on extra mass of weight is avoided. It is essential that the "established weight" is reviewed by the Purchase Department in coordination with Product design department and Quality department vis-a-vis the trend of the actual weight of the supplies received, on a quarterly basis for suitably scaling down the established weight, when a downward trend is perceived.
- e. It is the responsibility of the Product design department to fix "established weight" in consultation with Quality engineering, production planning, purchase and Inspection departments, within a reasonable period. Generally, the established weight has to be fixed and communicated to Purchase department before the second batch of bulk supply is received. The officer in the Purchase department not below the rank of Grade III will approve the established weight and communicate the same to the supplier under intimation to finance, for regulating the payment for supplies affected as per the Purchase Order.

10.12 PURCHASES THROUGH IMPORTS:

- a. Imports value falling within the powers of the Division Head can be ordered by the divisions following the purchase procedures and Foreign Exchange value is to be informed to Corporate Finance for records by Finance. No prior approval for Foreign Exchange is required for the values within the delegated powers to the division.
- b. Wherever letter of credit is to be opened before cargo readiness due to the conditions of the suppliers or any other recorded reasons, the Divisional Head will have to approve the same with the concurrence of Divisional Finance Chief.
- c. Since, the divisions are authorized to open letter of Credit, they shall ensure to avail following facilities/concession before opening the Letter of Credit.
 - i. Interest Free Credit
 - ii. Usance Bill

- iii. Fine Tuned Exchange Rate i.e., the Exchange rate offered by some Banks are better than RBI Index due to the volume of trading and other factors. Same may be availed.
- d. Any reduction in the production programme shall be taken care at the time of opening of Letter of Credit. Wherever, Letters of Credit are already opened, the value and quantity shall be suitably be amended to avoid encashment of the full value of the LC by the Supplier.
- e. The import restoration of indigenized items shall require the approval of Functional Director / Director Finance duly furnishing the cost impact. As far as possible, the indigenized sources shall be encouraged unless significant financial benefits accrue to BEML by Import.
- f. The divisions shall ensure that the fine-tuned rate is obtained from the bank at the time of retiring the Letter of Credit.
- g. A statement in the format already in vogue has to be furnished to Corporate Office, on monthly basis duly specifying the necessity of entering/forward/cross currency contracts, wherever required.
- h. Purchase Orders for import of items to meet the shortage and shop losses, if any, shall be placed with the approval of Director concerned. Thorough investigation shall be conducted in all such cases and report submitted to Corporate Office.
- i. During the techno-commercial discussion with the foreign vendor and in the PO, absolute clarity shall be brought with regard to the Tax Deduction at Source (TDS) and the documentations thereof.
- j. Similarly, INCOTERMS and the responsibilities of both the parties on the delivery terms shall be clearly spelt out in the Record note of discussion and the PO.
- k. Procurement shall preferably be made directly from the OE manufacturers. Either, the authorized Indian Agent or on behalf of the foreign principal, directly could be bid in a tender but not both. Further, in case an agent participate in a tender on behalf of one manufacturer he shall not be allowed to quote on behalf of another manufacturer along with first manufacturer in a subsequent /parallel tender for the same items. In other words one agent cannot represent two suppliers or submit two quotes, on behalf of them.

10.13 PURCHASE FROM COLLABORATORS:

Purchases from our collaborators covered by collaboration/price agreement do not come under tender system but the sanction on PR for procurement and competent Authority's approval as per SDOP shall be obtained before placement of order.

10.14 PURCHASE FROM OTHER FOREIGN SUPPLIERS:

- a. Purchase from import sources shall also be done by following the same purchase procedure as done for indigenous procurement with the approval of competent

Authority as per SDOP.

- b. Where customs duty is not payable / concessional custom duty on the imports because of the Govt. Exemption notification or PIR, Advance Authorisation, etc., the same must be indicated in the Purchase Order so that custom duty is not paid on such items. Wherever custom duty is payable, the correct chapter and classification code shall be indicated invariably to ensure payment of appropriate duty and to avoid excess/short payment of custom duty.
- c. Wherever custom bonded warehouse facility exists, the purchase officer concerned shall ensure that the imported items are routed through custom bonded warehouse and ensure optimum benefit is availed on custom duty payment by ex-bonding the items as per the production requirement.
- d. The specification and description of the items shall be properly indicated in the Purchase Orders to link correct HSN classification code and customs tariff chapter so as to pay the appropriate duty. Invoices and other import documents produced to Customs authorities at the time of assessment of customs duty shall also indicate the specification and description as per Purchase Orders. Purchase Department shall ensure these at the time of issuing the Purchase Orders.
- e. Maximum care shall be taken for payment of customs duty and timely release of containers to avoid payment of interest / penalty / demurrage.
- f. The purchase department shall also ensure that the PIRs / Advance Authorisations, if any availed, are closed within the permissible time limits with the co-ordination from departments concerned.
- g. Whenever a foreign vendor and an Indian vendor have working arrangements and a purchase order is placed on the Indian vendor, the availability of a proper authorization letter issued by the Principal / OEM firm is to be ensured, providing details of the working arrangements between the two parties.

10.15 PURCHASE OF SPARE PARTS FOR SALE:

- a. The procurement of spare parts of imports and indigenous purchases.
- b. Covered by individual Purchase Orders placed on our collaborators/ foreign suppliers after getting clearance by the competent Authority as per SDoP.
- c. Purchase Order placed on foreign suppliers outside the collaboration and/or price agreement shall be treated as single tender and accepted by authorities as single tender.
- d. Normally, Purchase Orders for import of spare parts from our collaborators are placed on a monthly basis stipulating shipment of items ordered in one lot to regulate spare parts inventory.
- e. The indigenous purchases are made after planned deletion of those items/components identified for in-house manufacture by manufacturing divisions or for indigenous purchase. For the items to be procured, long term contract or price agreement finalized by manufacturing divisions for OE application as relevant for purchases by

manufacturing divisions shall be adopted to avail the price advantage as per the agreed prices applicable to spare parts purchases. With regard to spares and parts from standard and reputed firms like Sundaram Clayton, Brakes India etc., the source being established ones and items proprietary in nature or where there is price agreement, long term contract may be availed with the price kept firm for a period of one year and the annual off-take determined to meet the customer requirements as budgeted.

- f. The procurement action can be taken by the Sustenance SBU. The tender system will apply for balance of the items coming under the preview of indigenous procurement.
- g. Competitiveness of the rates obtained in a tender will be assessed by comparing with the rates at which these items are being procured by manufacturing divisions. It is preferable if the manufacturing divisions take procurement action in these cases wherever possible to avail price and other advantages. However, Purchase Order will be separately issued for spares requirement to have control on the inventory.
- h. The Parts Department of Sustenance SBU at KGF will get the long term contract, wherever required, duly approved by competent Authority as per SDoP, based on the recommendations of MPC of Sustenance SBU. Thereupon a letter will be issued to the supplier concerned by Parts department indicating the price agreed for various Items, the effective date, terms of payment etc., authorizing the regional office concerned and the Parts department at KGF to place purchase indents from time to time covering specific customer requirements based on the following:
 - i. Customer orders received direct at the zonal / regional office.
 - ii. Sale orders issued by Parts department at KGF covering customer orders.
 - iii. Requests from Zonal / Regional / District offices for stock transfer of specific items against customer orders.
 - iv. Warranty obligation
- i. The Zonal / Regional / District Office concerned and the Parts department at KGF will place purchase indents on the supplier concerned, after checking the stock position and in accordance with SDoP. The purchase indents will be coordinated by the finance representative.

10.16 MATERIAL PURCHASE CUM RECEIPT ADVICE (MPCRA):

- a. MPCRA would be effected on the basis of hand quotation obtained by the representative of Purchase department for purchases valued up to Rs. 2000/-. For purchases valued over Rs. 2,000/- and up to Rs.5,000/- the quotation, in writing, will be obtained and material procured taking into consideration the price and delivery aspect.
- b. The bills of the items under MPCRA so procured shall be stamped at the security gate for proof of receipt of materials before payment is effected by accounts after proper scrutiny.
- c. The procurement made as above for production items shall be regularized in ERP through confirmatory PR/Purchase Order to account against the related work orders.

- d. The procurement made for non-production item shall also be regularized in ERP through confirmatory PR/Purchase Order to account the expenditure in respective cost centres.

10.17 PURCHASE OF STEEL FROM TRADERS:

- a. Procurement of steel shall be done only from domestic manufacturers. Single source on proprietary basis can continued to be purchased from SAIL as per MOU.
- b. In case the original manufacturer demands higher MOQ and if it can be utilized within the current year and the following year, the same can be considered for procurement. In case MOQ demanded by the original manufacturer is quite high and inventory carrying cost is not economically viable and beyond 2 years as running models, a proposal to be put up to the concerned Divisional/Complex Head for approval giving justification to procure from traders duly enclosing the copy of letter received from the manufacturers/re-rollers for the given purchase expressing their inability to service our actual requirement.
- c. In case the delivery schedule indicated by the original steel manufacturer/re-rollers is not meeting our planned production requirement, a proposal to be submitted to the concerned SBU-Head to procure the material from traders duly enclosing the relevant documents for approval.
- d. For Steel procured from trade, only Open Account Payment terms shall be accepted.

Wherever possible test certificates shall be called for and also the items shall be tested for acceptance of Quality as per BEML specification without which payment shall not be released.

10.18 SPOT PURCHASE:

- a. Spot purchase is permissible only for critical and emergent requirements for repairing automobiles; machine tools under break down requiring immediate repair and production items which are causing production holdups. Also packing materials in exceptional cases only, when required urgently to despatch spare parts to customers and life saving drugs/medicine in case of emergency may be procured on spot purchase basis.
- b. The procurement shall be made from authorized distributors. There is no need to call for quotation in such cases. A team consisting of representatives from user department, Finance and Purchase constituted by the Chief of Materials, at the time when spot purchase is required to be made is authorized to draw specific advance and render accounts after making spot purchases of the items (as per SDOP).
- c. Approval of the competent Authority shall be obtained for procurement and draw of specific advance. The scope of purchase is to buy the items at list price from authorized distributors.

- d. If the item is not readily available with the authorized distributors, and if the requirement is urgent, the same may be procured from the reputed dealers based on cheapest of the quotations collected by the team or regularized as a single tender if one quotation only is collected.
- e. Before spot purchase is affected, the list of items to be purchased shall be vetted by the Stock Control department and certified for the non-availability of the same in the holding stores/under acceptance. Such purchases shall be subsequently regularized by issue of a confirmatory Purchase Order.

10.19 EMERGENT / EXPRESS PURCHASES:

- a. Tender system does not apply for emergent/express purchases that may become inevitable under certain circumstances in the interest of production.
- b. Whenever the need for emergent purchase arises, PRs categorized as "Express" shall be raised by indenting department to enable purchase department to put through effective urgent action for obtaining supplies, without prejudice to our rights on defaulting firm's liability, wherever applicable.
- c. "Express" requests shall be accompanied by approval of the competent Authority for sanction as per SDoP. Such emergent purchases may be resorted to without calling for tender.
- d. Procurement from other commercial websites may also be considered for procurement through online depending on type of item required to be procured.

10.20 RELEASE OF MANUAL PURCHASE ORDERS:

The company discourages release of manual Purchase Orders and all the Purchase Orders shall be issued through ERP only.

10.21 ERP T-Codes Relevant under this chapter:

The following are the ERP T-Codes essential for process narrated in this chapter:

T - Code	Particulars	Functions of T-Code
ME21N	Creation of Purchase Order	The transaction code is used to create a Purchase Order.
ME22N	Change Purchase Order	The transaction code allows the user to change the Purchase Order quantity for each line item as well as the price.
ME23N	Display Purchase Order	-
ME29N	Release Purchase Order	The transaction code is used to release a purchase document, such as a Purchase Order or a stock transport order by the person who is competent to approve such order.

T - Code	Particulars	Functions of T-Code
VL10D	Purchase Order Due for Delivery	The transaction VL10D is used to create multiple delivery documents in reference to purchasing documents only.
ME1P	Purchase Order Price History	The transaction ME1P is used to display the Purchase Order price for each purchase info record. The selection can be restricted by vendor, material, material group, purchasing organization and plant. The output is in purchase info record sequence and shows the Purchase Order detail for each purchase info record. The date, net price, quantity, Purchase Order number and variance are shown for each Purchase Order.
ZMLPP	Details for Last Purchase Price	This transaction code is customized for BEMLERP which will generate report on last purchase price of various items along with the date of purchase and name of vendor.

10.22 HIGH SEA SALES (HSS) PROCEDURE

- a. High Sea Sales: High Sea sales (HSS) is a sale carried out by the carrier documents consignee to another buyer while the goods are yet on high seas or after their despatch from the port/ airport of origin and before their arrival at the port / airport of destination. An HSS contract / agreement shall be signed after despatch of goods from origin & prior to their arrival at destination. The agreement shall be on stamp paper.
- b. Procedure and Documents for HSS: On concluding the HSS agreement, the bill of lading (B/L)/Air Way Bill (AWB) shall be endorsed in favour of the new buyer. In respect of air shipment, HSS seller shall write to the airline / consol agent informing that an HS agreement has been established with the HSS buyer and that the carrier document shall therefore be considered as endorsed in favour of the HSS buyer and further the Import General Manifest (IGM) shall be filed by the carrier in the name of the HSS buyer. If the importer is shown in the electronic data interchange (EDI) system as the original importer then the IGM is required to be amended for importer as HSS buyer and B/E is to be filed accordingly. In the case of HSS, the Cost Insurance Freight (CIF) value is taken as base value for arriving HSS value. In case the HSS transfer takes place at import invoice value only. HSS loading factor is a minimum of 2% and up to 4% of CIF value.
- c. **Disclosure of Import Value in HSS:**
 - i. The HSS Seller is required to provide the original import invoice to the Customs for clearance of the goods. There is no bar on same goods being sold more than once on high seas. In such cases, the last HSS value is taken by customs for the purposes of levying Customs Duty. The last HSS agreement shall give indication of previous title transfers. The last HSS buyer shall also obtain copies of previous HSS agreement as

such documents may be called upon. Customs will ensure the minimum loading factor of 2% each stage of transfer.

- ii. The custom bill of entry does not indicate original import value and is prepared on HSS value by the customs. HSS is considered as a sale carried out outside the territorial jurisdiction of India. Accordingly, no sales tax is levied in respect of HSS.
- iii. The customs documents (B/E) is either filed in the name of HSS buyer or such B/E has an endorsement indicating HSS buyer's name. The title of goods transfers to HSS buyer prior to entry of goods in territorial jurisdiction of India. The delivery from customs is therefore on account of HSS buyer.
- iv. The customs duty is paid by the person who has purchased the goods on the high seas. The value for customs duty is based on the transaction value agreed upon by the buyer and the seller.
- v. For the purpose of valuation of high sea sales for customs clearance, the "high-seas-sales-charges" are taken to be 2% of the CIF value as a general practice. However, in case the actual high-sea-sale contract price is more than the CIF value + 2%, then the actual contract price paid by the last buyer will be the value taken for the purpose of assessment.
- vi. No GST is applied on the sale of goods during High Sea Sales, but IGST has to be paid when the goods are cleared from customs. GST on high sea sales, whether it involves one or multiple transactions, is levied and collected only at the time of importation. This means that IGST is imposed when the import declarations are filed with customs authorities for customs clearance for the first time. Hence, IGST is applicable only when the final buyer files for importation of the said goods.
- vii. Only the final buyer can then claim the ITC of the IGST paid on high sea sales transaction.
- viii. HSS is applicable to goods imported by air / Sea. The stamp paper on which the HSS agreement is executed must not bear the stamp paper purchase date as being post cargo arrival date. If the HSS does not mind disclosing original import values to HSS buyer, in such case it is better from customs clearance point of view for the seller to endorse the B/L or AWB, invoice, packing list in favour of the HSS buyer. The endorsement shall read "Title Transferred on High Sea Sales basis to M/s. for a sales consideration of (currency and amount in that currency)". Such endorsement shall be stamped and signed by the HSS seller.

10.23 PENALTY / LIQUIDATED DAMAGES (LD):

- a. The time or period of delivery as stipulated in the schedule of delivery shall be deemed to be essence of the Contract. Shall circumstances arise whereby the deadline for an agreed delivery date(s) or period(s) is expected to be exceeded, the Supplier shall inform Purchaser without delay that in such an event the Supplier shall bind himself to any of

the terms and conditions that may be imposed by the Purchaser. If delay in delivery is caused by any of the circumstances mentioned is on account of Force Majeure conditions prior to the scheduled / extended delivery or by additional work, if any, or by an act or omission on the part of the Purchaser, the Purchaser shall extend the time for delivery by a period which is reasonable having regard to all the circumstances in the case.

- b. If the Supplier exceeds any agreed delivery date(s) or period(s), Purchaser shall levy LD for such delay @0.5% per week (7 days) and part thereof, subject to a maximum of 5% of the value of the delayed portion of the Purchase Order.
- c. The penalty / LD will be charged on the value of the Purchase Order excluding statutory levies, freight and insurance wherever not included in the price. Imposition, recovery or settlement of this LD shall not affect Purchaser's right to performance, compensation and termination of the agreement.
- d. If LD clause is not provided in the PO, reasons to be indicated for the same and approval of Business Group Director to be taken.

10.24 MATERIAL PURCHASE COMMITTEE (MPC):

The pre-requisites to achieve economy in procurement are:

- a. Availing the Offers within the validity period.
- b. Minimizing delays in placing Purchase Orders.
- c. Aiding in taking effective decision-making.

This calls for making Purchase Management broad based and responsive. To achieve this end, officers from other departments like Production, Finance, Planning, Design, Quality, and Service are required to co-ordinate with one another.

The Constitution, terms of reference and the purchase proposals requiring reference to Material Purchase Committee are furnished in **Annexure-A**. In the case of Spare Parts procurement in Marketing Division, the order projection will take the place of PR and there is a separate Material Purchase Committee constituted. The Constitution, terms of reference and the purchase proposals requiring reference to Marketing Division / Sustenance Committee are furnished in **Annexure-B**. Procurements made at Corporate Office & Marketing divisions are also covered for MPC.

CHAPTER – 11 – SMALL VALUE ITEMS FOR PRODUCTION

11.1 INTRODUCTION:

- a. The procedure for procurement of small value items for production of equipment(s) is de-linked from the mainstream of the activities of the Purchase department and simplified for closer control and better results.
- b. A small value items purchase cell (SMV cell) will be constituted by the Chief of Division, consisting of representatives from Purchase, Inspection and Accounts. The representative from purchase department will be the head of the SMV cell and he will not be below the rank of Grade III Officer. The other members of the cell shall not be below the rank of 'Grade I officer. The SMV cell will function under the administrative control of Chief of Material. There shall be separate stores for SMV items and SMV store in charge report to head of store.

11.2 IDENTIFICATION OF SMALL VALUE ITEMS:

- a. The Small Value Items will be identified as per the monetary limits prescribed per item excluding vital performance related items identified by Design & Development dept.
- b. The list will indicate the quantity per equipment, material specification and Provisional programme, for procurement. A copy of this list will be made available to Accounts and Stores Departments. An item costing Rs.200/- or less per item excluding vital performance related items identified by Design & Development dept.
- c. Items once considered, as "SMV" items will continue to be retained in the list even if there is a subsequent variation in the rate or value per equipment unless the variation is considerable, and changed by the Planning Department. This will include common items carried under one and the same part number, if identified as "SMV" item with reference to any equipment.
- d. The list of SMV items will be made available to SMV Cell. It will be responsibility of the Material Planning Department to update the list with spare requirement for additions and deletions arising out of introduction of new models of equipment(s), indigenization/design change and discontinuing production of existing models of equipment.

11.3 PROCEDURE FOR PROCUREMENT OF SMALL VALUE ITEMS:

- a. The list of Small Value Items compiled by the Planning department and made available to this cell shall form the basis for procurement action based on predetermined stock levels and rate of consumption.
- b. Planning to ensure the PR for requirement. The sources for procurement will be identified by the Chief of SMV Cell.

11.4 OTHER MATTERS UNDER PROCUREMENT OF SMALL VALUE ITEMS:

- a. The Chief of Materials Management will ensure that issue of 'SMV' items to production are in conformity with the requirements and that the inventory of 'SMV' Items is controlled to avoid accumulations or stock - outs.

- b. The value of annual procurement of SMV items by the SMV Cell shall be within the provisions made for the year, in the Revenue Budget based on production plan for the year.
- c. SMV Cell can also procure from approved hardware vendors/approved brand for bulk quantity supplies. It is preferable to order annual quantity with staggered delivery schedule.
- d. Where long term agreement exists in other Group / Divisions, small value cell as far as possible shall procure such items through Long Term Agreement since rates will be lower and quality better.
- e. For category of items already being procured by SMV Cell, whose value is marginally more than Rs.200/- per item, then as an exceptional case, with the approval of Chief of Materials this also can be procured by SMV Cell.
- f. With the purview of SMV Cell being broadened, in order to have control on procurement. As per system generated PRs through SAP based on requirement to be used.

CHAPTER – 12 – PROCEDURE FOR SUB-CONTRACTING

12.1 INTRODUCTION:

- a. Sub-contract is normally resorted due to:
 - i. Facilities not available internally;
 - ii. Cost Factor;
 - iii. Lack of time to complete production target;
 - iv. Company's policy;
 - v. Capacity Constraints;
 - vi. Exigency in case of long-term shortage of operators and/or machine breakdowns.
- b. The sub-contracting work will cover machining, fabrication and further processing like heat treatment, plating, assembly, shot blasting done on BEML materials. Subcontracting cell raises Purchase Orders for activities identified to be sub-contracted. Sub Contract orders are purely labour contracts. This will be mainly conversion of raw or semi-finished material to finished component or further processed part / assembly.
- c. Sub-contracting work shall also include In-sourcing activities such as Fabrication, Machining, Assembly, Phosphating, Testing, other production related activities etc., which are carried out inside BEML premises in which Facilities such as Machine, Power, Tools, Consumables are under BEML Scope and only Labour will be under Vendor's scope.
- d. The purchase procedure as applicable to production items shall apply to sub contract also.

12.2 PROCEDURE:

1. In order to ensure optimum utilization of all general purpose machines on two shift basis and wherever applicable in respect of high cost/critical CNC machines on three shift basis, on all seven days throughout the year, the work load against each work centre is to be assessed against each work centres, as per the production plan for the year.
2. A 'Plant Balance' exercise has got to be carried out for all work centres and work centres identified having shortage of capacity or excess capacity. A Note, on this exercise, to be sent to concerned Director for his approval, by Chief of Planning from respective Divisions, duly certified by the Divisional Head, with due co-ordination by Divisional Finance Chief. Concerned Director would review the 'Plant Balance' of all the Divisions of BEML, to achieve optimum utilization of in-house plant and machinery in totality and approve the extent of sub-contracting, in terms of SMH for different work centres. SMH thus approved will be treated as ceiling for subcontracting.
3. The Division shall then do detailed planning and recommend jobs to be subcontracted and correlate each such request with total work centre wise approval given. Such of the jobs and to the extent approval will only be sub-contracted.
4. Depending upon the value of each sub-contract proposal, approval of the Competent Authority as per SDoP shall be obtained. The required approvals shall be obtained at

least two months before commencement of the production year depending on approved production programme.

5. During the year, if there are any changes in the Production Plan, suitable adjustments in the SMH approved for sub-contracting, to be carried out and approval of Director concerned for such changes shall be obtained. Wherever sub-contracting is required owing to in-house facilities not available, separate note is to be initiated indicating parts to be sub-contracted, process required and value of the work to be subcontracted and approval of concerned Director must be obtained. Copies of the approvals thus taken shall be furnished to Purchase Scrutiny, to enable the Section to co-ordinate the relevant Purchase Orders.
6. The actual work sub-contracted shall be within the approval taken and a quarterly report put up to the Divisional Chief through Finance, to ensure that the actual subcontracting hours are well within the approved plan. For this purpose, the Purchase Order (internal work sheet) will indicate the component wise SMH linked to work centre.
7. Based on the approved plan for sub-contracting, the methods Planning department in consultation with Production Control, Production and IE departments shall draw a list indicating the items and the quantity against each item to be sub-contracted, and furnish to the Sub-contract cell. No PR will be issued separately and this communication to the Sub-contract cell will form the basis for sub-contracting the work.
8. The list shall not include items/components ordered on suppliers for manufacture and supplying with their own materials which shall be dealt with by the Purchase department as per the Purchase procedure. Also, Purchase department shall not deal with any sub-contracting orders, which require operation by the Sub-contractors with BEML materials. However, based on volume requirement there can be parallel action both Purchase and Sub contract partial quantities.
9. The sub-contract cell will identify, develop and select sources for sub-contracting AVL based on proper vendor evaluation. There shall be an approved list of established sources updated periodically based on vendor rating/performance.
10. The Purchase procedure as applicable to production items shall apply and order placed duly approved by the competent Authority as per SDoP for subcontracting. Also, Developmental PO can be placed by sub-contract cell.
11. The cell will conduct negotiations of rates keeping in view our estimated conversion charges as applicable for a small scale industry, as also quality, quantity, terms of payment, delivery schedule, quantity of raw materials etc. to be sent to the Subcontractor for processing the tendered quantity, normal wastage and value of off cuts/ scrap to be deducted from fabrication charges, if not, returnable to BEML.
Alternatively, NIT can specify to give quote after deduction of scrap value.
12. The internal estimates shall be suitably adjusted in view of our high overheads and hence our estimates shall not be compared with the quotes on a like to like basis without adjustment. However, due weightage can be given for quality, workmanship and dependability while estimating the costs and fixing up the prices.

13. The sub-contract cell shall call for drawings from Design department wherever the drawings are not already available. The methods planning department shall also realistically estimate and make available to the Sub-contract cell the raw materials/components required for the Sub-contracted items to be sent to Subcontractors.
14. The requirements of raw materials/Components will be indicated per unit of the item only (or) in multiples of 5/10/20 equipment requirements of the items and so on to minimize wastage, where the items to be fabricated by the sub-contractors are small components involving ordering of economical lots. The estimated quantum of scrap arising from the raw materials/components to be provided by BEML shall be indicated in the material list. Also, this material list will indicate the estimated SMH required for fabrication/processing of the items per unit (or) in multiples of 5/10/20 equipment requirements of the item and so on.
15. The sub-contract cell shall maintain a list of sub-contractors duly codified, with their addresses, and the nature of work done or capable of being done by them to BEML. Introduction of a new Sub-contractor and including his name in the list shall have the written approval from the Chief of Materials Management. The sub-contractors as per the list will be contacted for our requirements.
16. A comparative statement will be prepared after opening the quotations, comparing the fabrication/processing charges etc., of various sub-contractors on a like to like basis. The sub-contract cell shall study the fabrication/processing charges quoted by the Sub-contractors with our estimates. Wherever the fabrication charges etc., indicated in the quotations are on the high side as compared to the estimates made by BEML, keeping in view the facilities etc., available with the Sub-contractors, the same may be negotiated with L1 source, if required who is dependable.
17. The Sub-contractors shall accept the quantum of scrap indicated by BEML as returnable to BEML out of the raw materials/components supplied to them. The subcontractors shall be asked to give their Quotation for fabrication charges after taking into account income from scrap and also without taking into account the scrap income. The rate at which the scrap is priced must also be indicated by the Subcontractors in their quotation. This will help BEML to take a decision whether to reduce the fabrication charges to the extent of scrap value and leave the scrap with the Sub-contractors bring the scrap to BEML and pay the full fabrication charges to the firms. On this basis the Purchase Order will be finalized and conditions explained clearly in the Sub-contract Purchase Orders.
18. While sending the raw materials, it shall be ensured that correct size of raw materials are sent by making an economical layout to avoid issue of higher quantum of raw materials to Sub-contractors and to prevent the benefit of higher arising of scrap with sub-contractors than estimated. Whenever there is a change in the size and quantum of raw materials supplied due to valid reasons, Sub-contract cell shall advise the revised quantum of scrap and consequential change in the fabrication charges to the sub-contractors for acceptance, under advise to Accounts.
19. Amendment to the Sub-contract Purchase Orders shall be issued as per SDoP.

20. No materials shall be sent to the sub-contractors before release of Sub-contract Purchase Orders, after approval by the competent Authority as per SDoP. Purchase Orders shall be released expeditiously within a month from the time the quotations are finalized.
21. The delivery of finished components/structures etc shall be completed within maximum of 180 days from the date of supply of raw materials/components to the sub-contractors by following the relevant provisions of the Central Excise GST Act GST shall be payable over and above the fabrication/processing charges. Since this is a job work no Sales Tax is also payable. However, when ED and ST is payable as per the changes in the respective Acts/Rules, the same shall be paid after proper examination of the relevant provisions of the Acts/Rules. It shall be ensured by the Sub-contract cell in consultation with Excise Cell in the Stores department that all the excise formalities are strictly adhered to while sending the raw materials/ components and bringing back the finished components. If for any reason, 180 days period could not be maintained, extension of time shall be obtained from the respective range excise superintendent by sending an application in time.
22. The approval of Purchase Orders shall be done as per the SDoP and as per the Purchase Procedure. However, the Purchase Orders can be signed and issued by the Sub-contract manager, in charge of the Sub-contract cell. The Sub-contract Purchase Orders shall be verified and co-ordinated by the Purchase Scrutiny Cell of Finance Department before approval and issue.
23. The Purchase Order shall indicate the details of raw materials/components to be sent for the individual item to be fabricated / processed with material code numbers etc., and also the quantum of scrap to be returned to BEML, if the fabrication charges are not reduced for the value of scrap to be retained by the Sub-contractors.
24. Copies of Sub-contract Purchase Order will be forwarded to:
 - i. Vendor
 - ii. Sub-contract accounts
 - iii. Sub-contract cell

Sub-contract PO pre-issue coordination to be obtained from Purchase scrutiny of Finance department as per SDoP. The Purchase Order issued shall contain the concerned raw material code numbers (for despatch) and also the finished parts code nos. (For finished components) and all documents shall indicate the correct code nos. of materials.
25. The materials may be sent by BEML and also collected by BEML from the subcontractor's, works wherever Sub-contractors are not agreeable to collect the raw materials from BEML and deliver the finished components to BEML and the fabrication charges do not provide for freight charges. Before the materials are sent, the same shall be weighed in the weigh bridge and weight indicated in the despatch advice along with the quantity of items (in Numbers and sq.m.) sent and other documents where applicable and the sub-contractors acknowledgement taken on the despatch advice for having received the materials.

26. Raw materials/components for sub-contracting shall be loaded in the physical presence of representatives of sub-contract cell, stores, and security departments who will check the existence of Purchase Order and the conditions therein as also the documents made for despatch. The items will be pre-inspected at the premises of the Sub-contractor before they are collected /despatched, wherever such pre-inspection is required.
27. Before sending the materials to sub-contractors, the following documentation shall be done.
 - i. A Sub-contract Purchase Order will be opened under separate series giving full details, indicating quantum of raw materials etc., to be sent to the sub-contractor for fabrication/processing of the ordered quantity etc.,
 - ii. MRs will be made quoting the sub-contract Purchase Order reference for drawal of raw materials/ components.
 - iii. MRs shall be co-ordinated by Planning Department.
 - iv. Materials will be drawn from Stores and movement arranged by the Sub-contract cell with proper Despatch Advice and Gate Pass. Despatch Advice shall indicate Purchase Order number and Material Requisition numbers also among other details.
28. It shall be ensured that all the required materials for an item are sent together and not in an imbalanced way. Also the materials shall be sent in convenient batches depending upon the delivery requirements. This will eliminate the scope for diverting the materials by the sub-contractors, besides avoiding taxation problems and delay in fabrication.
29. The sub-contract cell shall closely monitor the progress of the sub-contracted work and for the return of the fabricated parts/finished components. Receiving Reports/ GRs should be finalized immediately by Sub-contract cell/ Stores for proper accounting. Where the fabricated parts/finished components are directly sent to shops for use in Production, the same should have the co-ordination of the Progress department and both RRs/GRs and MRs should be finalized and released without any delay for proper accounting and payment to the Sub- contractors.
30. Where raw material/components are drawn and sent to shop floor for processing (like heat treatment etc.) before despatch to the Sub-contractors, the MRs in such cases shall be made quoting the relevant production work order only. After completion of the required operations on the shop floor the items shall be store credited against Stores Credit Notes quoting the production work order. The items will then be made 541 movement i.e. Transfer Posting of Components to subcontractor against the sub contract POs for despatch.
31. Even if the processed items are despatched from the Shop floor the above documents will be prepared to regularize the transactions.
32. Bank guarantee for a nominal amount of Rs.5000/- must be obtained from each Subcontractor valid for minimum one year.
33. Unless the fabricated/processed items are received/ collected against the raw material/components sent earlier to the sub-contractor, further despatches shall not

be made. Also the first off sample shall be approved by BEML Inspection department, before bulk supply is effected and further despatch of raw materials/ components can be made-only thereafter.

34. Material issued to sub-contractor for job work shall have insurance cover. It can be covered in General Insurance for all materials sent outside. The scope of insurance coverage will be Loss of damages to materials despatched to contractors/ subcontractors and/or at their premises due to:
 - i. Whilst in transit (both ways) as per ICC (A) clause.
 - ii. Fire and allied perils as per standard fire and special perils policy with earthquake extension.
 - iii. Burglary, theft, holdup, dacoity and robbery.
 - iv. Accidental breakage including accident to carrying vehicles.
 - v. Infidelity of the contractors and sub-contractors including absconding.
35. At any point of time, material issued to sub-contractors will not be more than Rs. 25.0 Lakhs. However, depending upon the nature of sub-contract work involved, material exceeding value of Rs. 25.0 Lakhs may be sent with the written approval of complex chief.
36. The officials from Sub-contract cell will periodically visit the Sub-contractor's works to ensure that BEML materials are kept safely for use as per the Purchase Order terms. A monthly status report shall be furnished indicating the quantum of materials held by the Sub-contractors and action taken as a follow up to get the completed components, to Head of Planning. Necessary control register shall be maintained by the Sub-contract cell as per format. A suitable clause shall be included in the Purchase Order that the Sub-contractor shall be responsible for the safe Custody of BEML materials and any loss due to theft etc., shall be made good by the Sub-contractor.
37. It shall be ensured by the Progress department that the items sub-contracted to subcontractors are not loaded to the shops for production to the extent quantity subcontracted and the Job cards already issued to shops are cancelled (or) called back. No Job cards shall be issued in future for such operations sub-contracted outside except for items which have been sub-contracted due to shortage of in- house capacity by putting PPO5 flag in routing of particular production order.
38. No extra facilities shall be given to sub-contractors either in the form of advance or in the form of issue of tools and jigs, testing gauges etc., on loan basis. However, where tools and jigs are required to be given to the sub-contractors on loan returnable basis, and fabrication charges accepted on that basis, it shall be approved by the Chief of Planning based on request given by the sub-contractor and shall be indicated in the Purchase Order. Where these extra facilities are proposed to be given after release of the Purchase Order and Purchase Order does not contain a clause to extend this facility, the fabrication charges shall be negotiated and reduced.
39. The Tools, Jigs, Gauges etc. will be issued to Sub- contractors against separate loan work order by 541 movement with approval of SBU Head and the same shall be

watched for their return in good working condition within a reasonable time. The period of loan shall be indicated in the ERP system and also in the Purchase Order. The payment of fabrication charges shall be under "Open Account" terms only.

40. Normally, there shall not be any rejections of the completed parts however 2% rejection towards material is permitted against supply back the rejected material to the division. If there are any rejections beyond 2%, the value of the materials/components proportionate to the rejected quantity of the completed parts shall be recovered from the sub-contractor. However, where process rejections cannot be avoided, it will be accepted on the merit of the case by a Committee consisting of the Chiefs of Sub-contract Cell, Inspection, Planning and Production head. The Committee shall submit its recommendations to SBU Head for approval. Copies of approvals shall be marked to Material accounts and Sub contract accounts for taking necessary action. The rejected items shall be received in BEML and sent to salvage for disposal before approval is given. It shall be noted that intricate castings shall not be sub-contracted for machining. Wherever the order is cancelled fully or partially, BEML raw materials/components, if any, lying with the sub-contractors shall be collected back immediately.
41. Where the rejections are due to material fault as in the case of castings, which may be due to the supplier's fault, the cost of materials shall be debited to the supplier of castings and cost recovered from him. PDOs raised for the rejections due to primary vendors fault at the receiving stage of the fabricated/processed items as per Purchase Orders shall indicate this fact very clearly, and a copy of the PDOs marked to Bills Payable for necessary recovery and accounting action. A copy of the PDO shall be sent to Purchase department for advising the vendor suitably.
42. All copies of PDOs raised at the Receiving Inspection stage of the items, shall be marked to Bills Payable clearly indicating the Subcontract Purchase Order and receiving report references to enable the Bills Payable to recover the value of proportionate materials for the rejected quantity over and above the approved rejections as per (xxviii) and primary vendors fault as per (xxix), based on the advise given by the Sub-contract cell. Sub-contract cell will advise Bills Payable to recover the dues from the Sub-contractors against rejections, cost of materials etc.,
43. Once in a quarter and as at the end of the year viz., 31st March of each year, the Subcontractors shall be asked to certify the quantum of raw materials/components held by them in terms of quantity, as per our books of accounts after accounting all the transactions up to the close of the quarter / year. The sub-contract cell shall obtain the confirmation within ten days.
44. With regard to Material lying with vendors, if material issued during the period exceeded twice the time allowed for completion of job, in case the delay was due to vendor, no further Purchase Order to be placed on such vendors in addition to collecting back the materials.
45. The points as mentioned in this procedure to take care of BEML's interests contractually shall be spelt out clearly in the Purchase Orders placed on the Subcontractors.

46. This procedure for sub-contract orders shall be followed in the case of orders placed on the Ancillary units also. For any deviations, the approval of SBU Head shall be taken in writing giving reasons for deviations, by the officer in charge of the Ancillary unit, with the co-ordination of finance.

12.3 JOB WORK PROCEDURE AS PER GST ACT:

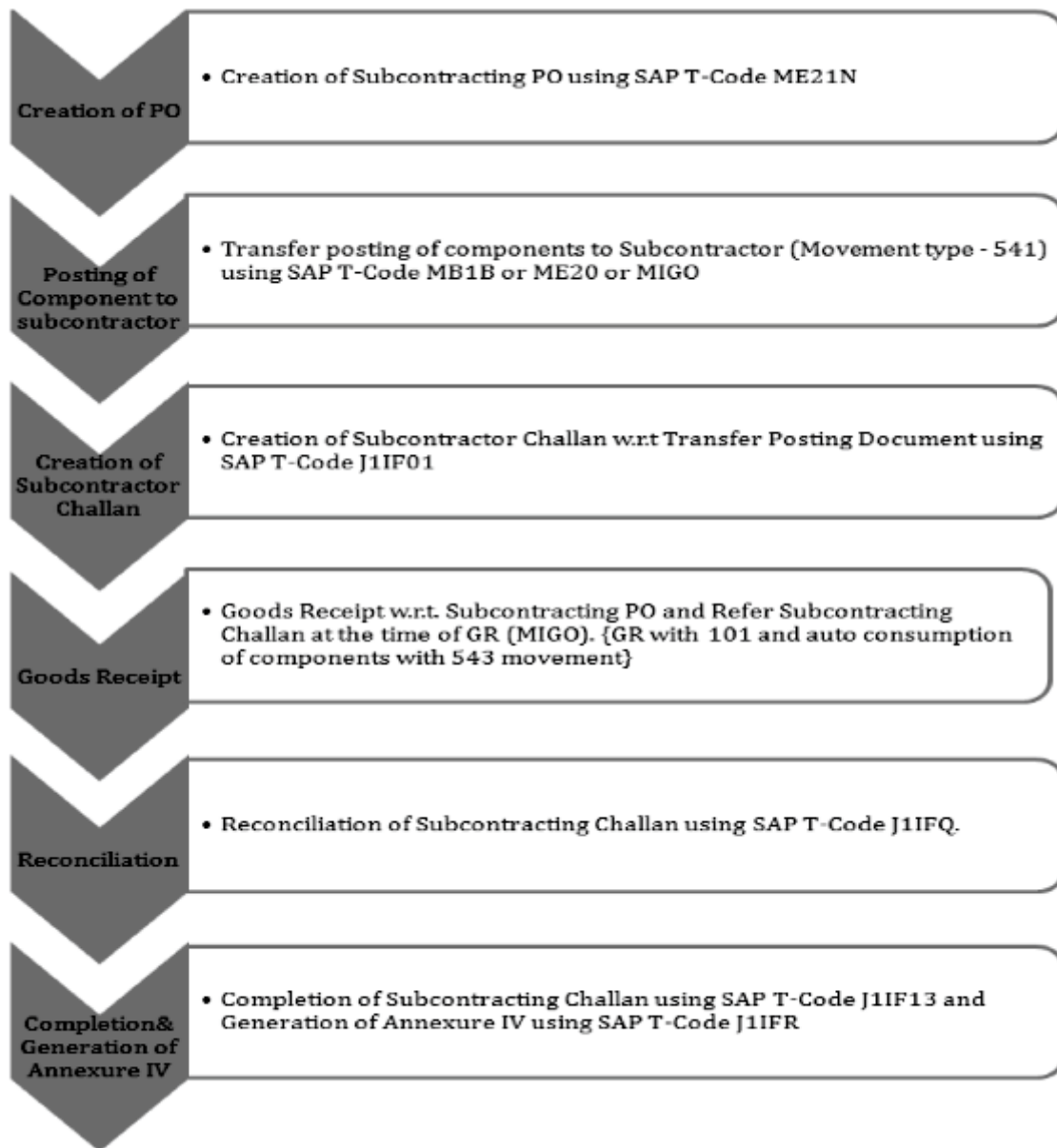
- a. **Sec 143 (3) of CGST Act, 2017 - Inputs goods** - Where the inputs sent for job work are not received back by BEML after completion of job work or otherwise in accordance with the provisions of clause 143(1)(a) or are not supplied from the place of business of the job worker in accordance with the provisions of clause 143(1)(b) within a period of one year of their being sent out, it shall be deemed that such inputs had been supplied by BEML to the job worker on the day when the said inputs were sent out.
- b. **Sec 143 (4) of CGST Act, 2017 - Capital goods** - Where the capital goods, other than moulds and dies, jigs and fixtures, or tools, sent for job work are not received back by BEML in accordance with the provisions of clause 143(1)(a) or are not supplied from the place of business of the job worker in accordance with the provisions of clause 143(1)(b) within a period of three years of their being sent out, it shall be deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out.
- c. **Rule 45 of CGST Rules, 2017** laid the following conditions and restrictions in respect of inputs and capital goods sent to the job worker
 - i. The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker.
 - ii. The challan issued by the principal to the job worker shall contain the details specified in rule 55.
 - iii. The details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter shall be included in FORM GST ITC-04 furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter.
 - iv. Where the inputs or capital goods are not returned to BEML within the time stipulated in section 143, it shall be deemed that such inputs or capital goods had been supplied by BEML to the job worker on the day when the said inputs or capital goods were sent out and the said supply shall be declared in **FORM GSTR-1 and BEML shall be liable to pay the tax along with applicable interest.**

Following points need to be taken care:

- i. It shall be ensured that inputs goods are received back within 1 year and capital goods within 3 years.
- ii. If any of the goods were not received back within 1 year / 3 years and not declared in the returns, then GST Invoice is to be raised as per Rule 45(4) above.

12.4 SUB-CONTRACTING PROCESS IN ERP:

a. Sub-contracting without payment of Duty:



b. The Master Data using the following T-Codes to be updated for above process:

- MM01- Material Masters for Components and FG
- XK01 - Vendor Master (Sub-contractor)
- CS01 - BOM for FG
- ME11 - Purchase Info record for Sub-contracting

12.5 ERP T-CODES RELEVANT UNDER THIS CHAPTER:

The following are the ERP T-Codes essential for process narrated in this chapter:

T - Code	Particulars	Functions of T-Code
J1IF01	Creation of Sub-contracting Challan (i.e. without payment of duty)	-
J1IF11	Change of Sub-contracting Challan (i.e. without payment of duty)	-
J1IF12	Display of Sub-contracting Challan (i.e. without payment of duty)	-
MBLB	Stocks at sub-contracting	This report will generate the list and value of materials which are lying with the sub-contractor. This report gives the PO number, vendor name, Quantity and value of material with sub-contractor. This is essential to identify if there are any items pending with vendor and which is nearing completion of 180 days.
ME20	Sub-contracting Stock Monitoring (Vendor)	The user can monitor how much quantity is lying with the Vendor for the particular material and shortage material quantity can be issued to the Vendor through "Post Good Issue" option in the same screen.
ZC31	SMH Booking Analysis Report	This transaction is used to display details pertaining to job card booking. The initial screen allows the user to enter plant & booking period. The output lets the user to analyse the data on SMH basis. The transaction will display the information such as department-employee wise SST, gate attendance hours, OT Hrs details etc.

Refer ERP Process Manual for detailed procedure to operate in ERP Environment.

CHAPTER – 13 – PURCHASE PROGRESSION

13.1 DELAY IN DELIVERY OF SUPPLIES AND LEVY OF LIQUIDATED DAMAGES:

- a. Time is the essence of the contract and delivery shall be strictly insisted upon according to the delivery schedule given in the Purchase Orders.
- b. In the case of delay in delivery of supplies, BEML shall have the right to levy liquidated damages as per the general terms and conditions of the contract. For this purpose, there shall be a systematic review by the Purchase department of the status of actual delivery of supplies as compared to delivery schedule stipulated in the Purchase Order.
- c. It shall be possible for the purchase department to foresee likely delay in delivery of supplies and suitably take up with concerned suppliers well in advance of the delivery schedule and inform them about the material due for delivery.
- d. If the delivery of the material is delayed, then vendor shall be informed about their liability for L.D. If the payments are through bank the supplier shall be directed to forward the documents directly to BEML to arrange payment after deduction of LD amount.
- e. The condonation of delay or extension of time for delivery by BEML will be without prejudice to the right of BEML to levy LD / to collect interest on advance if any paid, to be calculated from the original date of delivery as per Purchase Order to the actual date of delivery.
- f. The ERP system will have to be configured with Liquidated Damages calculation with the help of ABAP. The formula for LD will have to be defined at the time of raising of Purchase Order which will enable in automatically compute and levy liquidated damages and prompt the LD deduction at the time of payment to vendor.

13.2 AMENDMENT TO PURCHASE ORDERS:

Amendment of Contracts for changes in Purchase Order terms in regard to mode of despatch, terms of payment, quantity to admit/accept excess supply, price/request for price increase:

a. Mode of Despatch

- i. Normally, the cheapest mode of despatch is by rail/ road for inland purchases and by sea for imports. Where there is an approved transport contract for transport of materials by road, it will be deemed as the cheapest mode of despatch. Any deviation in the mode of despatch involving extra expenditure must be got approved by the competent Authority as per SDoP.

ii. Air Freight Charges

1. As general rule, Air freight shall be avoided.
2. Air freight may be resorted for items which are delicate, fragile, small in weight and volume, chances of pilferage etc.
- iii. In case of urgency for the items other than items indicated at above para (ii, 2) approval of the competent authority with Finance concurrence shall be obtained

after recording the nature of urgency together with additional financial impact as per SDoP.

b. Terms of Payment

Any change in the terms of payment offered in the Purchase Order has to be covered by an amendment to Purchase Order duly approved by the same Authority who approved the Purchase Order. It has to be ensured that the changed terms of payment are within the ambit of payment terms normally adopted by BEML for the class of materials covered in the Purchase Order.

c. Excess Supply

Excess supplies without amendment to Purchase Order are normally permissible in regard to regular production items of B and C class items and non production items up to 5% subject to under proper coverage/ requirement provided there is no downward trend in prices and unit do not carry excess inventory. All other cases of excess supplies are to be approved by the Competent Authority with finance co-ordination as per SDoP.

d. Change in Statutory Levies:

For general amendment to Purchase Order on statutory levies the Purchase Department shall obtain the approval of competent authority as per SDoP with finance co-ordination and necessary corrections of PO value can be done online by the Purchase Department.

Where the revised rates/levies are an enhancement (or) fresh levies, the same will not be applied for payment on the supplies which shall have been made up to the date of revision of the levies, as per delivery schedule but delayed by the supplier.

e. Change in price / request for price increase:

- i. Where a price variation clause with formula is specified in a Purchase Order/contract, amendment if required to such Purchase Orders/contracts for price revision may be approved by the Chief of Materials with Finance coordination.
- ii. Where price variation clause under a formula is not covered, tender enquiry shall mention that no price increase will be allowed during the pendency of P.O. i.e. quantity/contract period. It means that the rate finalized will not be revised under any circumstances.

“The above changes have to be updated in ERP PO using T-code “ME22N – Update Purchase Order”.

f. For price controlled items covered by Government notifications like fuel, oil:

- i. The Purchase Order covered shall be for a long period deliveries i.e., more than six months and shall have been finalized much earlier to the dates of the statutory price increases.
- ii. The supplies recommended for price increase shall be at least three months later than the relevant dates of statutory price increase. However, in the case of small scale/medium scale industries where steel is not stocked for more than a month's requirements as ascertained by the Purchase department, price increase may be given for supplies 1 to 2 months later than the relevant dates of statutory price

increase.

- iii. If the deliveries are delayed by the suppliers, the price increases shall be borne by them, and BEML shall not agree for price increase in such cases of delayed supplies. Where delivery is delayed due to BEML's instructions to the supplier, well in advance in writing, on account of changes in the priority for production etc. in such cases price increase may be considered. Copies of letters issued to suppliers advising the suppliers to defer deliveries must be marked to Accounts department.
- iv. In cases, where more than one supplier is available, the price increase may be considered only in the case of supplier whose price is the lowest. However, the request for price increase from other suppliers also may be considered to the level of the revised price of the supplier whose price was the lowest.
- v. The stocking of materials like steel as per the accepted practice in the industries involved shall be looked into in order to see whether the materials at prices earlier to price increase are not already ordered and stocked by the supplier.
- vi. The price increase is to be limited to the barest minimum and shall be less than the cost increases worked out with reference to the statutory increase in the price of the input materials in question since the supplier is also expected to bear a portion of the cost increases.
- vii. For other input items based on the price lists of manufacturers or channelized bodies like MMTC, all the above basic principles under (e) will apply except the word "Statutory prices" which will be replaced by the word "price lists/invoice" of source of supply or of channelized bodies like MMTC.
- viii. All other cases of requests for price increase require the approval of Corporate Office.

g. Price Variation Clause:

- i. Invariably, Purchase Orders shall be placed on a firm price basis. In exceptional cases, where the firm insists on escalation or on price ruling at the time of despatch, the Purchase Order shall contain a clause to this effect for admissibility.
- ii. The Purchase Order shall clearly specify the formula for determining the quantum of escalation admissible with reference to a fixed base period and prices ruling at that period taken as a base for deciding the escalations. The base period and prices shall be mutually agreed based on necessary documentary evidence. Normally, such escalation claim may be in relation to input materials where applicable and in a few cases it may relate to labour also in addition to input materials, which are beyond the control of the suppliers. It shall be made clear in the Purchase Order that claims for escalation shall be for supplies made after 3 months from the relevant dates of statutory price increases and the claims submitted within a reasonable period from the date of supply and in any case not beyond six months of the date of completion of supplies against the Purchase Order.
- iii. The claims shall be supported by necessary documentary evidence, as compared to the base prices for admitting the escalation claims. Where the Purchase Order

provides for admitting the price/rate ruling on the date of despatch, the claim may be admitted based on the price list in force on the date of despatch.

- iv. Escalation/Revision in price shall not be admitted for the delayed supplies.
- v. Where a price variation clause with formula is specified in a Purchase Order/contract, amendment if required to such Purchase Orders/contracts for price revision may be approved by the Chief of Materials with Finance coordination.
- vi. Where price variation clause under a formula is not covered, tender enquiry shall mention that no price increase will be allowed during the pendency of PO i.e., quantity / contract period. It means that the rate finalized will not be revised under any circumstances.
- vii. All PO enquiries shall have clause (a) above and in specific cases the clause (b) above.

h. Delivery ahead schedule:

- i. Delivery ahead of the stipulated delivery schedule in the Purchase Order is not normally acceptable. However, if the production exigencies justify, the same may be accepted with financial concurrence if Purchase Order value is above Rs.50,000/- If there is no such justification for early delivery, the delivery may be accepted by Chief of Materials provided, materials will not deteriorate in quality while kept in stock, but payment to the supplier shall be made only on the due date, as per payment terms with original delivery schedule. Suppliers shall be asked not to send the despatch documents through Bank in the case of early delivery.
- ii. In respect of any other amendment without financial implication, a formal letter from Purchase department to all concerned department will suffice, duly approved by the Authority that approved the Purchase Order.

i. Denial Clause (DC):

The buyer should protect himself against extra expenditure during the extended period by stipulating a denial clause (over and above the levy of LD) in the letter informing the supplier of the extension of the delivery period. In the denial clause, wherever delay in delivery is due to a default by the seller, any increase in statutory duties and/or upward rise in prices due to the PVC clause and/or any adverse fluctuation in foreign exchange are to be borne by the seller during the extended delivery period, while the purchaser reserves his right to get any benefit of a downward revisions in statutory duties, PVC, and foreign exchange rate during such period. Thus, PVC, other variations, and foreign exchange clauses, in such cases, operate only during the original delivery period.

- 13.3** Any cancellation or short closure of Purchase Order shall have the coordination of finance, if the PO value is more than Rs.2,00,000/- and due intimation, to the supplier. Where cancellation short closure of the Purchase Order has to be issued immediately to the supplier, in the best interest of BEML, such letters/ amendments may be issued by the Purchase Department and amendments sent to finance for post facto scrutiny and coordination.

13.4 VERIFICATION AND ACCEPTANCE OF BANK GUARANTEE:

- a. Officers Concerned in Materials department shall check all Bank Guarantees in coordination with concerned finance executive nominated for electronic bank guarantee on receipt in addition to the following checks:
 - i. The Bank Guarantees need to be properly examined with respect to the acceptable format and any conditions deterrent to the BEML's interest shall be got withdrawn before acceptance, besides verifying the genuineness of the Bank Guarantees from the bankers. Timely action for revalidation / encashment of the Bank Guarantees also needs to be taken so as to protect the BEML's interest.
 - ii. Bank Guarantee for performance shall be valid till the end of the delivery period stipulated in the Purchase Order / amended delivery period in addition to a claim period of minimum sixty days.
 - iii. The name and designation of the officer executing the Bank Guarantee and his power of attorney/signing power No. are duly shown therein and each page of the Bank Guarantee duly signed/initialled by the executants and the last page is signed with full particulars as required in the standard format of B.G. and under the seal of the Bank.
 - iv. The Bank Guarantee is on Non-judicial stamp paper of appropriate value to be indicated by the law dept. The date of execution of Bank Guarantee shall not be earlier than the date of stamp paper, while the same may be on or after the date of sale of Stamp Paper.
 - v. The factual details such as Purchase Order number, value of the contract, amount of advance, value of contract performance guarantee, validity of the guarantee etc. are thoroughly checked. It may also be ensured that over-writings or scorings if any are properly authenticated with signature(s) and seal of the executants(s).
 - vi. In case there are any mistakes in the bank guarantee, the same shall be notified to the supplier and in rare cases where the Materials department finds it safe to return the defective BGs such as, guarantees which are not bid guarantees or BEML has not paid any advance to the supplier the BG may be returned to the supplier (against his written acknowledgement and after retaining its Photostat copy) for carrying out the requisite correction by the bank under proper authentication by the bank.

However, return of original bank guarantee is not in the interest of BEML and amendment to the value of the bank guarantee or extension of the date of validity thereof, if any, shall be obtained on non-judicial stamp paper of the equivalent amount as that of the Bank Guarantee itself.
 - vii. A photo copy of the Bank Guarantee shall be taken and kept in the file, while the original bank guarantee may be kept in the safe custody of the Finance department after taking acknowledgment on the photocopy.
- b. The BGs received through NeSL portal do not require further confirmation. However, confirmation need to be obtained for other e-BG / manual BGs from respective banks. The

confirmation from the banker shall be either in BEML standard format / Banker's letter head / e-PBG / unstamped duplicate copy of BG to enable to accept the BG without loss of time.

- c. All BGs shall be independently checked in verbatim as per the format and confirmation shall be obtained even when the BGs are received from the bankers directly.
- d. Each Section Head in the Materials department shall be made responsible for verification, timely renewal and timely encashment of BGs.
- e. A letter of confirmation shall be addressed by the Materials department to the executants of the Bank Guarantee seeking confirmation whether the Bank Guarantee has been executed by the executants. This letter shall be issued in duplicate by registered post in the name of the executants of the Bank Guarantee as per the approved format. The executants' bank will be required to return one copy of the letter with a certificate thereon duly signed and stamped under its seal through registered post / courier / fax within 15 days of receipt of letter of confirmation. Banker's confirmation / certificate in their own letter head can also be accepted. In no case a supplier is allowed to bring this letter with the certificate of confirmation from bank. (Not even under sealed cover of the bank).
- f. For E-Bank guarantee (other than BGs issued through NeSL), the confirmation through e mode to be ensured by the nominated executive in finance department.
- g. Bank Guarantee in the form of e-stamps can be accepted, if submitted by the bankers, subject to verification of the stamp in the respective Government's online portal.
- h. In case of foreign bank guarantees, the BGs received from foreign banks, authorized / recognized by RBI, in their own letter head shall be accepted.
- i. The Bank Guarantee shall be obtained with enough validity periods. The validity of the Bank Guarantees shall be carefully monitored and shall be got extended suitably whenever it is warranted. As any lapse in not getting the Bank Guarantee extension may result in loss to the organization, it is essential to ensure that extension of Bank Guarantees are obtained in time.
- j. Bank guarantees shall be obtained with a validity period as per the warranty requirements mentioned in the respective orders with an additional claim period of minimum 3 months beyond the date of completion of warranty period. However, in case of requirement of BGs for longer durations more than 21 months and the supplier expresses difficulty in getting BG from their bankers for the entire period at a stretch, initially BGs with lesser validity duration can be accepted and shall be got extended upto the required period atleast 3 months before the expiry of original BG.

13.5 INVOCATION OF BANK GUARANTEE:

In case, decision is taken for invoking the bank guarantee, the action shall be initiated at least one month before the expiry of the subject bank guarantee. The written demand shall be made through RPAD / Speed Post / Courier / Fax / email on the Bank who had issued the

Guarantee with its copy to the Head Office of the Bank. Records showing such despatch details shall be made available in the file. In case the claim amount is not received despite the demand made, the matter shall be closely followed up by sending reminders and by personal visit if required. If necessary, the Reserve Bank of India and Banking Division of the Ministry of Finance may be approached to ensure realization of the claim amount. If payment is not received, as a last resort, to be taken up with the BANKING OMBUDSMAN, alternatively the case may be handed over to the Legal Department well in advance for taking legal action.

13.6 RETURN OF BANK GUARANTEE:

- a. In the case of Bank Guarantee for performance, the Bank Guarantee shall be released only against completion of supply and issue of completion certificate against receipt and acceptance of materials / service / commissioning.
- b. Bank Guarantee for contract performance covering delivery obligations as well as warranty shall be released after fulfilment of contractual obligations and obtaining a certificate from the user department to this effect. If there is no warranty claim within the warranty period and in the absence of any certificate from Indenter to this effect, the bank guarantee may be released after a period of one month from the date of completion of warranty period without insisting for a certificate / remarks from the user department.
- c. If any claim exists during warranty period and such claim is not informed by the Indenter (user department) within the warranty period, then the sole responsibility for the failure to lodge the claim rests with the user department.
- d. For returning of all Bank Guarantees same shall be returned with finance concurrence.
- e. Acceptance / Release of all Bank Guarantee shall be issued with the approval of executives authorized by Unit Head of Materials / Zonal / Regional / District Managers in case of ROs/DOs.

CHAPTER – 14 – SOURCE / PRODUCT DEVELOPMENT

14.1 INTRODUCTION:

It is imperative to organize concerted efforts on a continuous basis to promote and develop indigenous sources of supplies not only for import substitution but also for developing alternate potential sources. The objective is to have a minimum of two sources to be developed successfully to reduce our dependence on a single source and the attendant risks, besides to get the items at competitive prices. Wherever materials are procured through single tender / single source maximum efforts shall be made for issuing open tender (Audit committee observations dt. 05.08.2024).

14.2 PROCEDURE:

- a. The Production Planning department after mutual discussions with R&D Department/ Indigenization Development Cell will identify specific items for indigenization through vendor sourcing. Where facilities are available in the production division and where the Planning Department has established sources of supply for Castings, Forgings etc., and the indigenization will be dealt with by the Production Division. R&D will lay down the important parameters and the specifications to which components shall be finished after which alone the production division can take necessary action.
 - i. Each SBU-Head shall form Indigenisation committee at SBU level headed by Planning & R&D and members from Quality & Purchase.
 - ii. The team shall continuously work to establish indigenise import components / aggregates and also alternate sources for single sourced items.
 - iii. Planning to identify the items for indigenisation / alternate source development & coordinate with other members in the team for overall indigenisation activities.
 - iv. R&D to lead for development of indigenisation of components / aggregates.
 - v. This team will report progress of indigenisation activities quarterly to SBU Head and CIO.
- b. Purchase Department will feed a list of single source items and import items to this team with a copy to SBU Head / Chief Indigenization officer mentioning priorities.
- c. Developmental orders may be placed for developing indigenous sources for import substitution as also for developing alternate potential sources. The development of alternate sources will normally be attended to by the Purchase department with the involvement of Quality and R&D.
- d. In the case of items to be developed through vendors, R&D will be the sole Authority to finalize the design parameters, the type test to be done and fix up a time frame for the vendor for manufacture; only after the type approval is given by the R & D, vendors shall be allowed to supply these assemblies to production division.
- e. All items other than proprietary in nature shall undergo second and third source development by referring to the team.
- f. Generally, intricate and functional bearing items for Import substitution will invariably come under the purview of R & D Department.

- g. While it is conceded that it may not be possible to follow the Purchase Procedure rigidly in regard to indigenizing the items for the first time, yet it is necessary to adhere to the essential principles of purchasing as far as possible in the matter of sending enquiries, calling the parties for negotiations and selecting the best offer. However the objective shall be to place indigenization orders at a price less than the FOB cost of import.
- h. In the case of very sophisticated high tech component R & D can contact single source after obtaining approval of the Chief of R&D of the SBU with proper justifications as to why a second source cannot be contacted. If a second order is necessary on the previous single source vendor it shall be done after assessing the real value of the item and suitably rectifying the component price on the existing single source vendor, and also taking steps to establish second source.

14.3 PROCEDURE TO BE FOLLOWED IS BROADLY OUTLINED BELOW:

- a. At the design stage itself, based on preliminary specifications and nature of the item keeping in view the functioning parameters and the degree of technology involved, RFQ(s) will be sent to a minimum of 3 sources to the extent possible. Refer Para 5.11 of Chapter 5 for procedure to issue a Request for Quotation.
- b. Reputed manufacturers/sources having the required technical know-how and the facilities for developing the items will only be contacted. Where an item to be developed is sophisticated in nature and needs special efforts to develop the raw material, Tooling and methodizing for the first time indigenously by a vendor, the single source as identified and approved by R&D can be contacted for a quotation.

Necessary requirements such as like NDA and NCA are to be fulfilled by the vendor before sharing the drawings. The expertise of the purchase department may be availed in locating the sources, wherever required.

- c. After a study of the literature / catalogue of the firms and their offers, R&D/ Indigenization Development Cell will decide on the most suitable offer/s which meets with the technical requirements or which can be adapted most easily commensurate with the cost. Vendor's acceptance to QAP / PTC / ATP as applicable for the product are to be ensured
- d. The reasonableness of the offer received will be assessed and where negotiation of price is considered necessary, the provisions under Chapter 9 of this Manual shall apply.

Tooling and Development cost shall not normally be paid to the vendor for development of the items, as a condition to accept the development order, as it shall be treated by the vendor as an investment for his firm's business growth with BEML. However, in coordination with Finance & Purchase Department having regard to the quantity proposed and feasibility of availing this benefit in the subsequent Purchase Orders, the payment may be decided.

- e. The enquiry papers with the quotations and the recommendations of R&D/ Indigenization Development Cell will be forwarded to the Purchase department to place the Purchase Order. The indenting department will follow up for supplies under

intimation to Purchase department, who will also assist in following up for supplies, wherever required. Clauses relating to GeM tenders also to be added in the RFQ.

- f. In the case of Purchase Order for source/product development, there shall be a clause calling for submission of sample, within a period of 6 months and bulk supply to commence only after our intimation in writing the acceptance of sample. In case sample clause is to be waived, the approval of Head-SBU has to be obtained with reasons to be recorded in writing in consultation with R&D/Product Design department. Where acceptance of the sample is a prerequisite for bulk supply, the sample shall be tried /tested and clearance shall be given on priority basis without any delay for affecting the bulk supply and without compromise on quality.
- g. Record will be maintained in R&D/ Indigenization Development Cell allotting a folio for each item taken up for indigenization and recording details about the number of firms contacted, number of valid quotations received, the offer selected/ recommended for placing the order through Purchase department, a brief of the recommendations on the selected offer, special die or tooling charges/ development cost for payment in lump sum or otherwise.
- h. The same procedure as above will also apply in respect of development of items of R&D design.
- i. Such orders placed will be normally with "open account" terms and supplies received and accepted would be issued for production without being allowed to be carried in stock. Where the samples require long time for clearance for bulk supplies and/or bulk supplies on the development order are not accepted within a reasonable time, adhoc payment on a reasonable basis can be recommended by Chief of Materials Management with Finance concurrence
- j. When once the items are developed indigenously the same will be blocked from imports and subsequent action for placement of further orders on such indigenous developed source / sources will be taken on single or limited tender basis as the case may be. The above procedure may follow till further indigenous sources are developed based on the requirement. The subsequent requirement for imports (i.e., restoration) on any account shall have the specific approval of SBU Head / Division Head with concurrence of finance.
- k. The quantity ordered for trial/development purposes will not be reckoned for equipment coverage initially. However, this quantity will be adjusted in the equipment coverage later when the supplies are received and accepted after inspection in the normal course. The Planning/Purchase department has to keep a track of the quantity received for suitable adjustment in the equipment coverage with necessary control.
- l. The quantity considered for placement of development order shall be mutually acceptable taking into account the item involved, unit price, amount involved, tooling, and development expenditure, if any involved and economic batch quantity. The quantity ordered will not normally exceed 25 equipment sets. However, depending on the value of the item, cost of development, lead time etc. the approval of competent authority with the clearance of MPC can take a decision if higher quantities are required

to be ordered. In all these cases of development orders, the cost of pattern/Dies/Tools if payable shall be paid to vendors only after they successfully produced a sample acceptable to BEML in all respects. Where the cost is proposed to be paid before the sample is developed and supplied with the approval of competent authority, payment may be made against Bank Guarantee/ePBG (as per CVC guidelines) which shall be valid till the commencement of bulk supply, and acceptance of the first batch of supplies.

- m. Developmental Orders: In cases, where BEML is not fully assured of the capability of the supplier/sub-contractor or where a parallel source of supply has to be established, it may be necessary to place a developmental order for a small quantity on a supplier/subcontractor. The developmental orders may be finalized on the basis of Quotations received against our tendering action, with the approval of competent authority. For developmental orders the terms of payment shall be "Open Account" and cost of Pattern/Die/Tool, if any, will be reimbursed by BEML, as per payment terms agreed.

14.4 PRICE PREFERENCE FOR INDIGENISATION CONTENT:

- a. Applicability of Indigenisation: Indigenisation clause is applicable to tenders floated for procurement of project items where tender value is above Rs. 50.0 Lakhs excluding taxes and duties and Tenders are floated in two Bid systems. i.e., Technical and Commercial Bid.
- b. Indigenisation Plan:
(Please refer **Annexure -O**)

CHAPTER – 15 – TERMS OF PAYMENT

15.1 PAYMENT TO SUPPLIERS:

- a. Payment shall be made for supplies as per delivery schedule indicated in the Purchase Order.
- b. In the case of imports, payment is arranged against LC/Sight Draft against submission of documents through bank.

(i) Documents for Payment for Imported Goods: (DoE Manual para 6.4.3):

The documents needed from the supplier for the release of payment are to be clearly specified in the contract. The paying authority also verifies the documents received from the supplier with corresponding stipulations made in the contract before releasing the payment. Documents, which the supplier is to furnish while claiming payment, are specified in the Letter of Credit but usually are:

1. Supplier's original invoice giving full details of the goods, including quantity, value, and so on;
2. Packing list;
3. Certificate of country of origin of the goods to be given by the seller or a recognized chamber of commerce or another agency designated by the local Government for this purpose;
4. Quality Assurance Certificates:
 - a) Certificate of pre-dispatch inspection by the purchaser's representative or
 - b) Manufacturer's test certificate and guarantee;
5. Certificate of insurance;
6. Bill of lading/airway bill/rail receipt or any other dispatch document issued by a Government agency (like the Department of Posts), or an agency duly authorised by the concerned Procuring Entity, indicating:
 - a) Name of the vessel/carrier;
 - b) Bill of lading/airway bill;
 - c) Port of loading;
 - d) Date of shipment;
 - e) Port of discharge and expected date of arrival of goods;
 - f) Any other document(s) as and if required in terms of the contract.

(ii) Letter of Credit:

1. **Parties to the LC:** The purchaser forwards a request to its bank (called issuing bank) in their prescribed format, along with all relevant details, including an authenticated copy of the contract. Based on this, the issuing bank opens the LC, promising to pay the specified amount to the supplier's (beneficiary's) bank based solely on the documents presented by the supplier as specified in the LC conditions, without physically ascertaining the shipment of goods. The issuing bank arranges with a bank in the

supplier's region (called advising bank) to notify the supplier and his bank of the availability of the LC. Since the supplier may not be comfortable with the issuing bank, it may ask a bank he trusts (called confirming bank) to add a guarantee to ensure payments by the issuing bank.

2. Risks Involved:

- a) Commercial Risk: Non-payment due to buyer's financial distress.
- b) Global Risk: Political instability, currency fluctuations, import/export restrictions, disruptions in international logistics.
- c) Documentary Risk: Discrepancies in submitted documents or interpretation of documents and LC conditions by various parties involved.
- d) Bank Risk: Bank insolvency or non-performance.
- e) Fraud: Shipment may not be physically dispatched or dispatched in damaged condition or with inadequate packaging

3. Precautions:

- a) Care should be taken to ensure that all details in the LC (such as product description, quantity, payment terms, documents to be produced, LD clause, and shipping terms) are accurate and identical to those shown in the contract to avoid discrepancies.
- b) Frequent amendments can lead to delays and complications. Suppliers may use their own delays in supplies by asking for unnecessary amendments to LC (or contract).
- c) Provisions of Uniform Customs and Practices for Documentary Credits (UCP 600) should be adhered to while opening the LC for import into India.
- d) The seller must present documents in time within the tenure of the LC to receive payment and the documents submitted must match the LC requirements.

4. Charges and Costs:

- a) Opening Charges: These are incurred by the procuring entity and include both commitment fees (charged for the LC's validity period) and usance fees (if the LC allows deferred payment).
- b) Advising Fee: This is paid by the issuing bank to the advising bank and is included in charges to the procuring entity.
- c) Confirming Bank's Fee: If applicable, paid to the confirming bank by the supplier.
- d) Extension/ Amendment Fee: This fee applies when an LC needs to be extended or amended due to changes in delivery dates, terms, or other conditions. The party requesting the extension or amendment (purchaser or seller) pays this fee.
- e) Retirement Charges: The supplier's (beneficiary) bank levies these charges on the supplier to handle payment from the issuing bank.
- f) Other Charges: Reimbursements for foreign trade law-related obligations, if any, to be borne by the party of that country. For example, if there are specific legal requirements related to foreign exchange regulations or documentation in the

exporting country, the Seller may need to cover these costs. If there are specific taxes for foreign exchange remittances, then the purchaser may bear such charges.

5. Types of LC:

- a) Revocable LC: This can be modified or cancelled without notice.
 - b) Irrevocable LC: This cannot be amended, modified, or cancelled after issue without agreement and notice to the seller. Generally, the irrevocable LC is opened so that the supplier is fully assured of his payment on fulfilling his obligations in terms of the contract.
 - c) Confirmed LC: An intermediate bank in the supplier's country (called confirming bank) adds its confirmation at the request of the seller, guaranteeing that payment would be made as per LC conditions, even if the issuing bank or seller's bank demurs.
 - d) Unconfirmed LC: There is no additional confirmation beyond the issuing bank.
 - e) Transferable LC: The seller can transfer part of the LC to another party (e.g., as a payment to his supply chain).
 - f) Back-to-Back LC: An intermediary (second beneficiary) is involved in this.
 - g) Revolving LC: This covers multiple transactions over an extended period. It is specifically used for repeated shipments of the same product between the same buyer (importer) and seller (exporter).
- c. In the case of orders for inland purchases, BEML's normal terms of payment are "Open Account" i.e., payment after receipt and acceptance of materials. Where this is not agreed to by the vendors, the payment terms may be accepted as under:
- i. Where the terms of despatch are "FOR, BEML Factory", 100% payment may be made on the 60th day, from the date of receipt of materials at BEML Stores subject to acceptance of materials.
 - ii. Where the terms of despatch is "Ex- Supplier's works", 100% payment may be made on the 60th day from the date of receipt of invoice at BEML. However, it shall be ensured that the materials are received in BEML stores and accepted before releasing payment.
 - iii. In respect of Micro, Small and Medium Enterprises as classified under Micro Small and Medium Enterprises Development Act 2006, the payment term shall be:
 1. When there is an agreement in writing, payment shall be made on or before the date agreed upon between BEML and the Vendor. However, the period agreed upon between BEML and MSE (Micro and small Enterprises) Vendor shall not be exceed 30 days from the day of acceptance or the day of deemed acceptance (vide MoD ref MoM dated 8th August 2016). If payment is not released within 30 days interest shall be paid for delayed payment as per MSME act.
 2. When there is no agreement, payment shall be made immediately after the expiry of 15 days from the day of acceptance or the day of deemed acceptance.

3. "The day of deemed acceptance means" where no objection made in writing by the buyer regarding acceptance of goods or services with 15 days from the day of delivery of goods or rendering service, the day of actual delivery of goods or rendering of services.
4. In case of maintenance service contracts the payment shall be made after successful service and after certification by the User Department.

Note:

- * The identification / marking of vendor as MSE shall be done at the time of creation of Vendor Master in ERP using T-Code "XK01 – Create Vendor Master".
 - ** The user can view the list of MSE Vendors from ERP T-Code "ZMMSE-List of MSE Vendors".
- d. In the case of payments to Railway approval vendor supplying Railway products, the payment terms can be 100% on receipt at BEML Stores subject to receipt of Inspection Certificate from RITES / RDSO / RQAW. The GRs are to be finalized within 15 days of receipt of material. In case of any rejection at the final inspection the same is to be adjusted from the subsequent supplies.
 - e. Where payment is made through cheque against delivery, cheque is to be delivered after receipt of material and on verification of recorded proof.
 - f. Wherever Electronic Clearance Service (ECS) facility available payment shall be made through ECS only. Even if ECS facility is not there payment has to be arranged from Bangalore through the respective designated bank accounts of individual divisions maintained at SBI Overseas branch Bangalore.
 - g. In case of global tender the payment terms shall be against letter of credit aligning with overseas firms. For this purpose firms shall submit representation for accepting L.C. Payment. The domestic vendors will also be given payment on basis of LC (vide MoD ref MoM dated 17th October 2016).

* Note: Electronic Payment through ERP System:

The ERP System allows configuration and linking of Online Banking Facility of the user with ERP This configuration is done through the EDI (Electronic Data Interchange) facility available in ERP.

The vendor master in ERP has to be updated with Bank Account details of the vendor such as Bank Account Number, Bank Name, Branch and IFSC Code under General Data particulars of ERP T-Code "XK03 – Display. Further, as per SDoP, the person who is authorised to make online payments has to be configured in ERP.

15.2 ADVANCE PAYMENT:

- a. The advance payments need to be generally discouraged except in specific cases.
- b. Wherever payment of advance is considered unavoidable (up to the percentage laid down in rule 159 (GFR 2005 with bank guarantee) and decided before issue of tender,

the same shall be incorporated upfront in the RFP / tender document indicating the percentage of advance.

- c. No advance payment shall be made to the vendors without confirming the issue of bank guarantee from the bank concerned.
- d. As per CVC guideline Ref No 02/02/11 dated 17th Feb, 2011, the vendor shall pay interest on such advance payment if the contract is terminated due to default of the contractor and such payment shall be allowed after getting an acceptable Bank Guarantee from a Scheduled Bank for an amount at least 110% of advance so as to enable recovery of not only principal amount but also interest portion if so required, with sufficient validity so as to fully protect the BEML interest. The advance payment may be released in stages depending upon the progress of the work and mobilization of required equipment(s).
- e. However in case of MSE's advances up to 15% may be considered if requested against Bank Guarantee. The interest on the advance amount is not to be insisted from MSE's
(vide MoD ref MoM dated 8th August 2016)
- f. Some reasonable time shall be stipulated for submission of Bank Guarantees so that contractual remedies could be enforced if required. The bank guarantee needs to be properly examined with respect to the acceptable format and any conditions deterrent to the BEML interest shall be got withdrawn before acceptance besides verifying the genuineness of the Bank Guarantees from the bankers.
- g. Timely action for revalidation / encashment of the bank guarantees also need to be taken so as to protect the BEML interest.

15.3 ADVANCE PAYMENT TO SUPPLIER:

Ordinarily, payments for services rendered or supplies made shall be released only after the services have been rendered or supplies made. However, it may become necessary to make advance payments for example in the following types of cases:

- a. Advance payment demanded by firms holding maintenance contracts for servicing of Air-conditioners, computers, other costly equipment, etc.
- b. Advance payment demanded by firms against fabrication contracts, turn-key contracts etc. Such advance payments shall not exceed the following limits:
- c. Thirty percent of the contract value to private firms;
- d. Forty percent of the contract value to a State or Central Government agency or a Public Sector Undertaking; or
- e. In case of maintenance contract, the amount shall not exceed the amount payable for six months under the contract.
- f. Purchase department may relax, in consultation with their Financial Advisers concerned, the ceilings (including percentage laid down for advance payment for private firms) mentioned above. While making any advance payment as above, adequate safeguards in the form of bank guarantee etc. shall be obtained from the firm. Part

payment to suppliers: Depending on the terms of delivery incorporated in a contract, part payment to the supplier may be released after it despatches the goods from its premises in terms of the contract.

- 15.4** In the above cases, it shall be ensured by the Purchase department that,
- The vendors despatch the consignments through BEML Contract Carriers specified in the Purchase Orders.
 - The vendors send the despatch documents directly to BEML.
 - The GRN to be finalised within 7 days in the case of material items and within 1 month in the case of Capital items through ERP.
 - The items are received in matched sets wherever called for.
 - The GRN are to be clear for acceptance or rejections as the case may be
- 15.5** However, "Open Account" terms only shall be offered to new firms/ untried out sources.
- 15.6** Rate contract governed by its own terms of advance payment at 98% as provided for in the contract and agreed to by us against proof of despatch, the balance payment can be made only after getting the receiving report for the consignment supplied.
- 15.7** Where vendors, particularly Small Scale units, insist for payment through bank, the same may be agreed to as a special case, in which case only 90% value of the consignment will be paid for sending documents through Bank. The balance 10% will be paid only after finalisation of GRN, and after recovering the value of shortages, rejections, freight difference etc., if any.
- 15.8** In the case of procurement of steel etc. mutually agreed payment terms are adopted, including opening of Inland letter of Credit. Wherever payment made is more than the value of consignment received against the Purchase Orders, the Purchase Department shall take immediate action to obtain the refunds / obtain material for the balance value.
- 15.9** Where Purchase Orders are having "advance" payment terms as "Proof of despatch", "Receipt of materials at BEML Stores" etc., not more than two advance payments shall be allowed to remain outstanding for regularisation any time against single supplier.. Any further advance payment needs specific approval of the Division Head in co- ordination with the Divisional Chief of Finance. Where the supplies are rejected, we shall have the right to recover the amount already paid from advance payment for subsequent supplies against the same Purchase Order or other Purchase Orders.
- 15.10** In cases where supplies are to be made in balanced lots/matching sets, the advance payment will be made in terms of balanced lots/matching sets only.
- 15.11** Payment to Ancillary units will be made against their Invoices supported by preliminary inspection report issued by BEML Inspection department. However, GRN shall be finalised within 7 days as per Stores manual.
- 15.12** Payment terms in Purchase Orders for capital items like Plant and Machinery and Equipment shall be as mutually agreed to between BEML and the Supplier, in individual cases. In any case, 10% to 20% or as mutually agreed between parties value of the capital

item shall be kept as balance payment to be released only after satisfactory erection and commissioning of the Capital item by the supplier. A bank guarantee for the 10% of the value is to be taken while making final payment to take care of Warranty service.

Performance Bank Guarantee (PBG) to be returned after satisfactory completion of warranty period. (Format of PBG as per F3).

- 15.13** Final payment of 10% against PBG to be released after confirming the same from the bank concerned.
- 15.14** Any other deviation in the terms of payment as in the case of plant and machinery involving import of components/raw materials towards tooling/die charges as customer in the trade etc., for certain advance payment along with the order shall require the specific approval of the Business Group Head. Such cases shall be with a firm delivery clause with a condition to charge interest at prevailing bank rate for the period of delay, if any, from the committed delivery schedule or from the date the advance was paid in the case of order cancellation due to non-delivery. It is necessary to insist on a bank guarantee before payment covering the amount of advance together with interest for the period from the date of payment of advance to the delivery period of the item. For the extended period of delivery, the value of Bank Guarantee shall be enhanced towards interest for the extended period.
- 15.15** Where two Purchase Orders are placed on the same source around the same period for the same item but with different terms of supply i.e., with BEML material and with vendor material, it shall be ensured that our materials despatched to the supplier are fully accounted for in terms of finished components ordered before admitting the claim for payment for supplies against the other order. Similarly, in the case of two Purchase Orders existing on the same vendor for the same item but at different rates, the rate in the earlier Purchase Order being lower, it shall be ensured that the supplies against the earlier Purchase Order are fully completed before admitting the claim for supplies against the other order.
- 15.16** Where the Purchase Order provides for payment of die/ pattern/tooling charges, the same will be paid when the first off sample / pilot lot is received and accepted, and for such items the Company shall take insurance to cover any damage / theft etc and the pattern shall be taken back by the company whenever required.
- 15.17** All bank charges including Overdraft interest charges for documents retired through bank for inland purchases and bank commission for demand drafts obtained at the specific requests of the firms will be to firms account. Any exception to this in regard to bank charges/bank commission for absorption to company's amount shall have the specific approval of the Division Head.
- 15.18** Payment of GST shall be as per Purchase Order terms and the claims of the supplier in invoices shall be admitted only against original.
- 15.19** Where two or more Purchase Orders are placed on the same source for the same item(s) at almost-the same period the payment terms indicated in the Purchase Orders shall not be different.

15.20 DOCUMENTS FOR PAYMENT FOR DOMESTIC GOODS:

1. Supplier's Invoice indicating, inter alia, description and specification of the goods, quantity, unit price, total value;
2. Packing list;
3. Insurance certificate, wherever applicable;
4. Proof of Dispatch: Railway receipt/consignment note;
5. Quality Assurance Certificates:
 - i. Manufacturer's guarantee certificate or in-house inspection certificate; or
 - ii. Inspection certificate issued by purchaser's inspector;
6. Any other document(s) as and if required in terms of the contract.

15.21 INSURANCE:

In every case where advance payment or payment against dispatch documents is to be made, or LC is to be opened, the condition of insurance should invariably be incorporated in the terms and conditions. Wherever necessary, the goods supplied under the contract shall be fully insured in a freely convertible currency against loss or damage incidental to manufacture or acquisition, transportation, storage and delivery in the manner specified in the contract. If considered necessary, insurance may cover "all risks", including war risks and strike clauses.

The amount to be covered under insurance should be sufficient to cover the overall expenditure incurred by the procuring entity for receiving the goods at the destination. Where delivery of imported goods is required by the purchaser on a CIF/CIP/DDP basis, the supplier shall arrange and pay for marine/air insurance, making the purchaser the beneficiary. Where delivery is on FOB/FAS basis, marine/air insurance shall be the responsibility of the purchaser. --(Rule 172 of GFR 2017).

15.22 TReDS PORTAL:

- a. As per GoI guidelines, MSEs payment has to be released through Trade Receivables e-Discounting System (TReDS) portal to facilitate the financing of trade receivables (invoices) to MSEs. Accordingly, BEML has onboarded on the below TReDS service provider portals:
 1. RXIL
 2. M1xchange
 3. Invoice Mart
 4. KredX
 5. C2FO

- b. Further, BEML will onboard on any other portals apart from the above five, that are identified by GoI from time to time.
- c. All Procurement Enquiries should include the following clause in all Tenders:
 - i. All MSE vendors are requested to register on any one of the portal to release payment through TReDS Portal.
 - ii. In case any MSE vendor is not willing to process their payment through TReDS portal, that vendor should confirm non willingness. In such case, payment will be released as per BEML standard payment terms”.
- d. Medium Enterprises can also be brought to TReDS. However, payment will be as per mutually agreed terms.

(Refer SOP ED(F)/SOP-TReDS/2026 dated 10.04.2026 for transaction through TReDS).

CHAPTER – 16 – CONTRACT FOR SERVICES

16.1 INTRODUCTION:

There may be occasions to enter into a contract for services which is revenue in nature. For the purpose of administrative convenience such contracts for repair and service jobs will be regulated as per SDoP. Necessary PR's will be given by user department.

16.2 MAINTENANCE SERVICES/ MAINTENANCE CONTRACTS:

Depending on the cost and nature of the goods to be purchased, it may also be necessary to enter into maintenance contract(s) of suitable period either with the supplier of the goods or with any other competent firm, not necessarily the supplier of the subject goods. Such maintenance contracts are especially needed for sophisticated and costly equipment and machinery. It may, however, be kept in mind that the equipment or machinery is maintained free of charge by the supplier during its warranty period or such other extended periods as the contract terms may provide and the paid maintenance should commence only thereafter. (As per GFR 169).

16.3. The Maintenance services in the divisions are broadly classified by functions as below:

- a. Plant maintenance including House- keeping
- b. Mechanical maintenance
- c. Electrical maintenance
- d. Information Technology related services
- e. Transportation and Hiring of Passenger vehicles
- f. Landscaping for horticultural services
- g. Canteen services
- h. Civil and Estate maintenance
- i. Loading/unloading
- j. Security services
- k. MARC Contracts
- l. Office equipment
- m. Other services not covered above

16.4

- a. Normally, the services are to be rendered by the concerned department, availing facilities within to the fullest extent. Assigning the work to outside agency may be resorted to, wherever warranted.
- b. User department consolidate the requirements of various departments and examine the same, keeping in view the following points:
 - i. The work involved shall be revenue in nature.
 - ii. The expenditure is within the budget provision. The Sustenance SBU HQ shall intimate to the Zonal, Regional and District offices their share of the budget provision for this purpose.
 - iii. The purchase request from the concerned department shall be followed by Administrative Approval detailing the nature of work to be done, justifying the necessity and indicating the estimated cost sanctioned by the Competent Authority as per SDoP with the financial concurrence.
 - iv. The Service contract may broadly fall under the following groups:

Sl. No.	Nature of Service	Department Responsible for PR	Periodicity
(1)	(2)	(3)	(4)
1.	Major over-hauling/repairing and re- conditioning of Plant and Machinery including replacement of parts, wherever required.	Plant Maintenance	As and when need arises
2.	Re-conditioning / repairing of Motors, need welding rectifiers, fork lift trucks, cranes etc.	Plant/ Mechanical Maintenance	As and when need arises
3.	Repairing / Re-conditioning of Auto modules and hiring of passenger vehicles viz, bus, car, jeep, etc	Transportation and Hiring of Passenger vehicles	As and when need arises
4.	Servicing of Plant & machinery, office equipment, Computer etc.	User department	Annual Equipment Wise
5.	Re-conditioning of Tyres Subject to taking the work in Bulk	Transportation	As when need Arises
6.	Re-conditioning / re-canning of chairs, tables	Concerned Department	- Do -
7.	Purchase of seedlings, plant and the manure etc. for BEML nursery	Landscaping	- Do -
8.	Laying foundation, shifting and erection of existing plant and machinery / erection of new plant and machinery	Plant maintenance / Facilities Department	- Do -
9.	Civil and Estate maintenance	Construction & civil maintenance	- Do -
10.	Loading/unloading	Stores department	Annually
11.	Security	HR Dept	Annually
12.	MARC contracts	Marketing	Annually
13.	Other services not covered above	Department concerned	As when need Arises

Note:

1. The classification of services shown above may be modified to suit local requirements/ conditions.
2. Regarding Sl.No.8, the Civil Works portion only shall be taken by construction department and the erection work shall be taken up by the department concerned.
3. In case of AMCs, the upkeep percentage must be indicated in the tender/ order on case to case basis.

4. If any particular AMC is handled centrally by Corporate Materials Department, the user department shall raise the purchase request with the Corporate Material Cell and tendering action will be initiated with approval of Competent Authority.
5. The items of Plant and Machinery identified for repairs/reconditioning shall be based on the recommendations of a Committee consisting of Chief of Production, Chief of Maintenance, and the Chief of Planning, as may be constituted by the Division head/ Head of Complex.
6. Items of Plant and Machinery identified for repairs or reconditioning shall be backed by clear data on the extent of expenditure on repairs and downtime for the said item. No proposal without such supporting information shall be entertained.
7. As far as possible, the repair/reconditioning work of plant and machinery shall be got done by the vendor within our factory premises. If it is warranted to get the work done at the vendors' place, there shall be a work order opened authorising the despatch of plant and machinery identified for repairs/reconditioning. The item will be sent under a "Gate Pass" duly indicating "Returnable", if it is required to be sent to vendors place. A control register will be maintained in the Plant Maintenance section indicating, inter alia, the gate pass number and date, date on which the Plant and Machinery is received back after repairs and date on which the reconditioned machinery is handed over to shop/department.
8. A certificate for satisfactory completion of work/re-commissioning of the equipment has to be furnished by the Chief of Maintenance duly coordinated by user department, which forms the basis for arranging payment.
9. In case if the vendors/contractors/service providers/others require services of the company's fixed assets/tools/testing facilities etc., same may be offered on chargeable basis.

16.5 PROCEDURE:

- a. The normal purchase procedure will be followed in the matter of sending enquiries, obtaining quotations, opening the quotations in the presence of Finance representatives, availing the cheapest offer etc., Refer Chapter 5 for Tender System, Chapter 3 for Source Selection, Chapter-9 for Techno Commercial Discussion and Chapter 10 for Issue of Purchase Orders.
- b. For this purpose, a list of reputed/reliable vendors will be maintained in the Maintenance department and enquiry shall be sent to a minimum of six firms from the list. If for any reason the prescribed minimum number of firms could not be contacted, specific approval of Chief of Maintenance is required for relaxation.
- c. The terms of reference of this cell are:
 - i. Short-listing of the firms to whom the enquiries are to be sent.
 - ii. To negotiate the price, wherever considered necessary.
 - iii. To decide the period of the contract taking into accounts the type of work and the requirements of the user department.
 - iv. The terms and the periodicity for payment

This will form the basis for issuing the contract through ERP system duly approved by the Authority Competent as per SDoP. The contract will be shared with Finance section as well to arrange for payments to contractors.

- d. In Sustenance SBU HQ, Zonal, Regional and District offices and Corporate Office, this work will be assigned to the officer-in-charge of maintenance or the officer nominated by the General Manager /Manager of the Unit and Purchase Orders placed through the Purchase department. In the Zonal, Regional and District offices, where there is no Purchase Department, it will suffice if the Purchase Order is approved by the Zonal, Regional Manager /District Manager with the approval of proposal by Chief of the Marketing HQ.

16.6 ERP T-CODES RELEVANT UNDER THIS CHAPTER:

The following are the ERP T-Codes essential for process narrated in this chapter:

T - Code	Particulars	Functions of T-Code
ME31K	Create Contract	The transaction code is used to create a contract, which can be for a specific value of material or quantity of material. The initial screen requires a vendor, agreement type, purchasing organization and purchasing group to be entered. Depending on the agreement type, the user is required to enter either a target value or a target quantity for the contract.
ME32K	Change Contract	The transaction code allows the user to change the details of a value or quantity contract. The initial screen requires a single contract number to be entered. The target quantity for a line item can be changed as well as under delivery and over delivery percentages, tax code, shipping instructions and tracking number can be changed.
ME33K	Display Contract	The transaction code allows the user to display the details of a value or quantity contract. The initial screen requires a single contract number to be entered. The details of the contract can then be displayed.
ME35K	Release Contract	The transaction code allows the user to release contracts that are subject to a release strategy. This transaction is used by Competent Authority to release contracts that they authorised to approve as per DOP. The contract is then released to the vendor or to the next level of approval in the release strategy.
MIRO	Enter Incoming Invoice	The transaction code is used to record vendor invoice details in ERP.

T - Code	Particulars	Functions of T-Code
ME31	Create Outline Agreement	The transaction code is used to create an outline agreement, which can be referenced to a purchase requisition or a request for quotation. The outline agreement can be either a contract or a scheduling agreement. A contract can be for predetermined quantity or predefined value. A scheduling agreement is a long term purchase agreement with a vendor to supply a quantity of material or material up to a certain value.
ML81N	Service Entry Sheet	Service entry sheet is similar to the GR document. Instead of the material the transaction code maintains the details of services such as stage of completion, due date of completion etc. The transaction code is used to create a service entry sheet or edit a service entry sheet or display a service entry sheet or delete a service entry sheet or block a service entry sheet based on authorisation to user/users.
AC03	Service Master record	The transaction code is used to create service master. Like material master, it serves the purpose of referring already created service while raising Purchase Order. ERP can maintain the Service Number, Service category, Descriptive texts(short & long text), valuation parameter, unit of measure, Material service group etc.

CHAPTER – 17 – BLOCKING / SUSPENSION OF FIRM'S NAME FROM THE APPROVED LIST OF VENDORS

17.1 A firm's name shall be blocked by Corporate Quality from the Approved Vendors List (AVL) for the following reasons:

- a. Failing/ neglecting to quote in response to invitation to tenders for 10 successive enquiries for their range of products.
- b. Failing to execute the contract/Purchase Order to BEML's satisfaction.
- c. Failing to honour the agreed terms and conditions of contract, such as penalty for delayed deliveries etc.
- d. If short closing of any Purchase Order is done 3 times in two years against the same vendor due to vendor's fault. An intimation to this effect to be sent to other Divisions/units for their review and necessary action.
- e. The firm is declared bankrupt or insolvent or its financial position has become unsound and in the case of limited company it is wound up or liquidated.
- f. Inappropriate conduct towards BEML Representatives.
- g. Submission of Forged Documents / Unethical Practices.
- h. Firms/Allied Firms/Subsidiaries are blacklisted, banned, or debarred as per BEML or MoD or Other Govt Agencies.
- i. Any other guidelines as per Quality Policy.

17.2 BLOCKING OF VENDORS:

- a. The period of blocking (of 1 year or more) may also be communicated to the firm and after the period is over, the credentials of the firm may be examined afresh to consider readmission to the approved vendor list.
- b. The firm whose name is blocked from the approved vendor list and which are under investigation, participates in open tender such firms need not be considered till the period of ban is completed.
- c. When the firm employs a Government servant or BEML ex-employee dismissed / removed on account of corruption or employs a non- official convicted for corruption. The blocking order shall specify the specific period for which it will be effective provided it is not permanent one.
- d. The recommendations for blocking shall be put up by the Head-Materials / User Department with the concurrence of Quality Engineering which requires the approval of Chief of Division. After approval, the firm's name shall be blocked for that particular Division by the Corporate Quality and the firm shall be advised accordingly and to communicate to corporate material to incorporate in the banned/blocked firm's list. The firm shall not be considered for fresh registration for a minimum period one year or for such extended periods. During this period offers received from such firms shall not be considered. If at any stage of procurement, it is known that the proprietor or any of the partners/ allied / subsidiaries of the firm whose name has been blocked from the

approved vendor list is a working partner in any other firm registered with BEML or has managed to get the blocked firm registered with a new name, the name of such new firm/s shall also be deemed as blocked from the approved vendor's list.

17.3 GUIDELINES ON BANNING/BLACKLISTING OF FIRMS:

a. Introduction:

- i. BEML Ltd, being a Public Sector Enterprise and 'State', within the meaning of Article 12 of Constitution of India, has to ensure preservation of rights enshrined in Chapter III of the Constitution. BEML without compromising its commercial interests deals with agencies, who have a very high degree of integrity, commitments and sincerity in its day to day operations. It is not in the interest of BEML to deal with agencies who commit deception, fraud or other misconduct in the execution of contracts awarded / orders issued to them. In order to ensure compliance with the constitutional mandate, it is incumbent on BEML to observe principles of natural justice before banning/blacklisting the business dealings with any Entity.
- ii. Since banning of business firms/allied/Subsidiaries involves civil consequences for an Entity concerned, it is essential that adequate opportunity of hearing is provided and the explanation, if tendered is considered before passing any order in this regard keeping in view the facts and circumstances of the Case.

b. Scope:

Blacklisting of a firm involves gathering evidence of misconduct (fraud, poor quality, non-performance), following due legal & documentary procedures and duly notifying the firm. After proven misconduct of the firm, its name shall be incorporated in the blacklist of the Division / Company.

- i. "The General Terms & Conditions (GTC) applicable to Contracts and Purchase Orders" generally provide that BEML LTD reserves its rights to ban from list of approved suppliers/contractors or to ban business dealings if any Entity has been found to have committed misconduct and also to suspend business dealings pending investigation. If such provision does not exist in any GTC, the same may be incorporated.
- ii. However, absence of such a clause does not in any way restrict the right of BEML to take action / decision under these guidelines in appropriate cases.
- iii. The procedure of (i) Removal of Entity from the List of approved suppliers / contractors; (ii) Suspension and (iii) Banning of Business Dealing with agencies, has been laid down in these guidelines.
- iv. These guidelines apply to all the units and subsidiaries of BEML.
- v. It is clarified that these guidelines do not deal with the decision of the Management not to entertain any particular Entity due to its poor/ inadequate performance or for any other reason.

The banning shall be with prospective effect, i.e., future business dealings.

17.4 DEFINITIONS:

In these Guidelines, unless the context otherwise requires:

- a. Party/ Contractor/ Supplier/ Purchaser/ Customer /Bidder /Tenderer' shall mean and include a public limited company or a private limited company, a firm whether registered or not, an individual, but not limited to a cooperative society or an association or a group of persons engaged in any commerce, trade, industry, etc. 'Party/ Contractor/ Supplier /Purchaser/ Customer/ Bidder/ Tenderer' in the context of these guidelines is indicated as 'Entity'.
- b. 'Inter-connected Entity' shall mean two or more companies having any of the following features:
 - i. If one is a subsidiary of the other.
 - ii. If the Director(s), Partner(s), Manager(s) or Representative(s) are common;
 - iii. If management is common;
 - iv. If one owns or controls the other in any manner;
- c. 'Competent Authority' and Appellate Authority' shall mean the following:
 - i. For procurement of items / award of contracts, being carried out by Divisions, Head of Materials under respective SBUs shall be the "Competent Authority" and respective Functional Director shall be the 'Appellate Authority'.
 - ii. For banning of business dealings with Foreign Suppliers, with Functional Directors' Committee (FDC) of BEML excluding CMD shall be the 'Competent Authority'. The Appeal against the Order passed by FDC, shall lie with CMD, as First Appellate Authority.
 - iii. In case the foreign supplier is not satisfied by the decision of the First Appellate Authority, it may approach BEML Board as Second Appellate Authority.

d. Competent Authority: For Divisions:

For procurement of items/ award of contracts, being carried out by respective SBUs, any officer not below the rank of Chief of Division/ Chief of Marketing / SBU Head appointed or nominated by the Functional Director shall be the 'Competent Authority' for the purpose of these guidelines. The Functional Director of the concerned business under which the Division falls shall be the Appellate Authority' in all such cases.

e. Competent Authority: For Corporate Office:

For procurement of items/ award of contracts, being carried out by Corporate Materials, Head of Corporate Materials shall be the "Competent Authority" and CMD, BEML shall be the Appellate Authority".

- f. CMD, BEML shall have overall power to take suo-moto action on any information available or received by him and pass such order(s) as he may think appropriate, including modifying the order(s) passed by any Authority under these guidelines.
- g. 'Investigating Department' shall mean any Department or Section investigating into the conduct of the Entity and shall include the Vigilance Department, Central Bureau of

Investigation, the State Police or any other department set up by the Central or State Government having powers to investigate.

- h. 'List of approved Agencies - Parties/ Contractors/ Suppliers/ Purchasers/ Customers
- i. Bidders / Tenderers shall mean and include list of approved / registered Agencies – Parties / Contractors / Suppliers / Purchasers / Customers / Bidders / Tenderers, etc.

17.5 INITIATION OF BANNING/ SUSPENSION:

Action for banning/Backlisting / suspension/Restricted business dealings with any Entity shall be initiated by the department having business dealings with the Entity after noticing the irregularities or misconduct on their part. The show cause notice to be issued with the coordination of legal department for initiating the action for banning / backlisting / suspension / restricted business dealings with any entity, with information to CVO.

17.6 SUSPENSION OF BUSINESS DEALINGS:

- a. If the conduct of any Entity dealing with BEML LTD is under investigation by any department (except Foreign Suppliers), the Competent Authority may consider whether the allegations under investigation are of a serious nature and whether pending investigation, it would be advisable to continue business dealing with the Entity. If the Competent Authority, after consideration of the matter including the recommendation of the Investigating Department, if any, decides that it would not be in the interest to continue business dealings pending investigation, it may suspend business dealings with the Entity. The order to this effect may indicate a brief of the charges under investigation. If it is decided that inter-connected Agencies would also come within the ambit of the order of suspension, the same shall be specifically stated in the order. The Suspension order shall be sent to CVO for information after issued to the Entity.
- b. The order of suspension would operate for a period not more than six months and may be communicated to the Entity as also to the Investigating Department.
- c. The Investigating Department may ensure that their investigation is completed and whole process of final order is over within such period.
- d. The order of suspension shall be communicated to all the concerned Heads of Materials and SBUs. During the period of suspension, no business dealing may be held with the Entity.
- e. As far as possible, the existing contract(s) with the Entity may continue unless the Competent Authority, having regard to the circumstances of the case, decides otherwise.
- f. If the gravity of the misconduct under investigation is very serious and it would not be in the interest of BEML LTD, as a whole, to deal with such an Entity pending investigation, the Competent Authority at SBUs / Corporate office may send his recommendation to Chief Vigilance Officer (CVO), BEML LTD for investigation. If the SBUs/ Corporate Office considers that depending upon the gravity of the misconduct, it would not be desirable for all the SBUs and Subsidiaries of BEML LTD to have any dealings with the Entity concerned, an order suspending business dealings may be issued to all the SBUs by the

Competent Authority of the SBUs / Corporate Office, copy of which may be endorsed to the Entity concerned. Such an order would operate for a period of six months from the date of issue.

17.7 For suspension of business dealings with Foreign Suppliers, following shall be the procedure:

- a. Suspension of the foreign suppliers shall apply throughout the Company including Subsidiaries. If the gravity of the misconduct under investigation is very serious and it would not be in the interest of BEML as a whole to deal with such a foreign supplier pending investigation, the Competent Authority may send his recommendation to CVO BEML. Based on the above an order suspending business dealings may be issued to the foreign supplier by the competent Authority, copy of which may be forwarded to SBUs/Corporate office.
- b. Effects of Suspension on Business dealings with an entity:
 - i. An order of Suspension of business dealings with an entity shall result in immediate ineligibility of the entity, from participating in future bids for a specified period with effect from the date of such order. No RFP will be issued to such an entity.
 - ii. Any on-going procurement process where L1 determination has not yet been done will be progressed after excluding the bid involving entity with which the business dealings are banned. In case there are only two bidders, one being the entity with which business dealings is banned; the procurement will be progressed as per extant provisions of BEML Purchase Manual after excluding such an entity.
 - iii. Any on-going procurement process where the lowest bidder involves an entity with which business dealings are banned, will be terminated.
 - iv. In case such firm is lowest (L-1), next lowest firm shall be considered as L-1.

Orders of suspension of business dealings with an entity may be extended to its allied firms by specific order of the competent Authority.

17.8 GROUND ON WHICH BANNING OF BUSINESS DEALINGS CAN BE INITIATED:

It is not necessary to first suspend the business dealings with an entity* before initiating the proceedings for banning of business dealings with an entity.

Entities include Companies, Trusts, Societies, as well as individual and their associations with whom BEML has entered into or intends to enter into, or could enter into contracts or agreements for the procurement of goods and services under BEML Purchase procedures.

Banning of business dealings with an entity may be ordered by the competent Authority on acceptance of misconduct related to any of the grounds enumerated in paragraph (a) to (f) by the entity or establishment of such misconduct by a competent court/ tribunal/ Authority as follows:

- a. The competent Authority may levy financial penalties and/or suspend/ban business dealings with an entity for one or more of the grounds listed below:
 - i. Violation of Pre-contract Integrity Pact (PCIP) (where such PCIPs are entered into between the BEML Ltd and an entity)

- ii. Resort to corrupt practices, unfair means and illegal activities during any stage of Bid/contract to secure a contract, even in cases where PCIP is not mandated.
 - iii. Violation of standard clause in the contract documents.
 - iv. If national security considerations so warrant.
 - v. Non-performance or under performance under the terms and conditions of the contract(s) or agreement (s) not covered in grounds listed in (i) to (iii) above in accordance with provisions in contract or agreement.
 - vi. Any other ground for which the competent Authority may determine that suspension or banning of business dealings with an entity shall be in public interest.
 - vii. Banning of business dealings with an entity may be ordered by the competent Authority on receipt of information regarding filing of charge sheet in the court of law by CBI or any other investigating Entity. As per MoD ID No: 119 /Vig.1/2012/D(Vig)/DDP dated: 13.02.2017).
- b. If the security consideration, including questions of loyalty of the Entity to the State, so warrants;
 - c. If the Director/ Owner of the Entity, proprietor or partner of the firm, is convicted by a Court of Law for offences involving moral turpitude in relation to its business dealings with the Government or any other public sector enterprises or BEML LTD, during the last five years;
 - d. If there is strong justification for believing that the Directors, Proprietors, Partners, owner of the Entity have been guilty of malpractices such as bribery, corruption, fraud, substitution of tenders, interpolations, etc.
 - e. If the Entity continuously refuses to return / refund the dues of BEML LTD without showing adequate reason and this is not due to any reasonable dispute which would attract proceedings in arbitration or Court of Law.
 - f. If the Entity employs a public servant dismissed / removed or employs a person convicted for an offence involving corruption or abetment of such offence.
 - g. If business dealings with the Entity have been banned by the Govt, or any other public sector enterprise.
 - h. If the Entity has resorted to corrupt, fraudulent practices including misrepresentation of facts and/ or fudging /forging /tampering of documents;
 - i. If the Entity uses intimidation / threatening or brings undue outside pressure on the Company (BEML) or its official in acceptance/ performances of the job under the contract.
 - j. If the Entity indulges in repeated and / or deliberate use of delay tactics in complying with contractual stipulations.
 - k. Willful indulgence by the Entity in supplying sub-standard material irrespective of whether pre-dispatch inspection was carried out by Company (BEML) or not.

- l. Based on the findings of the investigation report of CBI / Police against the Entity for malafide / unlawfully acts or improper conduct on his part in matters relating to the Company (BEML) or even otherwise.
- m. Established litigant nature of the Entity to derive undue benefit.
- n. Continued poor performance of the Entity in several contracts.
- o. If the Entity misuses the premises or facilities of the Company (BEML), forcefully occupies, tampers or damages the Company's properties including land, water resources, forests/ trees, etc

(Note: The examples given above are only illustrative and not exhaustive. The Competent Authority may decide to ban business dealing for any good and sufficient reason).

17.9 BANNING OF BUSINESS DEALINGS

- a. Normally, a decision to ban business dealings with any Entity shall apply throughout the Company including Subsidiaries. However, the Competent Authority of the Divisions except Corporate Office can impose such ban Division-wise only if in the particular case banning of business dealings by respective Division will serve the purpose and achieve its objective and banning throughout the Company is not required in view of the local conditions and impact of the misconduct / default to beyond the Division. Any ban imposed by Corporate Office shall be applicable across all Divisions of the Company including Subsidiaries. After effecting the ban, information to CVO shall be given.
- b. If the Competent Authority is prima-facie of view that action for banning business dealings with the Entity is called for, a show cause notice may be issued to the Entity as per paragraph 17.12 and an enquiry held accordingly. Information to CVO shall be given after issue of Show cause notice.

17.10. PROCEDURE FOR BANNING OF BUSINESS DEALINGS WITH FOREIGN SUPPLIERS:

- a. Banning of the Entities shall apply throughout the Company including Subsidiaries.
- b. If the Competent authority, upon prima facie examination, is of the view that banning of business dealing with the foreign supplier is warranted, show cause notice shall be issued to the said foreign supplier and an enquiry shall be conducted in accordance with the prescribed procedure. Information to CVO shall be given after issue of Show Cause Notice.

17.11 REMOVAL FROM LIST OF APPROVED AGENCIES - SUPPLIERS / CONTRACTORS, ETC.

If the Competent Authority decides that the charge against the Entity is of a minor nature, it may issue a show-cause notice with information to CVO as to why the name of the Entity shall not be removed from the list of approved Agencies -Suppliers / Contractors, etc.

The effect of such an order would be that the Entity would not be qualified from competing in Open Tender Enquiries and Limited Tender Enquiries shall not be given to the Entity concerned.

17.12 SHOW-CAUSE NOTICE

- a. In case where the Competent Authority decides that action against an Entity/ foreign supplier is called for, a show cause notice has to be issued in coordination with Legal department to the Entity/ Foreign supplier. Statement containing the imputation of misconduct or mis-behaviour may be appended to the show cause notice and the Entity/foreign supplier shall be asked to submit within 30 days a written statement in its defence. The show cause notice shall be sent to CVO for information after issued to the Entity/ foreign supplier.

The competent Authority may at any time in the process, constitute a Committee to make recommendation for banning of business dealings with the entity or otherwise.

- b. The show cause notice shall contain the following:
 - i. The reason for the proposed action and the grounds relied upon.
 - ii. That, the entity shall submit its response in writing within 30 days after the receipt of the Notice.
 - iii. That penalty of banning of business dealings with the entity is being contemplated including or excluding its allied firms.

In case no reply to show cause notice is received from the entity within stipulated time, action against the concerned entity shall be initiated by the concerned Division ex-parte.

- c. If the Entity requests for inspection of any relevant document in possession of BEML, necessary facility for inspection of documents may be provided.
- d. The Competent Authority may consider and pass an appropriate speaking order with information to CVO.
 - i. For exonerating the Entity/ foreign supplier if the charges are not established.
 - ii. For removing the Entity/ foreign supplier from the list of approved Suppliers/ Contactors, etc.
 - iii. For banning the business dealing with the Entity/ foreign supplier.

The speaking order shall contain the facts that the decision has been taken after the issuance of show cause notice and consideration of representation of entity, if any in reply thereto.

- e. if it decides to ban business dealings, the period for which the ban would be operative may be mentioned. The order may also mention that the ban would extend to the interconnected agencies of the Entity and all subsidiaries of the foreign supplier.

Ministry of Defence / Finance will release Office Memorandum (OM) for the Guidelines on Debarment of firms periodically. As per recent amendment issued vide OM: F.1/20/2018-PPD dated 02.08.2022 & GFR 2017 Rule 151: Debarment from bidding procedure is mentioned.

17.13 Rule 151 of General Financial Rules (GFR), 2017 states the following regarding the 'Debarment from Bidding':

- a. A bidder shall be debarred if he has been convicted of an offence-

- i. Under the Prevention of Corruption Act, 1988; or
 - ii. The Bhartiya Nyaya Sanhita or any other law for the time being in force, for causing any loss of life or property or causing a threat to public health as part of execution of a public procurement contract.
- b. A bidder debarred under sub-section (i) or any successor of the bidder shall not be eligible to participate in a procurement process of any procuring entity for a period not exceeding three years commencing from the date of debarment. Department of Expenditure (DoE) will maintain such list which will also be displayed on the Central Public Procurement Portal.
 - c. A procuring entity may debar a bidder or any of its successors, from participating in any procurement process undertaken by it, for a period not exceeding two years, if it determines that the bidder has breached the code of integrity. The Ministry/Department will maintain such list which will also be displayed on their website.
 - d. The bidder shall not be debarred unless such bidder has been given a reasonable opportunity to represent against such debarment.

Since, DGS&D had been wound up on 31.10.2017, DoE issued the following 'Debarment Guidelines' in suppression to all earlier instructions on this subject.

1. Guidelines on Debarment of firms from Bidding:

- a. In cases where debarment is proposed to be limited to a single Ministry, the appropriate Orders can be issued by that Ministry itself, thereby banning all its business dealing with the debarred firm.
- b. Where it is proposed to extend the debarment beyond the jurisdiction of the particular Ministry i.e. covering to all central Ministries/ Departments, the requisite Orders shall be issued by Department of Expenditure (DoE), Ministry of Finance (MoF).

2. Debarment by a Single Ministry/ Department

Orders for Debarment of a firm(s) shall be passed by a Ministry/ Department/ organizations, keeping in view of the following:

- a. A bidder or any of its successors may be debarred from participating in any procurement process for a period not exceeding two years.
- b. Firms will be debarred if it is determined that the bidder has breached the code of integrity as per Rule 175 of GFRs 2017. (Refer to para 3.2 of this Manual for further reading on Code of Integrity).
- c. A bidder can also be debarred for any actions or omissions by the bidder other than violation of code of integrity, which in the opinion of the Ministry/Department, warrants debarment, for the reasons like supply of substandard material, non-supply of material, abandonment of works, substandard quality of works, failure to abide "Bid Securing Declaration" etc.
- d. It shall not be circulated to other Ministries/ Departments. It will only be applicable to all the attached/ subordinate offices, Autonomous bodies, Central Public Sector

Undertakings (CPSUs) etc. of the Ministry/ Department issuing the debarment Order.

- e. The concerned Ministry/ Department before issuing the debarment order against a firm must ensure that reasonable opportunity has been given to the concerned firm to represent against such debarment (including personal hearing, if requested by firm).
- f. Secretary of Ministry/Department may nominate an officer at the rank of Joint Secretary/Additional Secretary as competent authority to debar the firms.
- g. Ministry/ Department that issued the order of debarment can also issue an Order for revocation of debarment before the period of debarment is over, if there is adequate justification for the same. Ordinarily, the revocation of the Order before expiry of debarred period should be done with the approval of Secretary concerned of Ministry/ Department.
- h. The Ministry/Department will maintain list of debarred firms, which will also be displayed on its website.
- i. Debarment is an executive function and should not be allocated to Vigilance Department.
3. It is possible that the firm may be debarred concurrently by more than one Ministry/ Department. Ministries/ Departments at their option may also delegate powers to debar bidders to their CPSUs, Attached Offices/ Autonomous Bodies etc.

In such cases, broad principles for debarment in para 2 as above are to be kept in mind. Debarment by such bodies like CPSUs etc. shall be applicable only for the procurements made by such bodies. Similarly, Government e-Marketplace (GeM) can also debar bidders up to two years on its portal. In case of debarments done by CPSUs, revocation of the debarment orders before expiry of debarred period should be done only with the approval of Chief Executive Officer of concerned CPSUs etc.

4. Debarment across All Ministries/ Departments

- a. Where a Ministry/ Department is of the view that business dealings with a particular firm should be banned across all the Ministries/ Departments by debarring the firm from taking part in any bidding procedure floated by the Central Government Ministries/ Departments, the Ministry/ Department concerned, should after obtaining the approval of the Secretary concerned, forward to DoE a self-contained note setting out all the facts of the case and the justification for the proposed debarment, along with all the relevant papers and documents. DoE will issue the necessary orders after satisfying itself that proposed debarment across all the Ministries/ Departments is in accordance with Rule 151 of GFR 2017. This scrutiny is intended to ensure uniformity of treatment in all cases.
- b. The firm will remain in suspension mode (i.e. debarred) during the interim period till the final decision taken by DoE, only in the Ministry/ Department forwarding such proposal.
- c. Ministry/ Department before forwarding the proposal to DoE must ensure that reasonable opportunity has been given to the concerned firm to represent against such

debarment (including personal hearing, if requested by firm). If DoE realizes that sufficient opportunity has not be given to the firm to represent against the debarment, such debarment requests received from Ministries/ Departments shall be rejected.

- d. DoE can also give additional opportunity, at their option, to firm to represent against proposed debarment. DoE can also take suo-moto action to debar the firms in certain circumstances.
- e. No contract of any kind whatsoever shall be placed on the debarred firm, including its allied firms by any Ministries/ Departments/ Attached/Subordinate offices of the Government of India including autonomous body, CPSUs etc. after the issue of a debarment order.
- f. DoE will maintain list of such debarred firms, which will be displayed on Central Public Procurement Portal.
- g. The period of banning of business dealings with an entity in both the categories will be inclusive of period of suspension dealings with an entity, if any for the same cause of action
- h. In exceptional cases and those involving national security considerations the Competent Authority may order a longer period of banning of business dealings with an entity, as deemed appropriate.

17.14 APPEAL AGAINST THE DECISION OF THE COMPETENT AUTHORITY:

- a. The Entity/ foreign supplier may file an appeal against the order of the Competent Authority banning business dealing, etc. The appeal shall lie to Appellate Authority. Such an appeal shall be preferred within one month from the date of receipt of the order banning business dealing, etc.
- b. Appellate Authority would consider the appeal and pass appropriate order with information to CVO which shall be communicated to the Entity/ foreign supplier as well as the competent Authority.

17.15 REVIEW OF THE DECISION BY THE COMPETENT AUTHORITY:

Any petition / application filed by the Entity concerning the review of the banning order passed originally by Chief Executive / Competent Authority under the existing guidelines either before or after filing of appeal before the Appellate Authority or after disposal of appeal by the Appellate Authority, the review petition can be decided by the Chief Executive / Competent Authority upon disclosure of new facts / circumstances or subsequent development necessitating such review to be informed to CVO.

17.16 REVOCATION OF ORDERS:

- a. An order for debarment passed shall be deemed to have been automatically revoked on the expiry of that specified period and it will not be necessary to issue a specific formal order of revocation.
- b. A debarment order may be revoked before the expiry of the Order, by the competent authority, if it is of the opinion that the disability already suffered is adequate in the circumstances of the case or for any other reason.

17.17 OTHER PROVISIONS (COMMON TO BOTH TYPES OF DEBARMENTS):

- a. No contract of any kind whatsoever shall be placed to debarred firm including its allied firms after the issue of a debarment order by the Ministry/ Department. Bids from only such firms shall be considered for placement of contract, which are neither debarred on the date of opening of tender (first bid, normally called as technical bid, in case of two packet/two stage bidding) nor debarred on the date of contract. Even in the cases of risk purchase, no contract should be placed on such debarred firms.
- b. If case, any debar firms has submitted the bid, the same will be ignored. In case such firm is lowest (L-1), next lowest firm shall be considered as L-1. Bid security submitted by such debarred firms shall be returned to them.
- c. Contracts concluded before the issue of the debarment order shall, not be affected by the debarment Orders.
- d. The Debarment shall be automatically extended to all its allied firms. In case of joint venture/ consortium is debarred all partners will also stand debarred for the period specified in Debarment Order. The names of partners should be clearly specified in the "Debarment Order".
- e. Debarment in any manner does not impact any other contractual or other legal rights of the procuring entities.
- f. The period of debarment shall start from the date of issue of debarment order.
- g. The Order of debarment will indicate the reason(s) in brief that lead to debarment of the firm.
- h. Ordinarily, the period of debarment should not be less than six months.
- i. In case of shortage of suppliers in a particular group, such debarments may also hurt the interest of procuring entities. In such cases, endeavour should be to pragmatically analyze the circumstances, try to reform the supplier and may get a written commitment from the supplier that its performance will improve.
- j. All Ministries/ Departments must align their existing Debarment Guidelines in conformity with these Guidelines. Further, bidding documents must also be suitably amended, if required.

17.18 CIRCULATION OF THE NAMES OF AGENCIES WITH WHOM BUSINESS DEALINGS HAVE BEEN BANNED:

- a. Depending upon the gravity of misconduct established, the Competent Authority of the Corporate Office may circulate the names of Entity/foreign supplier with whom business dealings have been banned, to all the material Heads.
- b. If Government Departments or a Public Sector Enterprise request for more information about the Entity with whom business dealings have been banned, a copy of the report of Inquiring Authority together with a copy of the order of the Competent Authority / Appellate Authority may be supplied.
- c. If business dealings with any Entity/foreign supplier has been banned by the Central or State Government or any other Public Sector Enterprise, BEML LTD may, without any further enquiry or investigation, issue an order banning business dealing with the Entity and its inter-connected Entity/foreign supplier and its subsidiaries.

- d. Effect of banning of business Dealings with an Entity/Debarment of an entity as follows:
- i. An order of Banning of business dealings with an entity shall result in immediate ineligibility of the entity, from participating in future bids for a specified period with effect from the date of such order. No RFP will be issued to such an entity.
 - ii. Any on-going procurement process where the lowest bidder involves an entity with which business dealings are banned, will be terminated and fresh procurement process, if required, may be initiated.

Orders of banning of business dealings with an entity may be extended to its allied firms by specific order of the competent Authority.

17.19 LEVY OF FINANCIAL PENALTY:

Financial penalties may be levied as provided for in the pre-Contract Integrity Pact and /or the contract which may be governed under the extant provisions of the Purchase manual.

- a. In cases involving non-performance or under performance of contract, the Performance Bank Guarantee and /or Advance Bank Guarantee shall be invoked as per specific provisions of the contract apart from other actions including cancellation of the contract.
- b. In cases involving the violation of Pre-Contract Integrity Pact under the Purchase manual, apart from other actions including cancellation/rescinding of concerned or all contracts, any one or all of the following actions can be taken towards levying financial penalty:
 - i. Forfeiture of the Performance Bank Guarantee and /or Advance Bank Guarantee either fully or partially.
 - ii. Recovery of all sums already paid by the buyer, in case of an Domestic entity with Interest thereon at 2% higher than the prevailing Base rate of SBI and in case of a Bidder from a Foreign entity with interest thereon at 2% higher than the Secured Overnight Financing Rate (SOFR) or any other similar acceptable rates. If any outstanding payment is due to the Bidder/entity from the buyer in connection with any other contract for any other Contract of any other Divisions, such outstanding payment could also be utilized to recover the aforesaid sum and interest.
 - iii. Encashment of the Performance Bank Guarantee and/or Advance Bank Guarantee if furnished by the bidder, in order to recover the payments, already made by the buyer, along with interest.
 - iv. Recovery of all sums paid in violation of this pact by Bidder(s) to any Agent or broker with a view to securing the contract.
- c. In cases involving violation of standard clause in the contract relating to entity under the BEML Purchase Procedure, apart from other actions including putting on hold or cancellation of the contract either wholly or in part, anyone or all of the following actions can be taken towards levying financial penalty:
 - i. To pay to the buyer any such amount paid as gift, reward, fees, commission or consideration along with interest at the rate of 2% per annum above SOFR or any

other applicable rate.

- ii. Refund of all payments made by the buyer in terms of the contract along with interest at the rate of 2% per annum above SOFR or any other applicable rate.
- iii. Recovery of any such amount referred in (i) and (ii) above from other contracts of the entity with the Company.

(As per MoD ID No: 119/Vig.1/2012/D(Vig)/DDP dated: 13.02.2017)

CHAPTER – 18 – GENERAL GUIDELINES ON PURCHASE ORDER

- a. Purchase Orders and amendment to Purchase Orders approved from competent authority shall be distributed to Supplier, Bills payable section through soft copy. The duly approved PO can be shared with above users through Email.

Approval references of Purchase order and amendments shall be clearly mentioned in PO header text in ERP.

- b. The Pre-issue co-ordination approval by the competent Authority through FLM as per SDoP shall be obtained for release of Purchase Order. Soft copy of Purchase order along with approval copy to be forwarded to Bills Payable section for payment purpose.
- c. The General terms and conditions of contract to form part of the Purchase Order issued to vendors is as per Chapter-27. General terms & conditions forming part of Indigenous Purchase Orders is as per **Annexure-E**.
- d. Head-Materials in co-ordination with Head-Finance shall ensure that replies to Internal Audit and / Govt. Audit / Vigilance / RTI / or any other statutory bodies observations /enquiries are given on priority. In respect of Govt. Audit enquiries, the draft replies for the same shall be sent to Head-Finance for finalizing and giving a reply to the Govt. Audit Party.
- e. All competent authorities at different stages shall approve the Purchase Order as per SDoP.
- f. The general INCOTERMS are explained separately in this manual (**Annexure-H**).
- g. ERP T-Codes relevant under this chapter:

The following are the ERP T-Codes relevant for performing various operations as indicated in this chapter.

T – Code	Particulars	Functions of T-Code
ME80FN	General Analysis of Purchases	The transaction code is used to evaluate the Purchase Orders for a given set of criteria. The initial screen allows the user to enter a material, vendor, material group, plant, purchasing organization and purchasing group. The output shows the details for each of the Purchase Orders, including vendor, material, purchasing group, purchasing organization, document date, quantity, and order value.

CHAPTER – 19 – PURCHASE BUDGET

19.1 PURCHASE BUDGET AND PLACEMENT OF ORDERS FOR REVENUE ITEMS:

Considering the need to control inventory and product costs, the Head-Planning of respective SBU shall be responsible for compiling the Purchase Budget on an annual basis for Revised Estimate and Budget Estimate years with monthly breakup, after taking into account the following factors.

- a. The SBU will prepare and submit the following budget based on the production programme:
 - i. Quarterly Material Budget
 - ii. Quarterly Purchase Budget
 - iii. Monthly Fund Budget

Foreign exchange content will also be spelt-out distinctly in the purchase budget. Based on the approval of the budgets by the Directors, the SBU will have powers as delegated to follow the Purchase procedure.

- b. A monthly report on placement of Purchase Orders using ERP T-Code "ME80FN - General Analysis of Purchase Orders", foreign exchange commitment, coverage and inventory will be sent to corporate office for reviewing and monitoring.
- c. Review shall be made by Head- Material of respective SBUs on quarterly basis for short closure / cancellation of Purchase Orders. The re-scheduling of delivery schedule shall invariably be according to the production needs.
- d. The Purchase Budget for the years shall be prepared using ERP. This annual budget shall be broken into monthly budgets for commitments, receipts and consumption.
- e. ERP facilities can be availed for preparation of this budget so that the actual receipts and issues are processed to obtain monthly inventory outputs.
- f. This information can be used for comparison with the Budgeted figures and for taking an MIS report on inventory for the month and cumulative up to the end of the month for the year, indicating also the opening and closing inventory.
- g. The month-wise budget and the monthly MIS report must be compiled in ERP. Care shall be taken to prepare the Purchase Budget strictly as per the Production/Provisioning plan and Bill of materials applicable for the equipment(s) and realistic estimates for other indirect materials and keeping in view the inventory norms.
- h. The Purchase Budget shall be submitted to Budget and Reports section during Sept/Oct of every year for Revised Estimate of that year and Budget Estimate of next year, which will form part of the Revenue Budget and Ways and Means Budget.

19.2 ERP T-CODES RELEVANT UNDER THIS CHAPTER:

The following are the ERP T-Codes relevant for performing various operations as indicated in this chapter:

T - Code	Particulars	Functions of T-Code
ME80FN	General Analysis of Purchases	Refer Chapter 18 for explanation.

CHAPTER – 20 – INVENTORY CONTROL

- a. Bill of materials (BOM) for all models of equipment produced shall be updated in ERP by Planning Dept. as frequently as possible, keeping in view of the changes required on account of modification carried out on the equipment, standardization of input items etc. The equipment serial number from which the change in BOM is effected shall also be indicated. It shall be ensured that changes in BOM are given effect to in such a way that the inventory on hand shall not become redundant and further supplies not required against the orders because of change shall be cancelled in time.
- b. BOM shall be drawn strictly based on drawings, with break up for production of various components, sub-assemblies and sub-sub-assemblies. Only a reasonable cushion to cover process losses need be built in, which must be reviewed periodically.
- c. Procurement of materials as per Purchase Manual and issue of materials for production shall be strictly based on BOM for Project Items, PDQ and requirement of spares for Marketing based on their projections and based on budget provisions for the indirect materials.
- d. The BOM shall be prepared by Product Design/Production Planning department for all models of equipment and made available to all concerned departments. Alternate/substitute materials shall also be indicated.
- e. All inventory items shall be codified as per the principle of codification - Inventory code numbers shall be assigned by a Central agency viz., Product Design department for all Production Items and Stock Control department for all non-production items. Code numbers shall be assigned for new items at the BOM/PR stage itself. All documents viz. BOM, Bin cards, PRs, Tenders, Purchase Orders, Receiving Reports, Material Requisitions etc., shall indicate the material code numbers uniformly, consistent with the material code numbers as per the Inventory master kept in the ERP.
- f. Care shall be taken by all the concerned departments to indicate correct material code numbers in all the documents.
- g. PRs shall be raised for production items based on Production/Provisioning programme as also on the basis of BOM. While indicating the quantity in the PR for the equipment, coverage care shall be taken to adjust the stock on hand, receipt against orders current for execution, materials already shop loaded and are in work in progress, supplies received against developmental orders which were not counted for equipment coverage at the time of placement of development orders, quantities procured in excess to cover for process losses where actual loss was less, excess supplies against earlier orders etc., Also discussed in Chapter 4 of this manual on this matter. PR shall be released after clearance by Inventory Committee.
- h. PRs shall be raised at the appropriate time keeping in view the procurement lead time and when the materials are required for shop loading for production. PRs shall indicate clear and realistic delivery schedule to meet monthly production targets and to keep the inventory holdings at minimum levels. Also discussed in Chapter 4 of this manual on this matter.
- i. For stock control items, the maximum, minimum and reorder levels shall be constantly reviewed and revised based on current levels of consumption, reliability of suppliers,

availability of supplies and lead time required for purchase. PRs shall be issued on such revised stock levels only. Also discussed in Para 4.3 & 4.4 of Chapter 4 of this manual on this matter.

- j. In case the items are collected from one division to another division to meet production/spares requirements, such transactions are being regularized through Stock Transport Orders (STOs) in ERP system. Regarding cancellation/short closure of STOs, while reviewing of outstanding STOs coordination of Chief of Planning of supplying plant shall be taken along with approval of Competent Authority in line with SDoP for "Placement of orders against Rate Contract" (As per GFR 209). The receiving plant shall ensure to regularize the transaction by taking into inventory, availment of GST ITC, etc., immediately not more than 30 days.
- k. All inventory items shall be categorized as 'A' 'B' and 'C'. The total consumption of the items of materials for the previous year, in terms of value, will be arranged in descending order and items accounting by value for the first 85% of the total consumption will be taken on 'A' category and the items accounting for the next 10% will be taken as 'B' category and the balance 5% as 'C' category. Strict control for commitment, receipt and consumption shall be exercised on 'A' category items. The Purchase Budgets for the Budget years will be compiled in detail for 'A' category items and under major groups for B & C category items. Also discussed in Chapter 4 of this manual on this matter.
- l. No Purchase Order shall be released without an approved PR. Purchase Orders shall be released in time as per the Purchase Manual. Placement of Purchase Orders can be done once in a year for the year's requirement but delivery shall be staggered to maintain production targets and to reduce inventory holdings.
- m. Non-moving and slow-moving items for period over 2 years from the date of last issue shall be constantly reviewed and reasons ascertained for their becoming redundant so as to avoid such causes for redundancy in future. Efforts shall be made to use them alternatively (or) to sell as spares. Action shall also be taken to identify such redundant items in the Stock master, BOM and procurement list, to avoid any possible procurement action by mistake. Refer Unit-5 of Transaction Audit Manual for identification of such materials and ERP process in this regard.
- n. In respect of Rail & Metro and Defence Segments, Production Plan is always against Customer Orders. Hence, no material shall be procured without customer orders and appropriate clauses to be incorporated in the PO for staggering the delivery schedule as per production requirement only.
- o. In case of Mining and Construction Segment the business is under stock and sale model. Production Plan is based on Market requirement as projected by Marketing Department annually. Based on which respective planning departments generates Purchase Requisition by running MRP in ERP system and inventory is monitored.
- p. The deliveries shall be staggered and inventory shall be 30 days of consumption only. However, no stock shall exceed 60 days unless lead time itself is more than 60 days.
- q. Exceptional cases shall be approved by Head-SBU / Head-Complex up to 90 days and beyond by Functional Directors. Import items involving lead time exceeding 6 months and steel forgings involving MOQ, shall be however excluded from this.

r. Standing Committee on Inventory Management:

For close monitoring of inventory and to avoid excess inventory, the procedure as laid down in HR Office Order No. Corp HR(ES)/215/3487 dated 31.12.2024 shall be strictly followed.

Standing committee at each SBU level to be formed by each Head-SBU consisting of Head-Planning-SBU, Head-Materials-SBU, Head-Stores, Head-Finance-SBU, Head-F&A-Complex, any other member as decided by SBU. The same shall be notified by HR department concerned marking copy to FD, Corporate HR, Corporate Planning and ED(Finance).

The scope of the committee is reproduced below:

1. All the production PRs before issue shall be discussed in the committee.
2. Planning department to furnish all relevant information to the committee such as, customer order quantity (on hand or in pipeline, i.e. either BEML is designated, L1 or single bidder), existing inventory, quantity pending in IB/GR/GIT, pending PO quantity, PO under process, etc.
3. PR shall be issued by planning head only after clearance by the committee. The committee shall ensure that existing inventory is consumed before giving clearance for issue of PR.
4. Liquidation of existing Inventory. The committee to ensure that existing inventory aged more than 1 year is consumed within 12 months.
5. Head-SBU will be responsible consumption and liquidation of inventory within 12 months of its procurement.
6. Committee shall continuously review and suggest actions in respect of the following to bring down the same:
 - i. Rejected Inventory
 - ii. GRIR
 - iii. GIT
 - iv. Material lying with the sub-contractor

Committee shall meet at frequent intervals and Minutes of the Meeting shall be marked to Head-SBU and Head-Complex. The PRs and purchase proposals shall refer the recommendations of the committee.

It shall be the responsibility of the Head-SBU/Head-Complex to ensure that the committees function effectively and inventory is maintained at optimum level.

CHAPTER – 21 – ETHICS OF PURCHASING

21.1 INTRODUCTION:

- a. The Procurement & Contracts division fosters and promotes fair and ethical business practices while acting in the best interest of BEML. This includes adhering to a strict code of ethics.
- b. The code of ethics can be broadly classified into:
 - i. Integrity
 - ii. Professionalism
 - iii. High Standards
 - iv. Optimal use of resources
 - v. Compliance with legal and other obligations.

21.2 CODE OF INTEGRITY-

No official of a procuring entity or a bidder shall act in contravention of the Codes which includes

- a. Prohibition of-
 - i. Making offer, solicitation or acceptance of bribe, reward or gift or any material benefit, either directly or indirectly, in exchange for an unfair advantage in the procurement process or to otherwise influence the procurement process;
 - ii. Any omission, or misrepresentation that may mislead or attempt to mislead so that financial or other benefit may be obtained or an obligation avoided;
 - iii. Any collusion, bid rigging or anti-competitive behavior that may impair the transparency, fairness and the progress of the procurement process;
 - iv. Improper use of information provided by the procuring entity to the bidder with an intent to gain unfair advantage in the procurement process or for personal gain;
 - v. Any financial or business transactions between the bidder and any official of the procuring entity directly or indirectly
 - vi. Any correction or any threat to impair or harm, directly or indirectly, any party or its property to influence the procurement process
 - vii. Obstruction of any investigation or auditing of a procurement process;
 - viii. Making false declaration or providing false information for participation in a tender process or to secure a contract;
- b. Disclosure of conflict of interest
- c. Disclosure by the bidder of any previous transgressions made in respect of the provisions of sub-clause (a) with any entity in any country during the last three years or of being debarred by any other procuring entity.
- d. The procuring entity after giving a reasonable opportunity of being heard comes to the conclusion that a bidder or prospective bidder, as the case may be, has contravened the code of integrity, may take appropriate measures.

- e. The following are few general practices expected from the executives of the company to enforce financial order and strict economy to see that all relevant financial rules and regulations are observed by his own office and the subordinates; which are considered as ethical practices:
- i. Obtain maximum value for each rupee spent and the expenditure should not be prima facie more than the occasion demands.
 - ii. No authority should exercise its powers of sanctioning or approving expenditure to pass an order which will be directly or indirectly to its own advantage.
 - iii. Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.
 - iv. Decline personal favours, gifts, and gratitude from the suppliers.
 - v. Grant all competitive suppliers fair and equal consideration.
 - vi. Conduct business with potential and current suppliers in an atmosphere of good faith.
 - vii. Demand honesty in sales representation.
 - viii. Receive consent of originator for use of proprietary ideas and designs.
 - ix. Make reasonable effort to obtain equitable settlement of any controversy with a supplier.
 - x. Accord a prompt and courteous response to all who call on legitimate business.
 - xi. Foster fair, ethical, transparent and legal business practices.
 - xii. Protect BEML's interest by ensuring suppliers honour all terms of their contracts.
 - xiii. Payment to vendors as per agreed terms.
 - xiv. Declaration of interest by members of purchasing Committee or purchasing group about any material personal interest which may affect or be seen to affect, their impartiality or judgement in respect of their duties i.e., owning significant shareholding in the supplier or close family members being employed by key supplier.

21.3 RESPONSIBILITY OF LOSSES:

An officer shall be held personally responsible for any loss sustained by the Company through fraud or negligence on his part. He will also be held personally responsible for any loss arising from fraud or negligence of any other officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence. (In line with GFR 37).

21.4 RELATIONSHIP WITH SUPPLIERS:

In all their dealings and transactions, the personnel of the Purchase Departments shall conduct themselves in an exemplary manner in keeping with the best interest, dignity and

tradition of BEML and their profession. In this connection, the 'Code of Conduct & Ethics' adopted by the Indian Institute of Materials Management, which is reproduced below, shall serve to guide their actions.

- a. To consider first, the total interest of one's organization in all transactions without impairing the dignity and responsibility of one's office.
- b. To buy without prejudice, seeking to obtain the maximum ultimate value for each rupee of expenditure.
- c. To subscribe and work for honest and truth in buying and selling; to denounce all forms and manifestations of commercial bribery, and to eschew anti-social practices.
- d. To accord a prompt and courteous reception, so far as conditions will permit, to all who call upon legitimate business mission.
- e. To respect one's obligations and those of one's organization, consistent with good business practices.

21.5 FILING SYSTEM:

The Procurement files are very important and sensitive documents and thus there is a need to have a single file system with proper page numbering. In case of urgency, if opening of part files is unavoidable, the same shall thereafter be merged with main file. The decisions and deliberations of the individuals or the tender Committee's also need to be properly recorded and well documented. The filing system must ensure accountability.

All the soft copies of documents related to procurement such as FLM approval, bid documents, evaluation statements, email correspondences, etc., shall be maintained in a secured manner.

21.6 CONCLUSION:

Purchase professionals are an asset to any company. They can save the resources and wealth of an organization. The way in which they purchase items is vital to the success of a company and a strict code of ethics ensures that all potential vendors are treated equally.

CHAPTER – 22 – CONTRACT MANAGEMENT

(In line with Chapter 8 of Rule 224-227 of GFR 2017)

22.1 All contracts shall be made by an Authority empowered.

22.2 General principles for contract -the following general principles shall be observed while entering into contracts:

- a. The terms of contract must be precise, definite and without any ambiguities. The terms shall not involve an uncertain or indefinite liability, except in the case of a cost plus contract or where there is a price variation clause in the contract.
- b. Standard forms of contracts shall be adopted wherever possible, with such modifications as are considered necessary in respect of individual contracts. The modifications shall be carried out only after obtaining financial and legal advice.
- c. In cases where standard forms of contracts are not used, legal and financial advice shall be taken in drafting the clauses in the contract.
 - i. In respect of Works Contracts, or Contracts for purchases valued between Rupees one lakh to Rupees ten lakhs, where tender documents include the General Conditions of Contract (GCC), Special Conditions of Contract (SCC) and scope of work, the letter of acceptance will result in a binding contract.
 - ii. In respect of contracts for works with estimated value of Rupees ten lakhs or above or for purchase above Rupees ten lakhs, a Contract document shall be executed, with all necessary clauses to make it a self-contained contract. If however, these are preceded by Invitation to Tender, accompanied by GCC and SCC, with full details of scope and specifications, a simple one page contract can be entered into by attaching copies of the GCC and SCC, and details of scope and specifications, Offer of the Tenderer and Letter of Acceptance.
 - iii. Contract document shall be invariably executed in cases of turnkey works or agreements for maintenance of equipment, provision of services etc.
 - iv. No work of any kind shall be commenced without proper execution of an agreement as given in the foregoing provisions.
 - v. Contract document, where necessary, shall be executed within 21 days of the issue of letter of acceptance. Non fulfilment of this condition of executing a contract by the Contractor or Supplier would constitute sufficient ground for annulment of the award and forfeiture of Earnest Money Deposit.
 - vi. Cost plus contracts shall ordinarily be avoided. Where such contracts become unavoidable, full justification shall be recorded before entering into the contract. Where supplies or special work covered by such cost plus contracts have to continue over a long duration, efforts shall be made to convert future contracts on a firm price basis after allowing a reasonable period to the suppliers/contractors to stabilize their production/ execution methods and processes.

Explanation: A cost plus contract means a contract in which the price payable for supplies or services under the contract is determined on the basis of actual cost of

production of the supplies or services concerned plus profit either at a fixed rate per unit or at a fixed percentage on the actual cost of production.

- vii. Price Variation Clause can be provided only in long-term contracts, where the delivery period extends beyond 18 months. In short-term contracts firm and fixed prices shall be provided for. Where a price variation clause is provided, the price agreed upon shall specify the base level viz, the month and year to which the price is linked, to enable variations being calculated with reference to the price levels prevailing in that month and year.
- viii. A formula for calculation of the price variations that have taken place between the Base level and the Scheduled Delivery Date shall be included in this clause. The variations are calculated by using indices published by Governments or Chambers of Commerce or Economic Advisory or FOREX periodically.
- ix. The Price variation clause shall also specify cut off dates for material and labour, as these inputs taper off well before the scheduled Delivery Dates.
- x. The price variation clause shall provide for a ceiling on price variations, particularly where escalations are involved. It could be a percentage per annum or an overall ceiling or both. The buyer shall ensure a provision in the contract for benefit of any reduction in the price in terms of the price variation clause being passed on to him.
- xi. The clause shall also stipulate a minimum percentage of variation of the contract price above which price variations will be admissible (e.g. where resultant increase is lower than two per cent. no price adjustment will be made in favour of the supplier).
- xii. Where advance or stage payments are made there shall be a further stipulation that no price variations will be admissible on such portions of the price, after the dates of such payment.
- xiii. Where deliveries are accepted beyond the scheduled Delivery Date subject to levy of liquidated damages as provided in the Contract, the liquidated damages (if a percentage of the price) will be applicable on the price as varied by the operation of the Price variation clause
- xiv. No price variation will be admissible beyond the original Scheduled Delivery Date for defaults on the part of the supplier.
- xv. Price variation may be allowed beyond the original Scheduled Delivery Date, by specific alteration of that date through an amendment to the contract in cases of Force Majeure or defaults by Government
- xvi. Where contracts are for supply of equipment, goods etc, imported (subject to customs duty and foreign exchange fluctuations) and/or locally manufactured (subject to GST), the percentage and element of duties and taxes included in the price shall be specifically stated, along with the selling rate of foreign exchange element taken into account in the calculation of the price of the imported item. The mode of calculation of variations in duties and taxes and Foreign exchange rates and the documents to be produced in support of claims for such variations shall

also be stipulated in the Contract.

- xvii. The clause shall also contain the mode and terms of payment of the price variation admissible.
- xviii. Contracts shall include provision for payment of all applicable taxes by the contractor or supplier.
- xix. "Lump sum" contracts shall not be entered into except in cases of absolute necessity. Where lump sum contracts become unavoidable, full justification shall be recorded. The contracting Authority shall ensure that conditions in the lump sum contract adequately safeguard and protect the interests of the Government.
- xx. Departmental issue of materials shall be avoided as far as possible. Where it is decided to supply materials departmentally, a schedule of quantities with the issue rates of such material as are required to execute the contract work shall form an essential part of the contract.
- xxi. In contracts where Company's property is entrusted to a contractor either for use on payment of hire charges or for doing further work on such property, specific provision for safeguarding Company property (including insurance cover) and for recovery of hire charges regularly, shall be included in the contracts.

Provision shall be made in the contract for periodical physical verification of the number and the physical condition of the items at the contractor's premises. Results of such verification shall be recorded and appropriate penal action taken where necessary.

- xxii. Copies of all contracts and agreements for purchases and of all rate and running contracts entered into by civil departments of the Company to be sent to the Finance department.
- xxiii. The terms of a contract, including the scope and specification once entered into, shall not be materially varied.

Wherever material variation in any of the terms or conditions in a contract becomes unavoidable, the financial and other effects involved shall be examined and recorded and specific approval of the Authority competent to approve the revised financial and other commitments obtained, before varying the conditions.

All such changes shall be in the form of an amendment to the contract duly signed by all parties to the contract.

- xxiv. Normally no extensions of the scheduled delivery or completion dates shall be granted except where events constituting force majeure, as provided in the contract, have occurred or the terms and conditions include such a provision for other reasons. Extensions as provided in the contract may be allowed through formal amendments to the contract duly signed by parties to the contract.
- xxv. All contracts shall contain a provision for recovery of liquidated damages for defaults on the part of the contractor.
- xxvi. A warranty clause shall be incorporated in every contract, requiring the supplier to, without charge, repair or rectify defective goods or to replace such goods with

similar goods free from defect. Any goods repaired or replaced by the supplier shall be delivered at the buyers premises without costs to the buyer.

xxvii. All contracts for supply of goods shall reserve the right of Company to reject goods which do not conform to the specifications.

xxviii. No claim for the payment from contractor shall be entertained after the lapse of three years of arising of the claim.

22.3 MANAGEMENT OF CONTRACTS :

Implementation of the contract shall be strictly monitored and notices issued promptly whenever a breach of provisions occurs. Proper procedure for safe custody and monitoring of Bank Guarantees or other Instruments shall be laid down. Monitoring shall include a monthly review of all Bank Guarantees or other instruments expiring after three months, along with a review of the progress of supply or work. Extensions of Bank Guarantees or other instruments, where warranted, shall be sought immediately.

22.4 BREACH OF CONTRACT, REMEDIES AND TERMINATION:

In case the contractor is unable to honour important stipulations of the contract, or gives notice of his intention of not honouring or his inability to honour such a stipulation, a breach of contract is said to have occurred. Mostly, such breaches occur in relation to the performance of the contract in terms of inability to supply the required quantity or quality. It could also be due to breach of ethical standards or any other stipulation that affects Procuring Entity seriously.

The purchaser or its authorised representative is not to enter into correspondence after expiry of the delivery date stipulated in the contract because such a correspondence will keep the contract alive and would amount to abrogation of the purchaser's right and remedies for delays by the contractor. This situation will not allow the purchaser to cancel the contract straight away without first serving a performance notice to the supplier. However, even after expiry of the delivery period of the contract, the purchaser may obtain information regarding past supplies, and so on, from the supplier, simultaneously making it clear to the supplier that calling of such information is not intended to keep the contract valid and it does not amount to waiving the breach and that it is without prejudice to the rights and remedies available to the purchaser under the terms of the contract. Communication may be issued by the purchaser to ascertain the supply position after expiry of the delivery period. As soon as a breach of contract is noticed, a show cause notice should be issued to the contractor reserving the right to implement contractual remedies. If there is an unsatisfactory resolution, remedial action may be taken immediately. The CA may terminate a contract in the following cases.

22.4.1 Cancellation of Contract for Default:

Without prejudice to any other remedy for breach of contract, such as removal from the list of registered supplier, by written notice of default sent to the supplier, the contract may be terminated in whole or in part:

- a. If the supplier fails to deliver any or all of the stores within the time period(s) specified in the contract, or any extension thereof granted; and
- b. If the supplier fails to perform any other obligation under the contract within the period specified in the contract or any extension thereof granted;
- c. If the contract is terminated in whole or in part, recourse may be taken to any one or more of the following actions:
 - i. Forfeiture of the performance security;
 - ii. Upon such terms and in such manner as it deems appropriate, goods similar to those undelivered may be procured and the supplier shall be liable for all available actions against him in terms of the contract (popularly called risk purchase); and
 - iii. However, the supplier shall continue to fulfil the contract to the extent not terminated.

Before cancelling the contract and taking further action, it may be desirable to obtain legal advice.

22.4.2 Termination of Contract for Insolvency:

If the supplier becomes bankrupt or becomes otherwise insolvent or undergoes liquidation or loses substantially the technical or financial capability (based on which he was selected for award of contract), at any time, the contract may be terminated, by giving a written notice to the supplier, without compensation to the supplier, provided that such termination will not prejudice or affect any right of action or remedy which has accrued or will accrue thereafter to Procuring Entity.

22.4.3 Termination of Contract for Convenience:

After placement of the contract, there may be an unforeseen situation compelling Procuring Entity to cancel the contract. In such a case, a suitable notice has to be sent to the supplier for cancellation of the contract, in whole or in part, for its (Procuring Entity's) convenience, inter alia, indicating the date with effect from which the termination will to become effective. This is not Procuring Entity's legal right- the contractor has to be persuaded to acquiesce. Depending on the merits of the case, the supplier may have to be suitably compensated on mutually agreed terms for terminating the contract. Suitable provisions to this effect should be to be incorporated in the tender document as well as in the resultant contract.

22.5 LEGAL ADVICE :

Wherever disputes arise during implementation of a contract, legal advice shall be sought before initiating action to refer the dispute to conciliation and/or arbitration as provided in the contract or to file a suit where the contract does not include an arbitration clause. The draft of the plaint for arbitration shall be got vetted by obtaining legal and financial advice. Documents to be filed in the matter of resolution of dispute, if any, shall be carefully scrutinized before filing to safeguard government interest.

CHAPTER – 23 – START UP's & PROJECTS UNDER IDEX

23.1 DEFINITION OF START UP:

- a. An entity is considered to be working towards innovation, development, improvement, or commercialization of new products, processes, or services driven by technology or intellectual property, and if it aims to develop and commercialize:
 - i. A new product or service or process, or
 - ii. A significantly improved existing product or service or process that will create or add value for customers or workflow.
 - iii. Provided that the mere act of developing:
- b. Products or services or processes which do not have potential for commercialization, or
 - i. Undifferentiated products or services or processes, or
 - ii. Products or services or processes with no or limited incremental value for customers or workflow would not be covered under this definition.
- c. Entity means a private limited company (as defined in the Companies Act, 2013), or a registered partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2002).

(For details of start up refer <https://www.startupindia.gov.in>)

23.2 RELAXATION OF NORMS FOR START UP's:

BEML has relaxed the following eligibility criteria for registration from Start Ups in order to encourage the Startups to participate in supplies for BEML procurements.

- a. Prior Turnover.
- b. Prior Experience may be relaxed.
- c. Start ups may be eligible for purchase preferences, as per GoI guidelines.
- d. The relaxations are applicable subject to meeting the quality and technical specification of the tendered items and where tendered items / services are not critical in nature.
- e. **Exceptions:** These relaxations may not apply to procurements related to public safety, health, or critical security operations, where prior experience may still be required.

23.3 STARTUP RECOGNITION:

Start-up is a Company that has been in existence for less than ten years and with sales revenues not exceeding Rs. 100.0 crores as per existing guidelines.

Apart from innovation, such start-ups will be expected to be engaged in the development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

23.4 IDENTIFICATION OF AREAS:

BEML has identified areas of START UP which is hosted in BEML WEBSITE under separate tab and Vendors need to contact R&D for Start-up activities.

23.5 PAYMENT FOR START UPS:

Start ups advances up to 15% may be considered if request is received by BEML against Bank Guarantee. The interest on the advance amount is not to be insisted from Start ups (Vide MoD ref. MoM dated 8th August 2016).

23.6 IDEX WINNERS:

The products developed by any innovator/ Startup/ Company under IDEX initiatives need to be treated at par with Proprietary sources and taken up for procurement under that category. In case more than one innovator/ Startup/ Company has accepted the challenge and accomplished the same, the procurement would be done on limited tender basis restricting the tender to such successful innovator/ Startup/ Company.

23.7 Ref.: Amendment to the Defence Acquisition Procedure (DAP) – 2020 - Annexure-IV of MoD ID No. 1(8)/D(Acq)/21 dated 04.04.2024 (Approved by Board for inclusion in BEML Purchase Manual vide 404th Board Meeting dated 05Aug2024).

The following clauses are applicable for Start ups / MSMEs under IDEX & TDF Projects cumulative value of up to Rs. 250 crores inclusive of Repeat order:

23.7.1 Inclusion of Development cost & innovation Advantage Factor in estimation of Benchmark Cost:

The bench mark price shall include relevant parameters, including IP valuation, functional value and import advantage.

The benchmark price shall include base price (including development cost) and innovation advantage factor (IF).

The IF can be determined based on the degree of risk as indicated in reference above.

23.7.2 Advance payment guidelines:

Advance payment of 15% of the base contract price shall be paid within 30 days of submission of claim and Advance Bank Guarantee (ABG) for an equivalent amount, subject to acceptability of the documents submitted.

For start ups/ MSMEs under IDEX and TDF, up to 15% of the base contract price may be considered for release as advance payment within 21 days of execution of contract against mortgage on Intellectual property (IP) rights, advance bank guarantee, insurance surety bond, in any combination thereof solely at the option of for start ups/ MSMEs. IP valuation will be concluded by Technical committee before benchmark initiation by Benchmarking committee (BMC). If the IP rights themselves are of sufficient value, insurance surety bond, bank guarantee etc. would not be necessary.

23.7.3 Payment Stage: Procurement of raw material or essential input resources:

Start ups & MSMEs under IDEX & TDF may avail stage payment based on the preference, where 100% of cost of raw materials purchased or essential input resources committed (including the adjustment of advance) shall be released to the start up or MSME. Procurement contract shall mention the instance at which and quantity of raw material for which, payment for acquisition of raw material would be made. The trigger for payment shall be only an invoice for the amount calculated and certification from statutory auditor of the company as per contract. Further, performance cum warranty security shall be submitted at this stage and insurance surety bond/ ABG/ mortgage of proportional rights of the IP against advance payment shall be refunded at this stage.

23.7.4 Pre-dispatch inspection (PDI) & Joint Receipt inspection (JRI):

For start ups and MSMEs under IDEX & TDF, Pre-dispatch inspection & Joint Receipt inspection shall be considered as one stage and the payment shall be released on receipt stage.

23.7.5 Relaxation. and Revision in Performance security for contract:

For start ups and MSMEs under IDEX & TDF, performance cum warranty security shall be relaxed and kept at minimum as per GFR i.e. 3% (at present) or at the minimum rate as revised from time to time in the form of insurance surety bond/ ABG etc. as per the convenience of start ups/ MSMEs.

23.7.6 Performance cum Warranty Bank Guarantee (PWBG) clause:

PWBG of 3% to 5% of the total contract price including taxes and duties would be furnished by the bidder in the form of bank guarantee to sequentially act as PBG till the delivery and as Warranty Bank Guarantee on delivery. The PWBG shall be submitted by the bidder within one month of signing of contract and shall be valid for a period, until sixty days beyond the warranty period. If at any stage, the Performance guarantee is invoked by the buyer either in full or part, the bidder shall make good the shortfall in PWBG within 30 days by an additional BG for equivalent amount. In the event of failure to submit the required BG against invoked Performance Guarantee, equivalent amount will be withheld from the next stage payment till the shortfall in the BG is made good by the bidder.

23.7.7 Relaxation in AMC Bank Guarantee (where applicable):

The bidder will be required to furnish a Performance Guarantee by the way of a bank guarantee of a sum equal to 3% to 5% of the total price of AMC/ CMC/ PBL for contracted duration prior to expiry/ return of the PWBG of the main contract. PBG should be valid for sixty days beyond the period of AMC/ CMC.

For start ups/ MSMEs under IDEX & TDF, the surety bond/ BG for AMC/ CMC/ PBL shall be limited to 3% of AMC/ CMC/ PBI contract value and the same will be reimbursed on a pro-rata basis with each periodically scheduled AMC/ CMC/ PBL.

23.7.8 LD Relaxation:

In the event of bidder's failure to submit the documents, supply the stores/ goods, perform services, conduct trials, installation of equipment, training and MET as per schedule specified in the contract, the buyer may, at his discretion withhold cost of the specific lot, batch or 1% of the project cost, whichever is higher until the completion of the contract. The buyer may also deduct from the seller as agreed, liquidated damages to the sum of 1/100 of the delay percentage { delay percentage= (period of delay in delivery in weeks) X 100 / (delivery period in weeks as per contract) } of the base contract price of the delayed/ undelivered stores/ services mentioned above for every week of delay or part of a week, subject to the maximum value of LD not higher than 10% of the contract price of the value of delayed stores/ services. (Any extension given by the buyer for delay attributable to buyer or force majeure clause to be factored in delivery period).

For start ups/ MSMEs under IDEX & TDF, 02 extensions of 06 months on no penalty basis may be considered on justified grounds as per acquiring agency followed by LD up to 3% of the contract price of the value of delayed stores/ services. (Any extension given by the buyer for delay attributable to buyer or force majeure clause to be factored in delivery period).

23.7.9. For Start Up's / MSMEs, under iDEX & TDF, Payment stages in the Procurement contracts shall be defined in the following manner: (For contracts up to Rs. 250 Cr):

S.N.	Payment Stage	Percentage Payment	Scheme for submission and Return of Securities & Remarks
01	Signing of Contract & Advance Payment	Advance payment Up to 15% of Base Contract Value*	Advance payment within 21 days of execution of contract against mortgage on Intellectual Property (IP) rights, Bank guarantee, Insurance surety bond, in any combination thereof solely at the option of startup/ MSME. If the IP rights themselves are of sufficient value, Bank Guarantee / surety bond would not be necessary
02	Procurement of Raw Material or Essential Input Resources	100% of Raw Material cost (with adjusted advance released)	1. Procurement contract shall mention the instance at which and quantity of raw material for which payment for acquisition of raw material would be made. The trigger for payment shall be only an invoice for the amount calculated and certificate given by statutory auditor of the company as per contract. For software projects, the manpower utilization cost will also be factored. 2. Performance Cum Warranty Security shall be submitted before release of the payment

03	<i>On receipt of all the equipment/ system and associated spare parts (if applicable)</i>	<i>Cumulatively 80% of the Cost of Deliverables</i>	<i>Pre Delivery Inspection (PDI) may be conducted as per the requirement.</i>
04	<i>On delivery of documentation & Training</i>	<i>85% of the Cost of Training</i>	
05	<i>On Installation/ STW/ Commissioning and Final Acceptance and completion of delivery of documentation and training.</i>	<i>100% of the Contract Value, including taxes and certifications (within 30 days of completion of commissioning, documentation & training)</i>	<i>Up to 3% LD for start ups and MSME's with defined extensions.</i>
06	<i>AMC</i>	<i>Payment as per AMC periodic schedule submitted</i>	<i>3% of AMC Contract value shall be considered as security and the same shall be adjusted with release of Performance security (either by holding the same or in case of escalation of value, remaining amount of security shall be submitted by Startup/ MSME.</i>
<i>*As per requirements of Startups/MSMEs.</i>			

Note: iDEX & TDF cases shall be considered as per provisions in revised benchmarking guidelines and payment schedule for procurement cases of cumulative value up to Rs. 250 Cr inclusive of repeat orders.

For details, refer 'Amendment to the Defence Acquisition Procedure (DAP) – 2020 - Annexure-IV of MoD ID No. 1(8)/D(Acq)/21 dated 04.04.2024'. All amendments in this regard, as issued by MoD from time to time will be applicable.

CHAPTER – 24 – LEGAL ASPECTS OF PROCUREMENT

24.1 INTRODUCTION:

- a. Purchase Order is a legal contract between the buyer and the supplier, under this contract, both the parties have certain legal rights and obligations. Employees dealing with procurement need to have a thorough knowledge of all the relevant Statutes and the Rules framed there under, as may be amended from time to time, pertaining to procurement. This knowledge helps them to structure their contract with the supplier properly. Some of the relevant Statutes, without limitation, are as under:
 - i. The Indian Contract Act, 1872
 - ii. The Negotiable Instruments Act, 1881
 - iii. The Sale of Goods Act. 1930
 - iv. The Partnership Act, 1932
 - v. The Customs Act, 1962 (relevant to State concerned)
 - vi. The Customs Tariff Act, 1975
 - vii. The Arbitration and Conciliation Act, 1996
 - viii. The Limited Liability Partnership Act, 2008
 - ix. The Companies Act, 2013
 - x. The Real Estate (Regulation and Development Act), 2016
 - xi. The Insolvency and Bankruptcy Code, 2016
 - xii. The Goods and Service Tax Act, 2017.
- b. Unless a buyer has basic knowledge of the legal aspects of procurement he/she is likely to involve himself/herself and the Company into legal complications which have to be avoided. The objective of this chapter is to make them familiar with some of the important legal aspects of procurement.
- c. Application of Law of Agency.
- d. The basic Authority for the acts of the Buyer is derived from the Law of Agency which gives him /her the Authority to act for the Company. It is, therefore, necessary for the Buyer to know the amount of Authority delegated for transacting business as the agent of the Company.
- e. As the case of the Buyer, Suppliers and their employees similarly hold the status of selling agents for the firms. To ensure that a satisfactory contract has been executed, the buyer must insist upon the acceptance of the offer by an authorised official of the Supplier.
- f. While signing the contract, Buyer shall specially indicate on the document that he is acting in the capacity of agent for the Supplier. The Buyer exceeding his actual or apparent Authority in making a contract shall absolve his company from the implications of the contract but he himself shall become liable for the consequences.

24.2 GENERAL PRINCIPLES OF LAW OF CONTRACT:

As per Contract Act, a Contract is an agreement enforceable before Law. All contracts are agreements but all agreements are not contracts.

"Consensus ad-idem" means that both the parties must understand the same thing in the same sense. This is an essential prerequisite of a valid contract. In order to determine the existence of "Consensus ad-idem" it is usual to employ in a given contract the language of offer and acceptance.

24.3 PURCHASE CONTRACT:

The Buyer's major responsibility is to ensure that Purchase Contract is properly drawn and is legally binding on the Supplier. To make it enforceable by Law, the Contract must contain the following four basic elements:

- a. Agreement (meeting of the mind) resulting from an offer from a Supplier and acceptance from the Buyer to be understood in the same sense.
- b. Consideration or obligation in the same form.
- c. Parties shall be competent to enter into contract.
- d. Purpose of the contract must be lawful.

24.4 OFFER AND ACCEPTANCE:

- a. When a Buyer sends a Purchase Order to a Supplier, this act constitutes legal offer to buy materials in accordance with the terms set out on the order. Agreement does not exist however, until the Supplier accepts this offer in terms of the order. In the event of the Buyer requesting for a quotation from the Supplier, the Supplier's quotation constitutes an offer. Agreement then exists when the Buyer accepts the quotation. Mere acknowledgement of offer does not constitute acceptance nor does silence constitute acceptance.
- b. Under Contract Act, the Supplier has every right to revoke his offer at any time before it is accepted. The offer remains effective until it is rejected or the Supplier makes a counter - offer or until the period of offer is valid, and if that is not mentioned, until a reasonable period after the offer is made has elapsed (Advisable to have 30 - 90 days).
- c. When a Supplier accepts an order by using his own acceptance form which contains selling terms different from those in the order, legally it is considered as a counter - offer which terminates the Buyer's original offer and therefore, no agreement exists until the Buyer and the Supplier agree upon terms which are mutually acceptable and incorporate them in a new offer and acceptance.
- d. It has been seen that in practice such conflicts of terms frequently occur but are not resolved. Perhaps in most of the cases, the Supplier is able to deliver the materials according to the terms and conditions of the order. But if problem arises before despatch against such an order, the Buyer may well find that in fact he has legally no valid contract with the Supplier.

- e. If a problem arises after the Buyer receives and accepts the material, the Law considers the Buyer to have accepted the counter - offer when he has accepted the material. It is, therefore, necessary that every Buyer shall examine the Supplier's acceptance and try to reconcile with him any significant differences in contractual terms.

24.5 CONSIDERATION:

In addition to meeting of minds a valid contract must also contain an element of obligation. Most purchase contracts are bilateral. The Buyer promises to buy from the Supplier certain material at a stated price and the Supplier promises to deliver the material in accordance with the stated contract conditions. What is important is the mutuality of obligation. The contract must be drawn in such a way that each party is bound by the contract. In Law, even if one party is not bound, there is no contract. In a Purchase Order, the Buyer must mention the quantity, price, delivery terms, etc. in a very specific language so as to bind the Supplier for proper performance of the contract.

24.6 COMPETENT PARTIES:

A valid contract must be made by persons who are competent to contract. The contract made by a minor or by an insane or intoxicant person is void/voidable under law.

24.7 LEGALITY OF PURPOSE

A contract whose purpose is illegal is automatically void and not enforceable by law. A contract whose primary purpose is legal, but one of whose ancillary terms is illegal may be either void depending upon the seriousness of the illegality. For example, if a Buyer purchases material at price which violated restraint of trade or price discrimination laws like Essential Commodities Act in India, the Contract would be legally void.

24.8 SPECIAL LEGAL CONSIDERATIONS - INSPECTION RIGHTS:

If the Buyer has not previously inspected the material purchased to ensure that it conforms to the terms of the contract, the Law gives him a reasonable period of time to inspect the material after it is received. If the Buyer raises no objection to the material within a reasonable period of time he is deemed to have accepted it.

24.9 RIGHT OF REJECTION:

The Buyer has the right to reject material if it does not conform to the terms of the contract. If an excess supply is received, the Buyer can either reject the complete supply or he can reject the quantity in excess of the contract. When the Buyer does not wish to accept wrongly delivered material, he is required only to notify the Supplier and he is not legally bound to return the rejected material. If he neither returns the material nor notifies the Supplier of his rejection within a reasonable period of time, he is then obliged to pay for the material.

24.10 ORDER CANCELLATION AND BREACH OF CONTRACT:

- a. If a Supplier fails to deliver the goods against an order by the delivery date agreed in the order or if he fails to perform in accordance with the contract conditions, he commits breach of contract. The breach generally gives the Buyers right to cancel the Order,

besides claim for damages. The time of delivery can, however, be extended with the consent of both the parties and on such terms as agreed to by them. At the time of granting of such extension of time for delivery, reservation could be made in respect of future increases in freight, custom duty, GST, etc.

- b. Where the order is cancelled, the Buyer can in addition sue the Supplier for the damages as per the terms of contract. In case of delivery failure, if the Buyer subsequently purchases the material from elsewhere the damages are generally limited to the difference between the contract price and the price paid to the new supplier.
- c. For re-purchase or risk purchase at the expense of defaulting Supplier the following conditions shall be fulfilled:
 - i. The material re-purchased shall be identical with the material originally ordered.
 - ii. The re-purchase shall be made within a reasonable time after the date of breach or within the time stipulated in the contract.
 - iii. The defaulting Contractor shall be served with notice of re-purchase.
 - iv. The re-purchase shall be on the same terms as in the case of original contract.

Note: Risk purchase loss shall be recovered only after the re-purchase contract has been executed.
- d. It may also happen in some cases that a Buyer is compelled to cancel the order before the material is supplied. In such a case, the Buyer breaches the purchase contract. This act is called 'Anticipatory Breach' and it makes the Buyer liable for any resultant injury to the Supplier. However, if the cancellation does not harm the Supplier, he cannot claim any damages. There will be cases where the cancellation of the order is due to factors beyond the control of the Buyer like labour strike in the factory of the Buyer, act of God, war etc. In such cases, the Supplier has to accept the cancellation.
- e. It is evident at the time a major contract is drawn that breach of contract would severely injure one or both parties and that damage would be difficult to determine. Provisions for termination of contract, liquidated damages etc. to be invariably incorporated in the Contract. Such provisions stipulate in advance the procedures to be used in determining costs and damages.

24.11 PATENT INFRINGEMENT:

- a. The Law gives a patent holder the exclusive right to manufacture, sell and use his patented item for a specified number of years. If an industrial purchaser engages in any of these activities during the period of patent protection without permission from the patent holder, he is guilty of patent infringement and can be sued for damages by the patent holder.
- b. Buyers frequently have no way of knowing whether their Suppliers are selling patented materials with or without authorisation from the patent holder. If a Buyer unknowingly buys an items from a Supplier who has infringed the patent holder's rights, the Buyer is also guilty of infringement, if he uses the item. To protect against such unintentional

violations, most companies include a protective clause in their Purchase Orders which states that the Supplier shall indemnify the Buyer for all expenses and damages resulting from patent infringement. Clauses of this type do not prevent the patent holder from suing the user. If properly stated, however, they can require the Supplier to defend the user in such legal proceedings and can give the user legal recourse to recover any resulting losses from the Supplier.

24.12 HONEST MISTAKES:

When an honest mistake is made in drawing a Purchase Contract, the conditions surrounding such specific case determine whether the Contract is valid or void. As a general rule, mistakes made by only one party do not render the Contract void, unless the other party is aware of the mistake. For example, a quotation is submitted by a Supplier and he intends to quote a price of Rs. 260 per unit and through an error – may be typographical error - the price typed as Rs. 250 is transmitted to the Buyer. In such cases, Courts have held that if the Buyer accepts the offer without knowledge of the error, a valid contract exists. On the other hand, if the price of Rs. 250 is incorrectly typed as Rs. 150 or Rs. 15, the Court would probably hold that a competent Buyer shall recognise such an error and if one party knows or shall know of other's error, the contract is void. However, a Buyer or Supplier shall not assume that a mistake, however, innocent, will release him from a contractual obligation. In the majority of cases, it will not do so.

24.13 CONCLUSION:

The purpose of this chapter is to make the Buyer alert and alive to the legal responsibilities involved in his job. It is not necessary that a Buyer shall be a legal expert. But at the same time, the Buyer shall know as to when to seek sound legal advice whenever any legal problems arise. He is also supposed to know the legal aspects of purchasing to the extent that in his job he does not hurt himself or his company. The best thing for a Buyer is to avoid legal problems by using his skill in selecting sound, cooperative and reliable Suppliers. He shall also use his skill in settling disputes by negotiations.

CHAPTER – 25 – GRIEVANCE REDRESSAL

- a. Any bidder or prospective bidder aggrieved by any decision, action, or omission during the procurement process may, within a period of ten (10) days, or such other period as specified in the pre-qualification documents, vendor registration documents, or tender documents, from the date of such decision, submit an application for review to the concerned Division. The application shall clearly specify the ground(s) of grievance. Such application for review may be filed only by a bidder or vendor who has participated in the tender.
- b. In the case of a two-bid system, an application for review relating to the commercial bid may be submitted only by a vendor whose technical bid has been found acceptable.
- c. The official to whom the application for review is to be addressed shall be indicated in the pre-qualification documents, vendor registration documents, or tender documents, as applicable. Upon receipt of the application, the Competent Authority shall decide whether the tendering process is to be suspended pending disposal of the application.
- d. After examining the application and the relevant records, the procurement agency may decide upon such relief as it considers appropriate and shall communicate its decision to the applicant as well as to other bidders or prospective bidders, as deemed necessary. The application for review shall be dealt with as expeditiously as possible.
- e. Where the Competent Authority is the Head-SBU / Head-Complex, the grievance application shall be reviewed at the level of the Head-Materials or by an Officer not below the rank of DGM, nominated by Head-SBU / Head-Complex.
- f. Where the Competent Authority is the Functional Director, the grievance application shall be reviewed by Head-SBU / Head-Complex.
- g. Where the Competent Authority is the CMD/ Procurement Committee/ Board, the grievance application shall be reviewed by the concerned Functional Director.
- h. Grievance Redressal Committee:**
 - i. If the grievance application is not disposed of within the stipulated time, or if the bidder feels aggrieved by the decision on the application for review, the bidder may submit application for redressal to the appropriate Grievance Redressal Committee within fifteen (15) days from the date of receipt of the decision or the expiry of the stipulated period, as applicable.
 - ii. At the division level, where the Competent Authority is the Head-SBU / Head-Complex, the Grievance Redressal Committee shall comprise the Head-Finance, Head-Human Resources, and Head-SBU / Head-Complex.
 - iii. At the Corporate level, where the Competent Authority is the Functional Director, CMD or Procurement Committee, the Grievance Redressal Committee shall comprise the Head-Finance, Head-Human Resources, and Head-Corporate Materials.
 - iv. The decision of the Grievance redressal Committee is final.

CHAPTER – 26 – REQUIREMENT OF PROFESSIONAL STANDARDS AND TRAINING

All personnel involved in procurement shall be required to undergo training on the procurement procedures, ERP, FLM, GEM, GePNIC and such guidelines as may be issued by the Company from time to time, with the objective of maintaining professional standards in the discharge of their duties. Only personnel who have successfully completed such training shall be authorized to participate in the procurement process. The training shall be of a minimum duration of one week and shall be conducted under the supervision of an Officer of the Materials Management, ERP, as nominated by the Head-Materials of the Division or Corporate Office, as applicable.

CHAPTER – 27

GENERAL TERMS & CONDITIONS

APPLICABLE TO CONTRACTS & PURCHASE ORDER

8205350545 Dated 07.04.2026

27.1 DEFINITIONS & INTERPRETATION:

- a. **“Purchaser”** means BEML Ltd., a Government of India Undertaking, incorporated under the Companies Act, having its registered office at BEML SOUDHA, SR Nagar, Bengaluru – 560073, and shall be deemed to include its successors and permitted assigns.
- b. **“Supplier”** means any person, firm, or company that has entered into a contract with the Purchaser as a contractor and with whom a Purchase Order has been placed for the supply of goods or services. The term “Supplier” shall be deemed to include its successors (as approved by BEML Ltd.), representatives, heirs, executors, and administrators. The Supplier may also be referred to as the Supplier, Contractor, or Vendor.
- c. **“Parties to the Contract”** shall mean the Purchaser and the Supplier as named in the main body of the Purchase Order.
- d. **“Tender”** means and includes the quotation, invitation to tender, and all related documents such as drawings, specifications, quality plans, and other documents forming part of the tender documentation.
- e. **“Acceptance of Tender”** means the letter of memorandum issued by the Purchaser communicating acceptance of the Tender submitted by the Supplier and shall include any advance or provisional acceptance thereof.
- f. **“Purchase Order / Contract”** means and includes the invitation to tender, instructions to tenderers, Acceptance of Tender, Letter of Intent / Letter of Award, General Terms and Conditions of the Purchase Order / Contract, Special Conditions of the Purchase Order / Contract, particulars, descriptions, specifications, price schedules, quantities, quality plans, drawings, and any other conditions specified in the Acceptance of Tender. The term shall also include repeat orders accepted or acted upon by or on behalf of the Supplier for the supply of stores or performance of services, as well as any amendments arising subsequent to discussions, negotiations, or mutual agreements, if any.
- g. **“Stores / Materials / Services”** means the goods or services specified in the Purchase Order which the supplier has agreed to supply under the Purchase Order.
- h. Words in singular include the plural & vice-versa.
- i. Words imparting the masculine gender shall be taken to include the feminine gender and words imparting persons shall include any firm, company or associations or body of individuals whether incorporated or not.
- j. The heading of these conditions shall not affect the interpretations or construction thereof of the contract.

27.2 AUTHORITY OF PERSONS SIGNING DOCUMENT:

Any person signing the tender either manual or electronic mode or any other document in respect of the Purchase Order shall be deemed to have power to do so on behalf of the Supplier.

27.3 ACCEPTANCE OF ORDER:

The supplier shall send Order Acceptance within the date of LOI/LOA/Purchase Order

or such other period as specified / agreed by the Purchaser. Purchaser reserves the right to revoke the order placed if the order confirmation differs from the original Purchase Order placed and the Purchaser shall only be legally bound after it has agreed explicitly in writing to be in agreement with the deviation. The acceptance of deliveries or supplies by Purchaser as well as payments made in this regard shall not imply acceptance of any deviations. The Purchase Order will be deemed to have been accepted if no communication to the contrary is received within 15 days.

27.4 SECURITY DEPOSIT / PERFORMANCE GUARANTEE:

a. Service & Capital Goods:

3% to 5% of PO value for order value exceeding Rs.50.0 Lakhs (excluding tax) has to be deposited as interest free security deposit/ Performance Guarantee in respect of all service contracts and capital goods like plant and machinery, etc. (DoE Clause 6.1.2.2).

- b. A period of 30 days time from the date of Purchase Order or the delivery schedule, whichever is earlier shall be stipulated for submission of Bank Guarantee so that contractual remedies could be enforced, if required.

c. Goods:

3% to 5% of PO value for order value exceeding Rs.50.0 Lakhs (Excluding tax) is applicable as given below (DoE Clause 6.1.2.2):

- i. Wherever procurement action is initiated based on the confirmed customer order (LoA, LoI etc.), PBG should be obtained for all purchases above tender value of Rs.50 Lakhs (Excluding tax).
 - ii. For procurement action not based on confirmed customer order, Purchase / Planning may decide on applicability of PBG based on the perception of performance risks, need for competition, intricate and sophisticated, market conditions and commercial practice for the particular kind of goods. Head-Materials in consultation with Head-Planning of respective SBU shall decide on the intricacy and applicability of PBG in case of purchases above tender value of Rs.50 Lakhs (Excluding tax) ---As per GFR 171.
 - iii. Any special provisions / conditions in customer order regarding Performance Bank Guarantee / Security Deposit shall also be included in the tender for those projects only.
 - iv. A bank guarantee for a nominal amount of Rs.5000/- must be obtained from each Subcontractor valid for a year, on yearly basis.
- d. BEML reserves the right to accept a bank guarantee from any of the Scheduled banks in lieu of cash deposit as security deposit as calculated above at its sole discretion. These bank guarantees shall be valid for the full supply period of the Purchase Order with a claim period of minimum sixty days.
- e. No claim shall lie against BEML Ltd., in respect of interest on cash deposits or Govt. Securities depreciation thereof.
- f. BEML Ltd. shall be entitled and it shall be lawful on its part to forfeit the said security deposit in whole or in part in the event of any default, failure or neglect on the part of the supplier in the fulfilment or performance in all respect of the Purchase Order.

27.5 VALIDITY PERIOD:

The Purchase Order shall be valid for a maximum period of twenty four (24) months from the date of issue or till the completion of the supplies wherever delivery schedules are beyond 24 months and based on actual requirement at that time, unless otherwise specified. The Supplier shall complete the supplies within this validity period, failing which the Purchase Order shall be treated as cancelled or short-closed, unless the same is revalidated by BEML upon a specific request from the Supplier, for reasons found acceptable by BEML.

27.6 QUALITY AND WORKMANSHIP:

The stores supplied shall be of the best quality and Workmanship shall be in strict conformity with all the drawings and specifications furnished with the Purchase Orders and shall answer to the description in all respects. All supplies shall be accompanied by supplier's works inspections/test certificates duly certifying, the Stores are in strict conformity with the drawings / specifications. However, final acceptance will be subject to inspection and approval at BEML works. Once the materials are rejected and communicated to the supplier, no request shall be entertained for re-inspection or acceptance of the stores. However, BEML reserves the right to re-inspect the stores and consider acceptance at its discretion.

27.7 GUARANTEE / WARRANTY:

a. Guarantee:

Wherever required, and so provided in the specifications / Purchaser Order, the Supplier shall guarantee that the stores supplied shall comply with the specifications laid down, for materials, workmanship and performance. If within the guarantee period the delivery is found to be non-compliant including those with the stipulations in Quality and Condition of Delivery of these Conditions, the Supplier shall, on its own account, replace, repair, or re-execute the delivery at Purchaser's discretion when first requested to do so within two weeks or mutually agreed period, without prejudice to Purchaser's other legal rights. If the Supplier continues to default on its obligations, Purchaser has the right to proceed to replace, repair or re-execute the order at the Supplier's expense, with or without help from third parties besides, Purchaser's other legal remedies. Purchaser shall notify the Supplier of the exercise of this right in advance where possible. Unless otherwise specified, guarantee period shall be 18 months after the date of delivery of goods. For capital goods or bought out packages which are intended to be incorporated in installations or systems the Guarantee period shall not start until the time the installations or systems are commissioned, provided always that the period ends no later than 30 months after the date of delivery of the goods. The guarantee period shall be extended by the period during which the goods are not in compliance with the stipulations in Quality and Condition of Delivery. A guarantee period as described above shall apply afresh to replaced, repaired or re-executed parts of a delivery.

The decision of the Purchaser in regard to the Supplier liability under this clause shall be conclusive and final and will be binding on the supplier.

b. Warranty

All the stores supplied shall be warranted against any defect in material, Workmanship,

design or dimension etc., for a period of twelve calendar months from the date they are actually put on use or eighteen months from the date of receipt of supply in BEML Limited whichever is earlier and the supplier shall remedy such defects at his/her own cost or replace free of charge such stores when called upon to do so by BEML who shall state in writing in what respect the stores are defective. Warranty Certificate shall be furnished by the Supplier in triplicate as under covering the entire supplies to be made against this order within 15 days from the date of order, but before commencement of supplies.

The supplies covered under PO No. date be warranted against all defects in material, workmanship, design dimensions etc., for a period of 12 months from the date they are put to actual use or 18 months from the date of receipt of supply in BEML whichever is earlier and if any defects are found within the above period for any of the reasons stated, they will be replaced at your premises free of cost within a reasonable time.

27.8 SUPPLY OF SAMPLE:

Before effecting the bulk supplies, an acceptable sample shall be submitted without any obligation on the part of BEML Ltd., as regards safe custody and shall obtain necessary clearance for effecting bulk supplies as per schedule of delivery, if stipulated in purchase order. Samples so supplied shall be clearly labelled with Supplier's Name, Address and Purchase Order No. and any certified sample be sent by BEML, the suppliers shall be responsible for the safe custody and return of the certified sample intact without damage after the purpose for which it is given is served, without delay or when demanded back. Any clarification regarding submission of sample may be obtained from Chief of Quality department. If the supplier submits a sample whether with, before or after the tender, the same shall not govern the standard of supply, except when it has been so specifically stated in the acceptance of tender.

27.9 PACKING AND DISPATCH:

The supplier shall package the deliveries safely and carefully and pack them suitably in all respects considering the peculiarity of the material for normal safe transport by Sea / Air / Rail / Road to its destination suitably protected against loss, damage, corrosion in transit and the effect of tropical salt laden atmosphere. The packages shall be provided with fixtures / hooks and sling marks as may be required for easy and safe handling by mechanical means.

The packing, shipping, storage and processing of the delivery must comply with the prevailing legislation and regulations concerning safety, the environment and working conditions. Items packed with raw / solid wood packing material shall be treated as per ISPM – 15 (fumigation) and accompanied by Phytosanitary / Fumigation certificate. If safety information sheets exist for a delivery or the packaging, the Supplier must always supply these sheets direct (at the same time).

The Supplier shall inform the Purchaser in advance of likely shipment date/s, the no. of packages, Gross weight & Net weight, Dimensions (LxBxH) of each of the packages. Each such package must be marked with Consignee name, P.O. Number, Package No., Gross weight & Net weight, dimensions (LxBxH) and Supplier's name. The packing shall allow for easy removal and checking of goods on receipt and comply with carrier's conditions of packing or established trade practices. Packing list of goods inside each package with PO

item no., & Quantity must also be fixed securely outside the box to indicate the contents. If any consignment needs special handling instruction, the same shall be clearly marked with standard symbols / instructions. Hazardous material shall be notified such and their packing, transportation and other protection must conform to relevant regulations.

27.10 RAW MATERIALS ARRANGEMENT:

The Supplier shall make his own arrangement to procure all raw materials required and BEML shall not be responsible for any assistance in such procurement or whatsoever.

27.11 IDENTIFYING OF ITEMS / PIECES:

The supplier shall indicate BEML stock number and Supplier Code Number / Vendor Code No. and BEML PO No. in all Delivery documents / invoices and correspondence. Also, supplier shall emboss / engrave the Supplier Code No. / Vendor Code No. on each item / piece at a convenient non-machinable place, otherwise the supplies are liable for rejections.

27.12 DELIVERY:

Except as otherwise indicated in the Purchase Order, delivery shall be DAP (BEML). Trade terms such as EXW, FOB, CFR etc., if stipulated in the order shall be construed in accordance with the version of the INCOTERMS applicable at the time of ordering, without prejudice to the provisions contained in these conditions. The delivery date(s) or delivery period(s) as stipulated in the agreement shall be firm and binding and shall apply to the entire delivery for each PO item. Partial shipments may, however, be permitted by the purchaser.

The time and the date of delivery of the stores stipulated in the PO No. shall be deemed to be the essence of the Purchase Order and delivery must be completed not later than the dates specified therein. The supplier shall strictly adhere to the delivery schedule indicated in the PO. Any supplies made ahead of this schedule are liable for rejection at the discretion of BEML. Shall the supplier fail to deliver the stores or any consignment thereof within the period prescribed for such delivery, BEML shall be entitled at their option either:

- a. To purchase elsewhere, without notice to the supplier on the account and at the risk and cost of the supplier the stores not delivered or other of a similar description where stores exactly comply with the description are not in the opinion of BEML (which shall be final, readily procurable) without cancelling the P.O. in respect of consignments not yet due for delivery.

OR

- b. To cancel the Purchase Order:

In the event of action being taken under (a) or (b) the supplier shall be liable for any loss which BEML may sustain on that account but the supplier shall not be entitled to any gain on purchase made against default. As soon as it is apparent that the scheduled dates cannot be adhered to, an application shall be sent by the supplier to BEML, well before the expiry of the delivery period specified in the Purchase Order. Without prejudice to the foregoing rights, if such failure to deliver in proper time as aforesaid shall have arisen from any cause which BEML may admit as a reasonable ground for an extension of the time (and their decision shall be final) they may allow such additional time as they may consider justified by circumstances of the case.

Delivery required to be made in lots shall be made in lots only and any extra deliveries involved either on account of repeated rejections or variance in supply or loss shall be liable for service charges of 5% of the Purchase Order value for each extra delivery.

27.13 PLANT & MACHINERY SUPPLY:

In case of Purchase Order for supply of Plant & Machinery and supplies requiring inspection and test after erection and commissioning at site if the completed Plant if any portion thereof or after it is taken over is found to be defective or fails to fulfil the requirements of the P.O. BEML shall give the supplier, notice setting forth details of such defects or failures, and the supplier shall forth with make the defective plant good, or after the same to make it comply with the requirements of the P.O. Shall he fail to do so within a reasonable time, BEML may reject and replace at the cost of the supplier the whole or any portion of the Plant / Machinery, as the case may be which is defective or fails to fulfil the requirements.

27.14 INSPECTION AND TESTING:

The goods and stores shall be of approved design and each part / component may be inspected and tested by the Purchaser prior to shipment and shall fully comply with relevant requirements of purchaser.

Purchaser has the right to inspect the delivery. In the event of rejection, Purchaser shall inform the Supplier accordingly and Purchaser shall be entitled to replacement or repair at its discretion or may proceed to terminate or annul the agreement. All this does not affect Purchaser's right to compensation.

In case the goods / stores are rejected at the time of inspection at BEML or the rejections are noticed at the time of further processing, the supplier will be informed of these rejections. On receipt of this information, the supplier shall immediately arrange to collect the rejected items at his cost and risk and arrange for the replacement of goods within the shortest possible time. Under no circumstances, the supplier shall compel the Purchaser to rework the rejected goods.

Wherever the supplier has not collected the rejected items within 60 days from the date of intimation, BEML shall have the right to dispose the goods and all cost related to the cost of material, statutory levies incurred both in procurement and disposal shall be recovered from the supplier from any of the bills that are due. The supplier shall have no claims whatsoever against the Purchaser for such disposal.

Purchaser or his authorized representative shall be entitled at all reasonable times during execution to inspect, examine and test at the Supplier's premises the material and workmanship of all stores to be supplied under the Contract, and if the part of the stores are being manufactured at other premises, the Supplier shall obtain Purchaser's or his authorized representative's permission to inspect, examine and test as if the said stores are being manufactured at the Supplier's premises. Such inspection, examination and testing, if made shall not release the Supplier from any obligation under the Contract.

All costs related to inspections and re-inspections shall be borne by the Supplier. The cost of inspection staff / third party specified by the Purchaser shall be borne by Purchaser, unless otherwise specifically agreed. Whether the Contract provides for tests on the premises of the Supplier or any of his Sub-contractor/s, Supplier shall be responsible to provide assistance such as, labour, materials, electricity, fuels, stores, apparatus,

instruments as may be required and as may be reasonably demanded to carry out such tests efficiently. Cost of any type test or such other special tests shall be borne by the Purchaser only if specifically agreed.

The supplier shall give the authorized representative of the Purchaser reasonable prior notice in writing of the date on and the place at which any stores will be ready for inspection / testing as provided in the Contract.

27.15 QUALITY & CONDITION OF DELIVERY:

The Supplier guarantees that the delivery is of good quality and free from all defects and in the case of services rendered that they are performed by skilled personnel and that new materials are used.

The Supplier guarantees that the delivery corresponds exactly with the provisions of the agreement, the reasonable expectations of Purchaser regarding the characteristics, quality and reliability of delivery.

The Supplier guarantees that the delivery is suitable for the purpose for which it is intended by its very nature or which is evident from the specifications listed and from the order.

The Supplier guarantees that the delivery complies with legal requirements applicable in India and other (international) Government regulations, as applicable.

The supplier guarantees that the delivery complies with the customary norms and standards in the relevant branch of trade or industry.

The supplier shall be responsible for compliance with applicable technical, safety, quality, environmental requirements and other regulations in relation to his product, packaging, and raw and ancillary materials.

27.16 PAYMENT PROCEDURE:

All bills shall be submitted in triplicate to the concerned Accounts Department as per terms of the P.O. Whenever the terms of P.O. stipulate for balance payment, a separate bill in triplicate for the balance amount shall be submitted.

Payment shall be recommended / arranged only when supplies are made strictly in line with the supply schedule of the P.O. Requests for piece meal payments are making staggered supplies, deviation from the supply schedule, shall not be entertained.

All direct payment shall be made by E-payment mode only. In case of foreign supplier's payments will be made through bank based on the documentation as called in the relevant Purchase Order directly to the supplier's banker for credit to supplier's account.

27.17 APPROPRIATION:

BEML Ltd., shall be entitled to recover by appropriating in part or full any sum of money payable by the contractor under this contract or any other contract including contracts with other divisions of BEML. Shall the sum of amount recovered is not sufficient to cover the total amount due, BEML is entitled to recover such amount from the bills that becomes due or the contractor shall pay BEML the balance due.

27.18 In case of GST RN No. and other details to be furnished for compliance.

27.19 APPLICABLE LAWS AND JURISDICTION OF COURTS:

Indian laws both substantive and procedure, for the time being in force including modifications thereto, shall govern Contract. The competent Indian courts shall have sole jurisdiction over disputes between purchaser and the Supplier.

27.20 INTELLECTUAL PROPERTY RIGHTS:

If any Patent design, trademark or any other intellectual property rights apply to the delivery or accompanying documentation, Purchaser shall be entitled to the legal use thereof free of charge by means of a non-exclusive, worldwide, perpetual license. All intellectual property rights that arise due to the execution of the delivery by the Supplier and by its employees or third parties involved by the Supplier for performance of the agreement belong to Purchaser.

The Supplier shall be obligated to do everything necessary to obtain or establish the above mentioned rights. The Supplier guarantees that the delivery does not infringe on any of the intellectual property rights of third parties. The Supplier shall also be obligated to do everything necessary to obtain or establish the alternate acceptable arrangement pending resolution of any (alleged) claims by third parties. The supplier shall indemnify the Purchaser against any (alleged) claims by third parties in this regard and shall reimburse Purchaser for any damages suffered as a result thereof.

“The Supplier shall comply with all applicable Labour Laws, particularly Contract Labour (Regulation & Abolition) Act, 1970, ESI Act, Gratuity Act, Payment of Bonus Act, Payment of Minimum Wages Act, Provident Fund Act etc., and Rules framed therein from time-to-time and the Supplier shall indemnify BEML for any loss caused to it by reason of inaction, non-compliance etc., of the provisions of any Law by the Supplier”.

27.21 BRIBES AND GIFTS:

Any bribe, commissions, gift or advantage given, promised or offered by or on behalf of the supplier or his partner, agent or servant or anyone on his or on their behalf to any Officer, servant, representative or agent of BEML or any person on his or their behalf in relation to the obtaining or to the execution of or any other contract with BEML Ltd., shall in addition to any criminal liability which the supplier, may incur, subject the supplier to the cancellation of this and all other contracts with BEML and also for payment of any loss or damage resulting from any such cancellation to like extent, as is provided in case of cancellation under clause – 12 hereof. Any question or dispute of any offence under the present clause shall be settled by BEML in such manner and on such evidence of information as they may think it and sufficient and their decision shall be final and conclusive.

27.22 JURISDICTION:

Courts of Bangalore alone shall have jurisdiction to decide any issue / dispute arising out of the Arbitration or this Purchase Order in exclusion of all other Courts. However, jurisdiction of any other court may be accepted by mutual discussion and agreement by and between BEML and the Supplier.

27.23 ARBITRATION:

Disputes if any, arising between BEML and the supplier in connection with this Purchase Order or any other matters connected herewith, the same will be mutually discussed and settled, failing which, the disputes shall be referred to a sole arbitrator to be appointed by BEML. The arbitration / proceedings shall be in accordance with the provisions of Arbitration and Conciliation Act 1996 and Rules framed there under. The place of arbitration shall be at Bangalore or any other place mutually decided by and between BEML and the supplier and all arbitration proceedings shall be conducted in English language. The award of the sole arbitrator shall be final and binding on all the parties.

- a. In recent decades, there has been an increasing resort to arbitration as a mean of alternative dispute resolution with a view to reducing litigation and achieving quick and efficient settlement of contractual disputes. Arbitration as a remedy is based on explicit provision in a contract and is not a judicial process. Arbitration can cover a whole range of contractual matters, including disputes between private sector parties where the Government or a public sector undertaking is not involved.
- b. Arbitration is expected to provide several advantages compared to the process of litigation in the Courts:
 - i. Speed: It is expected to result in quicker resolution of disputes.
 - ii. Convenience and Technical Expertise: As it is not a judicial process, it provides greater convenience and less formality, enabling persons other than serving Judges (including technical experts) to act as Arbitrators. This may improve the quality of factual decision making, especially on technical issues.
 - iii. Finality: Under the Arbitration and Conciliation Act, 1996, the decisions of the Arbitrators are final, and grounds for challenge in Courts are very limited. Hence, finality is an expected benefit of arbitration.
- c. Recent developments, namely the enactment of the Mediation Act, 2023 and Court decisions, combined with the experience gained over many years have necessitated a re-examination of the Government's approach towards arbitration vis-a-vis other methods of dispute resolution, such as mediation and litigation.
- d. The Government (or a Government entity or agency) as a disputant has certain peculiarities:
 - i. The system of decision-making in Government involves accountability to Parliament. The law requires the Government to act fairly without arbitrariness. There are multiple levels of scrutiny before and after decisions are taken. Acceptance of an adverse award when judicial avenues are not exhausted is often perceived to be improper by various authorities, despite the 'finality' envisaged in theory.
 - ii. The necessity for fairness and non-arbitrariness makes it difficult to accept arbitration awards if they vary from the practice followed for other similarly-placed contractors who are not involved in the arbitration.
 - iii. Officers in Government and its undertakings are transferrable and hence the personal knowledge of an officer involved in an arbitration matter may not

be as deep as of the opposing private party. This handicaps the Government when presenting its case before arbitrators.

- e. Notwithstanding the expected benefits of arbitration, the actual experience of arbitration in respect of contracts where the Government (or a Government entity or agency, such as a public sector enterprise) is a party have been, in many cases, unsatisfactory in meeting the expectations:
 - i. The process of arbitration itself takes a long time and is not as quick as envisaged, besides being very expensive too.
 - ii. The reduced formality, combined with the binding nature of decisions, has often led to wrong decisions on facts and improper application of the law. The arbitral process being contractual and intended to be final with very limited further recourse, is also exposed, particularly in matters of high financial value, to perceptions of wrong-doing including collusion. It is noteworthy that arbitrators are not necessarily subject to the high standards of selection which are applied to the judiciary and to judicial conduct. Further, proceedings are conducted behind closed doors and not in open court. There have been judicial decisions regarding impropriety on the part of arbitrators and there is little accountability for such wrong decisions, if taken by arbitrators.
 - iii. The benefit of finality has also not been achieved. A large majority of arbitration decisions are being challenged in the Courts both by the Government (or its entity or agency) and by the opposite party, when the decision of the arbitrators is not to the satisfaction of either party. The expectation that challenge to arbitration award would be rare, has not been realised in practice. Therefore, instead of reducing litigation, it has become virtually an additional layer and source of more litigation, delaying final resolution. The objective of relieving the burden on Courts has generally not been achieved.
 - iv. The intended finality, though often not realised in practice, also has a bearing on possible civil and criminal actions, attendant to the subject matter of the disputes.
 - v. In many cases, a commercial and sensible practical approach if resorted to, may indeed amicably resolve the issues at the threshold, but the existence of an arbitration clause makes it easy for officers to avoid taking a decision by letting the dispute go to arbitration. Thereafter, in the adversarial process, realistic claims and counter-claims are often replaced by inflated claims, counter-claims or cross-claims and arbitral process many a time ends in concluding resolutions which are in-between or extreme in nature, when in reality, the intrinsic actual claims are far smaller.
- f. Adjudication by the courts is a remedy which always exists wherever there is no arbitration clause. However, another alternative to arbitration is mediation, which is a process whereby parties attempt to reach an amicable settlement of their dispute with the assistance of a third person (mediator) who does not have the authority to impose a settlement upon the parties to a dispute. There are successful

models of mediation/ conciliation being practiced in certain Government entities, for example in the oil and gas sector. Section 48 of the Mediation Act, 2023 allows the Government or any Government entity or agency to frame schemes or guidelines for resolution of disputes through mediation or conciliation, and in such cases, a mediation or conciliation may be conducted in accordance with such schemes or guidelines.

- g. Keeping all these factors in view, the following guidelines are issued for contracts of domestic procurement by the Government and by its entities and agencies (including Central Public Sector Enterprises [CPSEs], Public Sector Banks [PSBs] etc. and Government companies):
 - i. Arbitration as a method of dispute resolution should not be routinely or automatically included in procurement contracts/ tenders, especially in large contracts.
 - ii. As a norm, arbitration (if included in contracts) may be restricted to disputes with a value less than Rs.10.0 crore. This figure is with reference to the value of the dispute (not the value of the contract, which may be much higher). It may be specifically mentioned in the bid conditions/ conditions of contract that in all other cases, arbitration will not be a method of dispute resolution in the contract.
 - iii. Inclusion of arbitration clauses covering disputes with a value exceeding the norm specified in sub-para (ii) above, should be based on careful application of mind and recording of reasons and with the approval of:
 - a. In respect of Government Ministries/ Departments, attached/ subordinate offices and autonomous bodies, the Secretary concerned or an officer (not below the level of Joint Secretary), to whom authority is delegated by the Secretary.
 - b. In respect of CPSEs/ PSBs/ Financial Institutions etc., the Managing Director.
 - iv. In matters where arbitration is to be resorted to, institutional arbitration may be given preference (where appropriate, after considering reasonableness of the cost of arbitration relative to the value involved).
 - v. In matters covered by arbitration/ court decisions, the guidance contained in General Instructions on Procurement and Project Management dated 29.10.2021 should be kept in mind. In cases where there is a decision against the Government public sector enterprise, the decision to challenge/ appeal should not be taken in a routine manner, but only when the case genuinely merits going for challenge/ appeal and there are high chances of winning in the court/ higher court.
 - vi. Government departments/ entities/ agencies should avoid and/ or amicably settle as many disputes as possible using mechanisms available in the contract. Decisions should be taken in a pragmatic manner in overall long-term public interest, keeping legal and practical realities in view, without shirking or avoiding responsibility or denying genuine claims of the other party.

- vii. Government departments/ entities/ agencies are encouraged to adopt mediation under the Mediation Act, 2023 and/ or negotiated amicable settlements for resolution of disputes. Where necessary, e.g. matters of high value, they may proceed in the manner discussed below:
 - a. Government departments/ undertakings may, where they consider appropriate e.g. in high value matters, constitute a High-Level Committee (HLC) for dispute resolution which may include:
 - i. A retired judge.
 - ii. A retired high-ranking officer and/ or technical expert.

This composition is purely indicative and not prescriptive.
 - b. In cases where a HLC is constituted, the Government department entity/ agency may either
 - i. negotiate directly with the other party and place a tentative proposed solution before the HLC; or
 - ii. conduct mediation through a mediator and then place the tentative mediated agreement before the HLC; or
 - iii. use the HLC itself as the mediator.
 - c. This will enable decisions taken for resolving disputes in appropriate matters to be scrutinized by a high-ranking body at arms-length from the regular decision-making structure, thereby promoting fair and sound decisions in public interest, with probity.
- viii. There may be rare situations in long duration works contracts where, due to unforeseen major events, public interest may be best served by a re-negotiation of the terms. In such circumstances, the terms of the tentative re-negotiated contract may be placed before a suitably constituted High Level Committee before approval.
- ix. Approval of the appropriate authority will need to be obtained for the final accepted solution. Section 49 of the Mediation Act, 2023 is also relevant in this regard.
- x. Mediation agreements need not be routinely or automatically included in procurement contracts/ tenders. The absence of a mediation agreement in the contract does not preclude pre-litigation mediation. Such a clause may be incorporated where it is consciously decided to do so.
- xi. Disputes not covered in an arbitration clause and where the methods outlined above are not successful, should be adjudicated by the courts.
- h. General or case-specific modification in the application of the above guidelines may be authorized by the Secretary concerned (or an officer not below the level of Joint Secretary to whom the authority is delegated by him) in respect of Government Ministries/ Departments, attached/ subordinate offices and autonomous bodies, or the Managing Director in respect of Central Public Sector Enterprises including Banks and Financial Institutions etc.

Ref.: DoE, Min. of Fin., GOI- O.M. No. F.1/2/2024-PPD Dated 03.06.2024.

27.24 FORCE MAJEURE CLAUSE:

Notwithstanding anything contained in the Contract, neither the Supplier nor the Purchaser shall be held responsible for total or partial non-execution of any of the contractual obligations, shall the obligation become unreasonably onerous or impossible due to occurrence of a 'Force Majeure' conditions which directly affect the obligations to be performed by the Purchaser or the Supplier. Such events include war, military operations of any nature, blockages, revolutions, insurrections, riots, civil commotions, insurgency, sabotage, acts of public enemy, fires, explosion, epidemics, quarantine restrictions, floods, earthquake, or acts of God, restrictions by Govt. authorities over which the Supplier or the acts on which the Purchaser has no control.

The party claiming to be affected by Force Majeure shall notify the other party in writing without delay, within two weeks on the intervention and on the cessation of such circumstance. Extension of time sought by the Supplier along with supporting evidence and so granted by the Purchaser for the supply / work affected, if any, shall not be construed as waiver in respect of remaining deliveries. Notwithstanding above provisions, Purchaser shall reserve the right to cancel the order / Contract, wholly or partly, in order to meet the overall delivery schedule and make alternative arrangements including arrangements with third party for completion of deliveries and other schedules. Purchase may takeover partly processed material at a mutually agreed price.

27.25 DRAWINGS AND DOCUMENTS:

Drawings, technical documents or other technical information received by one party shall not, without the consent of the other party, be used for any other purpose than that for which they were provided. They may not, without the consent of the submitting party, otherwise be used or copied, reproduced, transmitted or communicated to third parties. The supplier shall, as per agreed date/s but not later than the date of delivery, provide free of charge information and drawings which are necessary to permit the Purchaser to erect, commission, operate and maintain the product. All intellectual properties, including designs, drawings and product information etc. exchanged during the formation and execution of the Contract shall continue to be the property of the submitting party.

27.26 NON-DISCLOSURE AND INFORMATION OBLIGATIONS:

The supplier shall provide Purchaser with all information pertaining to the delivery in so far as it could be of importance to Purchaser. The Supplier shall not reveal confidential information to its own employees not involved with the tender / Contract & its execution and delivery or to third parties. The supplier shall not be entitled to use the Purchaser's name in advertisements and other commercial publications without prior written permission from Purchaser.

27.27 PRICE, INVOICING AND PAYMENT:

The agreed prices are fixed prices in the currency as specified in the Purchase Order. They shall include packing, forwarding, loading and carriage to the place specified by the Purchaser and are inclusive of all applicable taxes, duties etc. except for those specifically agreed between the supplier and purchaser. The method of invoicing shall be without prejudice to the parties; agreement as to the place of performance. Invoices shall be submitted bearing the Purchase Order number & date, item number / s and supporting documents as called for in the Purchase Order.

27.28 FALL CLAUSE:

- a. The prices charged for the stores supplied under this PO by the supplier shall in no event exceed the lowest price at which the supplier sells the stores of identical description to any other BEML Office / Division during the pendency of this Purchase Order.
- b. If at any time, during the said period, the supplier reduces the sale price of such stores or sells such stores to any other BEML Office / Division at a price lower than the price chargeable under this P.O and the price payable under this PO for the stores supplied after the date of coming into force of such reduction shall stand correspondingly reduced.
- c. The supplier shall furnish to the consigned / paying Authority concerned for this PO the following certificate along with the invoice for the supplies effected under this PO. "I/We certify that the stores of description identical to the stores supplied to the consignee concerned under this PO have not been sold by me/ us to any other BEML Office / Division from the commencement of the contract upto the period of completion of delivery at a price lower than the price charged to the consignee concerned of this PO."
- d. Failure in submission of the aforesaid certificate by the supplier will result in with holding of the payment of their bills against supply, if any.

27.29 DURING ARBITRATION:

"Supplies under this Purchase Order, if reasonably possible, may continue by mutual agreement during the dispute / Arbitration proceedings".

27.30 PROGRESS REPORT:

The supplier shall regularly inform the progress of work and in such form as may be called for by the Purchaser from time to time. The submission and acceptance of such reports shall not prejudice the rights of the Purchaser in any manner.

27.31 CONTRACT VARIATIONS: INCREASE OR DECREASE IN THE SCOPE OF SUPPLY:

Purchaser may vary the contracted scope. If the supplier is of the opinion that the variation in scope has an effect on the agreed price or delivery period, purchaser shall be informed of this immediately in writing along with technical details, and in the event of additional work, submit a quotation with regards to the price and delivery period and the effect this scope will have on the other contracts under execution by the supplier. The supplier shall not perform additional work / altered scope of work without the written instructions / amendment to the Purchase Order to that effect. The Purchaser also reserves its rights to decrease the scope of supply placed against Purchase Orders under due intimation to the supplier. Such decrease may be warranted due to defective goods or Policy Decisions of the Management of the Purchaser. And in such an event, the Supplier shall not have any claims or right against the Purchaser.

27.32 PENALTY / LIQUIDATED DAMAGES:

The time or period of delivery as stipulated in the schedule of delivery shall be deemed to be essence of the Contract. Shall circumstances arise whereby the deadline for an agreed delivery date(s) or period(s) is expected to be exceeded, the Supplier shall inform Purchaser without delay that in such an event the Supplier shall bind himself to any of the

terms and conditions that may be imposed by the Purchaser. If delay in delivery is caused by any of the circumstances mentioned is on account of Force Majeure conditions prior to the scheduled / extended delivery or by additional work, if any, or by an act or omission on the part of the Purchaser, the Purchaser shall extend the time for delivery by a period which is reasonable having regard to all the circumstances in the case.

Alternatively, the Supplier, if foresees a delay in delivery may request for extension of delivery schedule without levy of LD. However, such requests should be made before lapse of delivery schedule. Purchaser, in consultation with Planning / user department with the co-ordination of Finance may extend the delivery schedule without levy of LD with approval of competent authority under applicable clause of SDoP.

Extent of LD applicable shall be determined as given below:

- a. If the Supplier exceeds any agreed delivery date(s) or period(s), Purchaser shall levy LD for such delay @0.5% per week (7 days) and part thereof, subject to a maximum of 5% of the value of the delayed portion of the Purchase Order.

OR

- b. In case of procurement made against a specific project / customer order, then the LD condition prevailing in such project / customer order shall be incorporated in all such tenders/ purchase orders provided this LD clause is more severe than the LD clause stated at (a) above.

The penalty / LD will be charged on the value of the Purchase Order excluding statutory levies, freight and insurance wherever not included in the price. Imposition, recovery or settlement of this LD shall not affect Purchaser's right to performance, compensation and termination of the agreement.

27.33 TRANSFER OF OWNERSHIP AND RISK:

The risk for the delivery remains with the Supplier until the goods are delivered at the agreed place. Title to the delivery shall pass on to Purchaser at the moment of delivery. Models, stamps, moulds, templates, dies, callipers, drawings and the like procured or manufactured by the Supplier in aid of the delivery, shall be deemed to have been made available to the supplier by Purchaser at the moment that these articles are delivered to the Supplier or have been manufactured by it. If Purchaser makes items available or is considered to have made items available to the Supplier in aid of the delivery, these shall remain or become the property of Purchaser and the Supplier shall be obliged to clearly mark these items as Purchaser's property and to make a declaration of ownership available if requested to do so. Items created by amalgamation, confusion or otherwise, become Purchaser property at the moment of creation. The supplier shall be deemed to have created the items for Purchaser and shall retain these new items as Purchaser property and make a declaration of ownership available to Purchaser if requested to do so.

27.34 SHORT SHIPMENT / WARRANTY / GUARANTEE REPLACEMENTS:

In the event of any short shipment during the initial supply, or in the case of any subsequent dispatches made by the Supplier towards shortfall quantities or as replacements under Guarantee or Warranty obligations, such supplies shall be dispatched as follows:

- a. Imported items shall be delivered on a **DDP (Delivered Duty Paid) – BEML Stores** basis; and
- b. Indigenous items shall be delivered on a **DAP – BEML Stores / designated destination** basis, unless otherwise specifically agreed in writing by BEML Ltd.

27.35 EXPORT ADMINISTRATION REGULATIONS:

If a delivery includes such technology and or supply that are subject to the export regulations, the Supplier shall obtain due permissions, approvals, license etc.

27.36 NON-WAIVER OF DEFAULTS:

If any individual provision of the Contract is invalid the other provisions shall not be affected. The failure of BEML to insist upon performance of the Contract to enforce any of the terms and conditions of this Contract or to exercise any right or privilege granted to BEML under this Contract or under law shall not be construed as a waiver and the same shall continue in full force and effect.

27.37 ASSIGNMENT OF RIGHTS AND OBLIGATIONS; SUB-CONTRACTING:

The Supplier shall not assign, transfer, or sub-contract the whole or any part of the Contract, or any rights or obligations arising therefrom, to any third party without the prior written consent of the Purchaser. Any permission or approval granted by the Purchaser for such assignment or sub-contracting shall not relieve or absolve the Supplier of its responsibilities or obligations under the Contract, and the Supplier shall remain fully liable for due performance of the Contract in all respects.

27.38 INTEGRITY COMMITMENT IN THE EXECUTION OF CONTRACTS:

Commitment by Purchaser:

Purchaser commits to take all necessary steps to prevent corruption in connection with the execution of the Contract.

Commitment by the Contractor:

The Contractor (s) commit (s) to take all measures to prevent corruption and will not directly or indirectly try to influence any decision for the benefit for which he is not legally entitled.

The contractor (s) will not commit any offence under the relevant Acts. The Contractor(s) will not use improperly, for purpose of competition or personal gain or pass on to others, any information or documents provided by Purchaser as part of business relationship.

The Contractor (s) will not enter with other Bidder (s) / Contractors (s) into any undisclosed agreement or understanding or any actions to restrict competition.

If the Contractor (s), before award or during execution of the Contract commit (s) a transgression of the above or in any other manner such as to put his reliability or credibility in question, Purchaser is entitled to disqualify the contractor (s) from the tender process or terminate the contract and / or take suitable actions as deemed it.

CHAPTER – 28 OUTSOURCING AND VENDOR DEVELOPMENT POLICY

28.1. OBJECTIVES OF OUTSOURCING

The OEMs of the Defence and Aerospace Industry worldwide play the role of System Integrators by Outsourcing a substantial part of the manufacturing process to vendors.

BEML also need to shift the strategy in similar way from vertical integration business model to system integration Business model. By adopting such a strategic shift, BEML can serve their ultimate customers in a better way. The Outsourcing efforts by BEML will add to their capacity enhancement, attain cost effectiveness and improve competitiveness in Global market. The other significant objective of this Outsourcing is to build a manufacturing eco system in the country to attain Aatmanirbharta. On the other hand participation of Indian private Industry will be an enabler in building technological and manufacturing capability inside the country.

Outsourcing shall be treated as a strategic enabler for capacity augmentation, business continuity, risk mitigation, lifecycle cost optimisation and alignment with Aatmanirbharta and self-reliance objectives.

28.2. DEFINITION & MEASUREMENT OF OUTSOURCING

Outsourcing is defined as the act of sourcing goods and services that go into the production of various products by BEML from Indian vendors. The outsourcing contribution is measured in terms of financial value. The formula to measure the outsourcing content of BEML can be derived as:

$$\text{VoO} = \text{VoP} - \text{DI} - \text{RM} - \text{IVA}$$

$$\% \text{ of VoO} = (\text{VoO} / \text{VoP}) * 100$$

Where

VoO : Value of outsourcing

VoP : Value of Production

DI : Value of Direct Import

RM : Value of Raw Materials purchased from domestic market

IVA : In – house Value Addition (In terms of money value) for conversion of raw materials & components to saleable product. Value Addition will not only cover manufacturing but also the services which adds into value of production.

In addition to financial value, outsourcing performance shall be measured in terms of reduction in import content, criticality of items outsourced, capacity enhancement achieved, and vendor capability maturity.

28.3. SCOPE & FEASIBILITY OF OUTSOURCING

- a. Source or product development
- b. Sub Contract
- c. Rate Contract
- d. Long term Contract

Outsourcing decisions shall be guided by strategic criticality, technology sensitivity, in-house capability, cost competitiveness, lifecycle supportability, and national security considerations.

a. Source or product development:

1. It is imperative to organize concerted efforts on a continuous basis to promote and develop indigenous sources of supplies not only for import substitution but also for developing alternate potential sources. The objective is to have alternate sources to be developed successfully to reduce our dependence on a single source and the attendant risks, besides to get the items at competitive prices.
2. In order to attain higher level of outsourcing by BEML the most significant step is to identify categories of Goods and Services in their yearly manufacturing program which can be considered for outsourcing. Possible categories of items may be broadly classified as under:
 - a. The first category of items will be the items which are low in cost generic in nature and less technology intensive e.g. Screw, Rivets, Bush, Bearings, Rubber items, springs, Wire harnessing, PCBs, Electrical motors, Filters, Transformers etc. They must be considered for outsourcing to private vendors / SMEs. The know-how & know-why available with BEML for such items are to be shared with Indian Private Vendors. It may not be economically viable for BEML to manufacture these items; therefore these items must be assigned to private industry. BEML shall not make future investment in manufacturing of such category of items, if capability and capacity is available with Indian Private Industry.
 - b. The second category of items will be the items which are manufactured by BEML under Transfer of Technology from Licensors / OEMs. Such items may need special manufacturing processes. The items may be Sub-system or System or higher assembly. Many sub-systems or systems are strategic in nature and in consideration of this; they may not like to outsource the entire Sub-system of System. However, machining & other operations which are not strategic in nature may be outsourced to Indian vendors. The necessary technical assistance like manufacturing drawings, 3D model, process documentation, quality process etc. may be shared by them with potential vendors for initial learning and operational acquaintance. Outsourcing under Transfer of Technology shall strictly comply with licensor conditions, restrictions, and confidentiality obligations.
 - c. The third category of items will be the items which are not so technology intensive but imported by BEML. Such items shall be identified and assigned to Indian vendors for indigenous development. BEML must extend technical assistance to vendors to develop such import substitution items. If required, financial assistance shall also be extended to the potential vendors during developmental phase, if any, shall be governed through approved schemes with defined milestones, risk-sharing mechanisms, and exit clauses. Suitable schemes may be drawn up by the BEML with the approval of their respective Boards/competent authority. Indigenous development of such items will reduce the import content and in due course of time Indian industry will attain process capability in manufacturing of such items.

- d. The fourth category of items will be those which are technology sensitive, strategic and complex in manufacturing. Invariably, Transfer to Technology is denied by OEMs/Licensors for such critical systems & subsystems. Many such systems & Sub-systems (Mainly Electrical & software oriented) also become obsolete and licensor / foreign OEMs refuse to support repair & maintenance for entire product life cycle. Even if they agree to support, they demand exorbitant support price. Hence, it becomes absolutely essential to develop/co-develop and indigenize these items within the country to achieve self-reliance. If required, financial assistance shall also be extended to the potential vendors during developmental phase. In order to attain self-reliance, there is a need to develop/co-develop and manufacture these systems and sub-systems in the country jointly by BEML and Indian Private Industry. The items which are specific to defence & aerospace, there is a requirement to frame a different vendor development policy which may be as follows:
- i. The category of items at b(i) in this para may not require different vendor development approach. These items may be manufactured by existing potential vendors with a degree of technical assistance and sharing of know-how and know worthy by BEML to vendors.
 - ii. The category of items at b(ii) in this para is basically related with manufacturing operations. Outsourcing of such operations and services may require a different approach for vendor development. Same operations can be done with the available machines and process capability of vendors and may not require any special assistance from BEML. However, if special operations and processes are required to higher assembly job to be out-sourced, degree of assistance from BEML may require technical, financial and consultative support.
 - iii. On many occasions, assistance may be required in the form of establishing in house facilities by BEML and making the facility available to vendors, providing test & inspection facilities, sharing of engineering details and process knowledge with vendors etc. There may be a possibility that a BEML have manufacturing infra structure but it may be not cost efficient to use the in-house or requisite skilled manpower is not available with them where as a vendor may have skilled manpower. This combination may be exploited by BEML by providing their facility to vendor under suitable arrangements. Such arrangements may be quite cost competitive and at the same time it may augment the available capacity utilization of BEML work centres. The other possibility may be that vendor has most of the machining facilities available at their premises but possibly inspection and test facilities not available with them. BEML may consider setting up the test inspection facility at vendors' premises. Such outsourcing and vendor development doctrine is pursued by ISRO, DRDO and many other PSUs and it has worked successfully both for buying organization as well for vendors. Such partnership and association among DPSU/OFB and their vendors which is called strategic alliance or collaborative strategy, help both the partners in reduction of capital cost, logistics cost, manufacturing cycle time, optimal utilization of available manufacturing and test facilities at DPSU / OFB work place etc. Synergistic

relationship may also be considered among DPSUs/OFBs by making consortium to harness the benefits of huge infrastructure, manufacturing and test facilities at their work centres.

- iv. The categories of items at b(iii) in this para are imported by BEML on regular basis to meet their production demand. For such imported items, a different vendor development approach may be required. This requires capability assessment of vendors, their willingness to take up development of such items, assessment of technological assistance, capital investment of such items, making firm long term orders / commitment by BEML to the vendor in post development phase and establishing a long term partnership. In broad sense such vendors development frame work is called hand holding and nurturing of vendors. It needs an explicit approach towards establishing strategic alliance with vendors.
- v. The next category of items at b(iv) in this para falls under “Technology sensitive strategic and complex in manufacturing”. This may require development / co development joint production of many systems and sub-systems specially in cases where transfer to technology is denied by licensors / OEMs. This sort of development / co-development and production business model needs an entirely different approach towards vendor development. Here, strategic orientation shall be to develop state-of-art technologies with long term vision by strengthening partnership with private industry to evolve internationally competitive Indian defence and aero space industry. To achieve such objectives, vendor development policy of BEML may be required establishing joint ventures with private vendors, acquisition of firms foreign and domestic, forming of consortium among BEML and vendors etc. The vendor development policy should result in products of premium quality. To achieve international quality bench mark, both the BEML and the vendor will have to work together to ensure that the vendor has stringent quality assurance system. As principals, BEML have to exercise utmost supervision over the quality assurance systems put in place by the vendor.
- vi. In each division, a team consisting of senior level of officers of Purchase, Quality and R&D should continuously establish alternate sources through EOI/Open Tender with regard to imports, indigenization and long standing single source items. This team will report quarterly to SBU head. Purchase department will furnish a list of single source items to this team with a copy to SBU head mentioning priorities.

28.4 Educational/developmental orders should be placed on the sources identified through EOI/Open tender for developing indigenous sources for import substitution as also for developing alternate potential sources. The development of alternate source will normally be attended to by the Purchase department with the involvement of Quality and R&D.

28.5 In the case of items to be developed through vendors, R&D will be the sole authority to finalize the design parameters, the type test to be done and fix a time frame for the vendor for manufacture. Only after the type approval is given by R & D, type test to be done and vendors should be followed up to supply these assemblies to production division. R&D shall

define development timelines and responsibility matrices. Delays beyond agreed timelines shall be reviewed at divisional level.

28.6 All items other than proprietary in nature should undergo alternate source development through EOI / Open Tender mode by referring to the team.

28.7 Generally, intricate and functional bearing items for Import substitution will invariably come under the purview of R & D Department.

28.8 While it is conceded that it may not be possible to follow the Purchase Procedure rigidly in regard to indigenizing the items for the first time, yet it is necessary to adhere to the essential principles of purchasing as far as possible in the matter of sending enquiries, calling the parties for negotiations and selecting the best offer. However, the objective shall be lifecycle cost competitiveness considering landed cost, logistics, duties, lead time, and strategic value.

28.9 In the case of very sophisticated high tech component, all out efforts to be made by R&D to develop alternate sources through EOI/Open Tender before contacting single source.

28.10 The procedure to be followed is broadly outlined below:

- a. At the design stage itself based on preliminary specifications and nature of item, keeping in view the functioning parameters and degree of technology involved, sources will be developed through EOI/Open Tender. Where an item to be developed is sophisticated in nature and needs special efforts to develop the raw material, Tooling and methodizing for the first time indigenously by a vendor, the single source as identified and approved by R&D can be contacted by the R & D Purchase group for a quotation. The expertise of the purchase department may be availed in locating the sources, wherever required.
- b. After a study of the literature / catalogue of the firms and their offers, R&D / indigenization development cell will decide on the most suitable offer/s which meets with the technical requirements or which can be adapted most easily commensurate with the cost.
- c. The reasonableness of the offer received will be assessed & where negotiation of price is necessary, the provisions are as under:
 - i. It is not mandatory to hold commercial negotiations in each case, particularly in open and limited tender cases, where the response has been substantial and the L1 price is found to be very close to the reasonable price, if such an assessment had been carried out prior to opening of the commercial bids. However, commercial negotiation may become necessary to ensure that the interest of the state is fully protected and the price paid is reasonable. Commercial negotiations are invariably conducted in case of single tender situations, including proprietary cases, or when price is considered high with reference to assessed reasonable price, irrespective of the nature of tendering. Such negotiations are invariably conducted by a duly appointed Commercial Negotiation Committee (CNC), which should invariably include a finance member.
 - ii. Counter offers to L-1 in order to arrive at an acceptable price, shall amount to negotiations. However, any counter offer thereafter to L2, L3 etc., (At rates accepted by L1) in case of splitting the quantities, as pre-disclosed in the tender shall not be deemed to be negotiation. The ratio of splitting the order shall be brought out in RFQ itself.

- iii. Further, the competent authority in exercising the power of accepting the tender or negotiate or re-tender should do so in a reasonable time. The model time frame for according such approval to completion of the entire process of award of tenders should be expeditiously completed without any delay.
- iv. If re-tendering is resorted to, due to unreasonableness of quoted price and the requirements are urgent and re-tender for the entire requirement would delay the availability of the items, thus jeopardizing the essential operations, maintenance and safety, negotiation with L1 for a bare minimum quantity can be permitted. The balance quantity should, however, be procured expeditiously through a re-tender following the normal tender procedure.
- v. In case of L1 backing out, there shall be re-tendering as per extant instructions.
- vi. Tender should invariably be finalized within the validity period and the following time schedule is to be followed:
 1. In case of Limited Tender, 60 days from the date of tender;
 2. In case of Open Tender, and where two bid systems are followed, it should be 75 days from the date of tender.
- d. Negotiations are to be minuted and signed by all the members of the negotiation committee along with bidders with schedule of delivery. Tooling and Development cost should not normally be paid to the vendor for development of the items, as a condition to accept the development order, as it should be treated by the vendor as an investment for his firm's business growth with BEML. However, in coordination with Finance & Purchase Department having regard to the quantity proposed and feasibility of availing this benefit in the subsequent Purchase Orders the payment may be decided as per following:
 - i. In regard to long term contract for supply of castings in rough/proof machined/fully machined condition, the rate is normally fixed on weight basis at "Rate per Kg" as quoted by the suppliers. However, it is necessary to have the rate fixed on "per piece" basis in respect of fully machined castings as components and also in the case of proof-machined castings when the item is developed and bulk supply is established. Considering the inherent but latent defects like blow-holes, hot tears etc., and consequently the high rate of rejections on the shop floor and the re-arrangement of facilities in the shop floor, it is preferred to procure castings in proof machined and/or fully machined condition.
 - ii. In the case of rough castings and proof-machined castings for new items, weight should be established for each item when the first batch of supply is received and the "established weight" will form the basis for regulating payment. Normally, the established weight need not be different for the same item, if obtained from different sources. In the case of proof machined castings the, machining charges should be worked out separately. The fixing of "established weight" calls for proper technical assessment in relation to the net weight of the component as per drawing so that payment on extra mass of weight is avoided. It is essential that the "established weight" is reviewed by the Purchase Department in conjunction with Product design department vis-a-vis the trend of the actual weight of the supplies received, on a quarterly basis for suitably scaling down the established weight, when a downward trend is perceived.

- iii. It is the responsibility of the Product design department to fix "established weight" in consultation with Quality engineering, production planning, purchase and Inspection departments, within a reasonable period. Generally, the established weight has to be fixed and communicated to Purchase department before the second batch of bulk supply is received. The officer in the Purchase department not below the rank of Grade III will approve the established weight and communicate the same to the supplier under intimation to finance, for regulating the payment for supplies affected as per the Purchase Order.
- iv. The enquiry papers with the quotations and the recommendations of R&D/indigenization development cell will be forwarded to the Purchase department to place the Purchase Order wherever R&D Purchase group is not placing Purchase Orders. The indenting department will follow up for supplies under intimation to Purchase department, who will also assist in following up for supplies, wherever required.
- v. In the case of Purchase Order for source/product development, there should be a clause calling for submission of sample, within a period of 6 months and bulk supply to commence only after our intimating in writing the acceptance of sample. In case sample clause is to be waived, the approval of AGM (MM) has to be obtained with reasons to be recorded in writing in consultation with R&D/Product Design department. Where acceptance of the sample is a prerequisite for bulk supply, the sample should be tried / tested and clearance should be given on priority basis without any delay for affecting the bulk supply.
- vi. A record will be maintained in R&D/indigenization development cell for each item taken up for indigenization and recording details about the number of firms contacted, number of valid quotations received, the offer selected/recommended for placing the order through Purchase department, a brief of the recommendations on the selected offer, special die or tooling charges/development cost for payment in lump sum or otherwise.
- vii. The same procedure as above will also apply in respect of development of items of R&D design.

28.11 Such orders placed will be normally with "open account" terms and supplies received and accepted would be issued for production without being allowed to be carried in stock. Where the samples require long time for clearance for bulk supplies and/or bulk supplies on the development order are not accepted within a reasonable time, adhoc payment on a reasonable basis can be recommended by Head of Materials Management. Open account terms shall be adopted only after assessment of vendor financial stability and past performance.

28.12 When once the items are developed indigenously the same will be deleted from imports and subsequent action for placement of further orders on such indigenous developed source/ sources will be taken on single or limited tender basis as the case may be. The above procedure may follow till further indigenous sources are developed based on the requirement. The subsequent requirement for imports (i.e. restoration) on any account should have the specific approval of competent authority with concurrence of finance. Restoration of imports shall be exception-based and supported by documented justification and indigenous source performance data.

- 28.13** The quantity ordered for trial/development purposes will not be reckoned for equipment coverage initially. However, this quantity will be adjusted in the equipment coverage later when the supplies are received and accepted after inspection in the normal course. The Planning/Purchase department has to keep a track of the quantity received for suitable adjustment in the equipment coverage with necessary control.
- 28.14** The quantity considered for placement of development order should be mutually acceptable taking into account the item involved, unit price, amount involved, tooling, and development expenditure, if any involved and economic batch quantity. The quantity ordered will not normally exceed 25 equipment sets. However, depending on the value of the item, cost of development, lead time etc. the competent authority with the clearance of MPC can take a decision if higher quantities are required to be ordered. In all these cases of development orders, the cost of pattern/Dies/Tools if payable should be paid to vendors only after they successfully produced a sample acceptable to BEML in all respects. Where the cost is proposed to be paid before the sample is developed and supplied with the approval of competent authority, payment may be made against Bank Guarantee as per CVC guidelines which should be valid till the commencement of bulk supply, and acceptance of the first batch of supplies. Development orders shall include milestone-based monitoring and exit clauses for non-achievement of technical or delivery targets.
- 28.15** Educational Orders: In cases, where BEML is not fully assured of the capability of the supplier/sub-contractor or where a parallel source of supply has to be established, it may be necessary to place an educational order for a small quantity on a supplier/sub contractor. The educational orders may be finalized on the basis of Quotations received against our tendering action, with the approval of competent authority. For educational orders the terms of payment should be "Open Account" and cost of Pattern/Die/Tool, if any, will be reimbursed by BEML, as per payment terms indicated in Chapter 15. Educational orders shall be time-bound and shall not be converted into regular sourcing without formal performance evaluation.
- 28.16 SUB CONTRACT:**
1. Sub-contract is normally resorted due to:
 - a. Facilities not available internally;
 - b. Cost Factor;
 - c. Lack of time to complete production target;
 - d. Company's policy;
 - e. Capacity Constraints;
 - f. Emergency in case of long-term shortage of operators and/or machine breakdowns
 2. Sub-contracting work will cover machining, fabrication and/or further processing like heat treatment, plating, shot/sand blasting etc., on BEML materials. Sub-contracting orders are purely labour contracts.
 3. In order to ensure optimum utilization of all general purpose machines on two shift basis and wherever applicable in respect of high cost/critical CNC machines on three

shift basis, on all seven days throughout the year, the work load against each work centre is to be assessed against each work centres, as per the production plan for the year. A 'Plant Balance' exercise has got to be carried out for all work centres and work centres identified having shortage of capacity or excess capacity. A Note, on this exercise, to be sent to concerned Director for his approval, by Chief of Planning from respective Divisions, duly certified by the SBU Head, with due co-ordination by SBU Finance Chief. Concerned Director would review the 'Plant Balance' of all the Divisions of BEML, to achieve optimum utilization of in-house plant and Machinery in totality and approve the extent of sub-contracting, in terms of SMH for different work centres. SMH thus approved will be treated as ceiling for sub contracting. The Division should then do detailed planning and recommend jobs to be sub-contracted and correlate each such request with total work centre wise approval given. Such of the jobs and to the extent approval will only be sub-contracted.

Depending upon the value of each sub-contract proposal, approval of the Competent Authority should be obtained in the prescribed format as per Purchase Manual and SDOP. The required approvals, as detailed above, should be obtained at least two months before the commencement of the production year. During the year, if there are any changes in the Production Plan, suitable adjustments in the SMH approved for sub contracting, to be carried out and approval of Functional Director for such changes should be obtained. Wherever sub-contracting is required owing to in-house facilities not available, separate note is to be initiated indicating parts to be sub-contracted, process required and value of the work to be sub-contracted and approval of Functional Director must be obtained. Copies of the approvals thus taken should be furnished to Purchase Scrutiny, to enable the Section to co-ordinate the relevant Purchase Orders.

The actual work sub-contracted should be within the approval taken and a quarterly report put up to the Head-SBU through Finance, to ensure that the actual sub contracting hours are well within the approved plan. For this purpose, the Purchase Order (internal worksheet) will indicate the component wise SMH linked to work centre.

4. Based on the approved plan for sub-contracting, the methods Planning department in consultation with Production Control, Production and IE departments shall draw a list indicating the items and the quantity against each item to be sub-contracted, and furnish to the Sub-contract cell. No MPR will be issued separately and this communication to the Sub-contract cell will form the basis for sub-contracting the work. The list should not include items/components ordered on suppliers for manufacture and supplying with their own materials which should be dealt with by the Purchase department as per the Purchase procedure. Also, Purchase department shall not deal with any sub-contracting orders, which require operation by the Sub contractors with BEML materials.
5. The sub-contract cell will identify, develop and select sources for sub-contracting AVL based on proper vendor evaluation. There should be an approved list of established sources updated periodically based on vendor rating/performance. The Purchase procedure as applicable to production items shall apply and order placed duly approved by the competent authority as per SDoP for sub-contracting. The cell will

conduct negotiations of rates keeping in view our estimated conversion charges as applicable for a small scale industry, as also quality, quantity, terms of payment, delivery schedule, quantity of raw materials etc. to be sent to the Sub contractor for processing the tendered quantity, normal wastage and value of off cuts/scrap to be deducted from fabrication charges, if not, returnable to BEML The internal estimates should be suitably adjusted in view of our high overheads and hence our estimates should not be compared with the quotes on a like to like basis without adjustment. However, due weightage can be given for quality, workmanship and dependability while estimating the costs and fixing up the prices. Emergent purchases to be made in line with the SDoP.

6. The sub-contract cell shall call for drawings from Design department wherever the drawings are not already available. The methods planning department shall also provide process sketches for the nature of work being sub-contracted either for already proved item in-house or new development or even for no in-house facilities and production control department shall make available to Sub-contract cell, the raw materials/components required for the Sub-contracted items to be sent to Sub contractors. The requirements of raw materials/Components will be indicated per unit of the item only (or) in multiples of 5/10/20 equipment requirements of the items and so on to minimize wastage, where the items to be fabricated by the sub contractors are small components involving ordering of economical lots. The estimated quantum of scrap arising from the raw materials/components to be provided by BEML should be indicated in the material list. Also, this material list will indicate the estimated SMH required for fabrication/processing of the items per unit (or) in multiples of 5/10/20 equipment requirements of the item and so on.
7. The sub-contract cell shall maintain a list of sub-contractors duly codified, with their addresses, and the nature of work done or capable of being done by them to BEML. Introduction of a new Sub-contractor and including his name in the list should have the written approval from the Chief of Materials Management. The sub-contractors as per the list will be contacted for our requirements.
8. A comparative statement will be prepared after opening the quotations, comparing the fabrication/processing charges etc., of various sub-contractors on a like to like basis. The sub-contract cell shall study the fabrication/processing charges quoted by the Sub-contractors with our estimates. Wherever the fabrication charges etc., indicated in the quotations are on the high side as compared to the estimates made by BEML, keeping in view the facilities etc., available with the Sub-contractors, the same may be negotiated with L1 source, if required who is dependable
9. The Sub-contractors shall accept the quantum of scrap indicated by BEML as returnable to BEML out of the raw materials/components supplied to them. The sub contractors shall be asked to give their Quotation for fabrication charges after taking into account income from scrap and also without taking into account the scrap income. The rate at which the scrap is priced must also be indicated by the Sub-contractors in their quotation. This will help BEML to take a decision whether to reduce the fabrication charges to the extent of scrap value and leave the scrap with the Sub-contractors (or) bring the scrap to BEML and pay the full fabrication charges to

the firms. On this basis the Purchase Order will be finalized and conditions explained clearly in the Sub-contract Purchase Orders. While sending the raw materials, it should be ensured that correct size of raw materials are sent by making an economical layout to avoid issue of higher quantum of raw materials to Sub contractors and to prevent the benefit of higher arising of scrap with sub-contractors than estimated.

Whenever there is a change in the size and quantum of raw materials supplied due to valid reasons, Sub-contract cell shall advise the revised quantum of scrap and consequential change in the fabrication charges to the sub-contractors for acceptance, under advice to Accounts. Amendment to the Sub-contract Purchase Orders will be issued. For deciding the competent authority for approval of a Purchase Order, value will be the value of labour and material together.

10. No materials shall be sent to the sub-contractors before release of Sub-contract Purchase Orders, after approval by the competent authority as per SDoP. Purchase Orders shall be released expeditiously within a month from the time the quotations are finalized.
11. The delivery of finished components/structures etc. should be completed within 180 days from the date of supply of raw materials/components to the sub-contractors by following the relevant provisions of the GST Act.
12. The approval of Purchase Orders shall be done as per the SDoP and as per the Purchase Procedure. However, the Purchase Orders can be signed and issued by the Sub-contract manager, in charge of the Sub-contract cell. The Sub-contract Purchase Orders shall be verified and co-ordinated by the Purchase Scrutiny Cell of Finance Department before approval and issue. The Purchase Order shall indicate the details of raw materials/components to be sent for the individual item to be fabricated /processed with material code numbers etc., and also the quantum of scrap to be returned to BEML, if the fabrication charges are not reduced for the value of scrap to be retained by the Sub-contractors.
13. Only eight copies of Sub-contract Purchase Order will be taken for distribution as under:
 - Vendor
 - Sub-contract accounts
 - Sub-contract cell
 - Stores
 - Inspection
 - Progress
 - Material Planning/Purchase
 - Material accounts

As per the purchase procedure, accounts copy and sub-contract cell copy of the Purchase Order only will be approved and authenticated by the approving

authorities. The Purchase Order issued should contain the concerned raw material code numbers (for despatch) and also the finished parts code nos. (For finished components) and all documents should indicate the correct code nos. of materials.

14. The materials may be sent by BEML and also collected by BEML from the Sub-contractor's, works wherever Sub-contractors are not agreeable to collect the raw materials from BEML and deliver the finished components to BEML and the fabrication charges do not provide for freight charges. Before the materials are sent, the same shall be weighed in the weigh bridge and weight indicated in the despatch advice and other documents where applicable and the sub-contractors acknowledgement taken on the despatch advice for having received the materials. Raw materials/components for sub-contracting should be loaded in the physical presence of representatives of sub-contract cell, stores, and security departments who will check the existence of Purchase Order and the conditions therein as also the documents made for despatch. The items will be pre-inspected at the premises of the Sub-contractor before they are collected /despatched, wherever such pre-inspection is required.
15. Before sending the materials to sub-contractors, the following documentation shall be done.
 - a. A Sub-contract Purchase Order will be opened under separate series giving full details, indicating quantum of raw materials etc., to be sent to the sub-contractor for fabrication/processing of the ordered quantity etc.,
 - b. MRs will be made quoting the sub-contract Purchase Order reference for drawal of raw materials/components.
 - c. MRs should be co-ordinated by Planning Department.
 - d. Materials will be drawn from Stores and movement arranged by the Sub-contract cell with proper Despatch Advice and Gate Pass. Despatch Advice should indicate Purchase Order number and Material Requisition numbers also among other details.
 - e. Delivery Challans as per GST.
16. It should be ensured that all the required materials for an item are sent together and not in an imbalanced way. To meet any production urgency and if any particular item is shortage for a required assembly, other items shall be sent to subcontractor for processing to avoid idle time or to reduce production delays. Also the materials should be sent in convenient batches depending upon the delivery requirements. This will eliminate the scope for diverting the materials by the sub-contractors, besides avoiding GST problems and delay in fabrication.
17. The sub-contract cell shall watch for the return of the fabricated parts/finished components and Receiving Reports / GRs should be finalized immediately by stores for proper accounting. Where the fabricated parts/finished components are directly sent to shops for use in Production, the same should have the co-ordination of the Progress department and both RRs / GRs and MRs should be finalized and released without any delay for proper accounting and payment to the Sub- contractors.

18. Where raw material/components are drawn and sent to shop floor for processing (like Heat treatment etc.) before despatch to the Sub-contractors, the MRs in such cases shall be made quoting the relevant production work order only. After completion of the required operations on the shop floor the items should be store credited against Stores Credit Notes quoting the production work order. The items will then be drawn through MRs quoting the relevant sub-contract Purchase Orders, for despatch.
19. Even if the processed items are despatched from the Shop floor, the above documents will be prepared to regularize the transactions.
20. A bank guarantees for a nominal amount of Rs.5000/- must be obtained from each Sub-contractor valid for a year, on yearly basis. Where the Sub-contractors are reliable and financially sound firms, Bank guarantee clause can be waived by the competent authority for which a note shall be put by the Sub-contract cell to competent authority through finance for approval. Unless the fabricated/processed items are received/ collected against the raw material/components sent earlier to the sub-contractor, further despatches shall not be made. Also the first off sample should be approved by BEML Inspection department, before bulk supply is effected and further despatch of raw materials/components can be made-only thereafter.
21. Material issued to sub-contractor for job work should have insurance cover. The scope of insurance coverage will be as per Purchase Manual which is as follows:
 - a. Loss of damages to materials despatched to contractors/ sub-contractors and/or their premises due to:
 - i. Whilst in transit (both ways) as per Purchase Manual.
 - ii. Fire and allied perils as per standard fire and special perils policy with earthquake extension.
 - iii. Burglary, theft, holdup, dacoity and robbery
 - iv. Accidental breakage including accident to carrying vehicles.
 - v. Infidelity of the contractors and sub-contractors including absconding.

At any point of time material issued to sub-contractors will not be more than Rs.25.0 Lakhs. However depending upon the nature of sub-contract work involved, material exceeding value of Rs.25.0 Lakhs may be sent with the written approval of Head-SBU.
22. In respect of supply of free supply items as in the case of Production of Rail coaches, although there is no value assigned to the free supply items, a quantitative record should be maintained by all the concerned sections. The value for the free supply items should be assigned at market rates and accounted outside the books of accounts to know the value of materials lying with the Sub-contractors and for reporting to Management. All the required documents will also be made as per this procedure.
23. The officials from Sub-contract cell will periodically visit the Sub-contractors works to ensure that BEML materials are kept safely for use as per the Purchase Order terms. A monthly status report should be furnished in co-ordination with accounts indicating the quantum of materials held by the Sub-contractors and action taken as a

follow up to get the completed components, to AGM / DGM(MM) / CGM. Necessary control register shall be maintained by the Sub-contract cell as per format F3 of Purchase Manual. A suitable clause should be included in the Purchase Order that the Sub-contractor shall be responsible for the safe Custody of BEML materials and any loss due to theft etc., shall be made good by the Sub-contractor.

In addition to the above, to ensure that the sub-contracted materials are used properly by the sub-contractor and no materials remain with sub-contractor beyond reasonable period following shall be ensured by each division:

- a. Committee to be formed in all divisions consisting of the following members to conduct physical verification of the material lying with the sub-contractors / vendors, on quarterly basis (without fail);
 - i. Sub contract
 - ii. Purchase (or) Stores,
 - iii. Finance and
 - iv. Internal Audit.

Committee nominations to be made by Department Heads on rotation basis for a period of one year.

- b. Wherever the Vendors/Sub-contractors are located near the Zonal / Regional / District office, communication to be sent to Zonal / Regional / District Manager concerned to depute a team (preferably Finance and Service representative) to verify the materials and send report to the Division concerned.
 - c. Divisions should ensure that, wherever work is completed and the material is no further required at the sub-contractor end, the same should be immediately brought back to the divisions.
 - d. If the material is still required at sub-contractor premises beyond one year, action to be taken to bring back the material from sub-contractor within the time limit and send back to the sub-contractor, to ensure GST compliances.
 - e. Quantity as per the Report has to be reconciled with the system qty and action for discrepancy if any to be taken with the approval of SBU Head within 10 days of the report.
24. It shall be ensured by the Progress department that the items sub-contracted to sub contractors are not loaded to the shops for production to the extent quantity sub contracted and the Job cards already issued to shops are cancelled (or) called back. No Job cards shall be issued in future for such operations sub-contracted outside except for items which have been sub-contracted due to shortage of in-house capacity.
 25. No extra facilities shall be given to sub-contractors either in the form of advance or in the form of issue of tools and jigs, testing gauges etc., on loan basis. However, where tools and jigs are required to be given to the sub-contractors on loan returnable basis, and fabrication charges accepted on that basis, it shall be approved by the Head-Materials based on request given by the sub-contractor and shall be indicated in the Purchase Order. Where these extra facilities are proposed to be given after release of

the Purchase order and Purchase Order does not contain a clause to extend this facility, the fabrication charges should be negotiated and reduced.

26. The Tools, Jigs, Gauges etc. will be issued to Sub- contractors against separate loan work order and the same should be watched for their return in good working condition within a reasonable time. The period of loan should be indicated in the loan work order and also in the Purchase Order. The payment of fabrication charges should be under "Open Account" terms only.
27. Normally, there should not be any rejections of the completed parts. If there are any rejections, the value of the materials/components proportionate to the rejected quantity of the completed parts shall be recovered from the sub-contractor. However, where process rejections cannot be avoided, it will be accepted on the merit of the case by a Committee consisting of the Chiefs of Sub-contract Cell, Inspection, Planning and Head-SBU. The Committee shall submit its recommendations to Business Group Head for approval. Copies of approvals should be marked to Material accounts and Sub-contract accounts for taking necessary action. The rejected items should be received in BEML and sent to salvage for disposal before approval is given. It should be noted that intricate castings should not be sub-contracted for machining. Wherever the order is cancelled fully or partially, BEML raw materials/components, if any, lying with the sub-contractors shall be collected back immediately.
28. Where the rejections are due to material fault as in the case of castings, which may be due to the supplier's fault, the cost of materials should be debited to the supplier of castings and cost recovered from him. PDOs raised for the rejections due to primary vendors fault at the receiving stage of the fabricated/processed items as per Purchase Orders shall indicate this fact very clearly, and a copy of the PDOs marked to Material and sub-contract accounts for necessary recovery and accounting action. A copy of the PDO should be sent to Purchase department for advising the vendor suitably.
29. All copies of PDOs raised at the Receiving Inspection stage of the items, should be marked to sub-contract accounts and Material accounts clearly indicating the Sub contract Purchase Order and receiving report references to enable the Sub-contract accounts to recover the value of proportionate materials for the rejected quantity over and above the approved rejections as per (28) and primary vendors fault, based on the advise given by the Material accounts. Sub-contract cell will also advise Sub contract accounts to recover the dues from the Sub-contractors against rejections, cost of materials etc.
30. Once in a quarter and as at the end of the year viz., 31st March of each year, the Sub contractors should be asked to certify the quantum of raw materials/components held by them in terms of quantity, as per our books of accounts after accounting all the transactions up to the close of the quarter / year. The sub-contract cell should obtain the confirmation within ten days time.
31. The points as mentioned in this procedure to take care of BEML's interests contractually shall be spelt out clearly in the Purchase Orders placed on the Sub contractors.

32. This procedure for sub-contract orders should be followed in the case of orders placed on the Ancillary units also. For any deviations, the approval of Division Head shall be taken in writing giving reasons for deviations, by the officer in charge of the Ancillary unit, with the co-ordination of finance.

28.17 JOB WORK PROCEDURE AS PER GST ACT:

- a. **Sec 143 (3) of CGST Act, 2017 - Inputs goods** - Where the inputs sent for job work are not received back by BEML after completion of job work or otherwise in accordance with the provisions of clause 143(1)(a) or are not supplied from the place of business of the job worker in accordance with the provisions of clause 143(1)(b) within a period of one year of their being sent out, it shall be deemed that such inputs had been supplied by BEML to the job worker on the day when the said inputs were sent out.
- b. **Sec 143 (4) of CGST Act, 2017 - Capital goods** - Where the capital goods, other than moulds and dies, jigs and fixtures, or tools, sent for job work are not received back by BEML in accordance with the provisions of clause 143(1)(a) or are not supplied from the place of business of the job worker in accordance with the provisions of clause 143(1)(b) within a period of three years of their being sent out, it shall be deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out.
- c. **Rule 45 of CGST Rules, 2017** laid the following conditions and restrictions in respect of inputs and capital goods sent to the job worker

The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker.

The challan issued by the principal to the job worker shall contain the details specified in rule 55. The details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter shall be included in FORM GST ITC-04 furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter.

Where the inputs or capital goods are not returned to BEML within the time stipulated in section 143, it shall be deemed that such inputs or capital goods had been supplied by BEML to the job worker on the day when the said inputs or capital goods were sent out and the said supply shall be declared in **FORM GSTR-1 and BEML shall be liable to pay the tax along with applicable interest.**

Following points need to be taken care:

- i. It shall be ensured that inputs goods are received back within 1 year and capital goods within 3 years.
- ii. If any of the goods were not received back within 1 year / 3 years and not declared in the returns, then GST Invoice is to be raised as per Rule 45(4) above.

28.18 RATE CONTRACT:

This refers to procurement of materials by availing the Rate contracts for placing either a supply order or a direct order availing the rate contract prices.

28.19 LONG TERM CONTRACT:

Long Term Contract is generally entered into with renowned and reputed suppliers for critical items of materials of high quality standards and where the sources of supply are limited. It will cover items like Castings, Forgings, Cutting Tools, Electrodes, Hardware items, Radiators, Non-project items etc., and finalized for a period of not less than one year and not more than five years at a time. Long-term contracts shall be preferred for capacity-critical and high-volume items to ensure supply assurance, price stability, and vendor investment.

28.20 VENDOR DEVELOPMENT FRAMEWORK FOR OUTSOURCING:

Identification of new vendors (Alternate Source): It has been a continuous process to identify and develop new vendors at BEML to bring in competition among the vendors and to reduce costs. The following methods are generally followed to identify potential, new vendors.

- i. Based on the market research and contact network
- ii. EOI is published in BEML Website
- iii. Participate in exhibitions, Trade fairs, etc.
- iv. Organize vendor meets

28.21 SELECTION OF POTENTIAL VENDORS:

- a. Based on the profile details received, vendors are evaluated by visiting and assessing their manufacturing facilities, quality systems, financial capabilities, etc. ISO certification is mandatory for a vendor to become a registered vendor to BEML.
- b. Upon ascertaining the capabilities of the vendors, they are added to our Vendor List provisionally and business opportunities are explored.
- c. Vendor evaluation for proper rating of the vendor will be done based on customer profile / facilities available etc.
- d. After placing development orders, if the performance of the vendors is found satisfactory, they will be upgraded as regular vendors.
- e. The selection of potential vendors for Rail Coach Components is based on approval by the ICF/RDSO.

28.22 REGISTRATION OF VENDORS:

Online Vendor Registration: In order to ease the vendor registration process, there is an online facility available for suppliers and the contractors to register and the inclusion in PVL/AVL will be done upon completing the regular evaluation process.

Vendors can also submit their profile separately and the inclusion will be done if they are found suitable during the assessment.

28.23 TENDERING:

The Company has made e-mode of procurement mandatory through GeM Portal. In case of non-availability of items such as Medicines, Works Contract, etc., in GeM Portal, tender to be published in GePNIC.

28.24 TENDER QUANTITY:

The quantity considered for placement of development order should be mutually acceptable taking into account the item involved, unit price, amount involved, tooling and development expenditure, if any involved and economic batch quantity.

The quantity ordered will not normally exceed 25 equipment sets. However, depending on the value of the item cost of development, lead time etc. the quantity could be enhanced after obtaining an approval from the competitive authority. Non disclosure agreements and non competitive agreement / exclusive right for the product are to be obtained from the firms for critical designs and drawings given by BEML.

In cases where tender is resorted to in two bid system i.e., Technical and Price bids, the essential Qualifying Criteria (QC) shall be prescribed in tender document. Non-compliance of bids to QC, which is essential for ascertaining the eligibility of bids, shall be rejected straight away. During evaluation and comparison of bid/s purchaser may ask the bidder for clarification of its bid. The request for clarification should be sought online / email. No change in prices or substance of the bid should be sought, offered or permitted. No post bid clarification at the initiative of the bidder should be entertained. Reasons for rejecting a bid shall be recorded and informed to the bidder/s.

28.25 PLACEMENT OF PURCHASE ORDERS:

Upon obtaining the quotations, the placement of Purchase Order and Procurement of material is done as per the procedural guidelines laid down in the Purchase Manual and SDoP on the technically acceptable.

28.26 TECHNICAL SUPPORT TO THE VENDORS:

Necessary technical assistance is being ensured by the Vendor Development Team while developing the samples by way of guiding the vendors on the process and the quality systems to be adopted.

28.27 VENDOR RATING:

Vendor rating shall be based on quality, delivery, responsiveness, cost competitiveness, and compliance. Low-rated vendors shall be placed under structured improvement plans.

28.28 VENDORS FROM DPSU'S:

The list of vendors is also being collected from DPSU's in order to explore and expand the vendor base.

28.29 UPDATION OF VENDOR MASTER (ADDITION / DELETION):

- a. Amendment in Name / Address of the firms, both project & non project, will be carried out in the system on obtaining communication from the firm with an authenticated document like MSME / Udyam Aadhaar / GST certificate etc., effecting the change.
- b. Amendment in category of supply in case of project vendors will be done in the system after carrying out the assessment of the firm and obtaining satisfactory recommendation with regard to the changed category.
- c. Updation with regard to contact details, MSME / ISO details etc. in case of both project & non project vendors are carried out on receipt of communication from vendors /

divisions.

(Approved by the Board No 332 dt 17.08.2016)

28.30 ENHANCED OUTSOURCING FROM INDIAN PRIVATE INDUSTRIES:

BEML recognizes outsourcing as one of the strategic tools to achieve cost benefits and also complement the strengths of private sector to build a strong industrial base. BEML is well on its journey to become a system integrator by outsourcing a substantial part of manufacturing activities from Indian vendors, enabling BEML to enhance the capacity, attain cost effectiveness and improve competitiveness in the global market. As a policy BEML is not making any capital investments where facilities are available in the Indian industry. To facilitate outsourcing, the company has well established policies, procedures and guidelines.

- a. New vendors can register through Online and link is available on BEML Website.
- b. New vendors are supported by way of imparting knowledge on manufacturing processes, specifications, quality plans, etc.
- c. BEML also extends its testing facilities on chargeable basis to its vendors wherever required.
- d. To attract new vendors, BEML resorts to publishing of Expression of Interest periodically, participation in all vendor development programs organized by MSMEs, CII, FICCI and other agencies.
- e. To enhance transparency in all its procurement processes, BEML has well established GePNIC.

28.31 BEML 'MAKE IN INDIA' DISPLAY CENTRE:

BEML has set up 'Make in India' Display Centre at our facility in Bangalore Complex, New Thippasandra, Bangalore – 560075, where prospective vendors can have access to samples, drawings and technical specifications. Interested vendors can visit the facility to explore opportunities to partner with BEML.

List of Items for Indigenization including Imported Component photos are available in BEML website for following business segments:

- a. Defence
- b. Mining and Construction
- c. Rail and Metro

CHAPTER – 29 CIVIL WORKS PROCEDURE

29.1 INTRODUCTION:

The administrative matters relating to Civil Works planning/execution of the Company shall be dealt by the respective Head-Construction at Corporate Office and Divisions.

The administrative matters relating to Civil works planning/execution at Zonal / Regional / District Offices shall be dealt in coordination with Head-Construction at Corporate Office by the Zonal Manager / Regional Manager / District Managers concerned.

Keeping in view the civil requirements, each manufacturing complex, has been provided with an independent civil set up primarily to cater to the civil construction/ maintenance requirements of the Divisions and townships.

29.2 AIM:

The Civil Works Contract Procedure aims at:

- a. Bringing uniformity in all the Divisions of the company in all matters relating to Civil Works.
- b. Keeping the over-all cost within the estimates.
- c. Ensuring quality work by engaging contractors with requisite skill and competence.
- d. Aligning with Government / Statutory / CVC guidelines as applicable.

29.3 TENDER COMMITTEE:

The objectives of Tender Committee are as under:

- a. Screening of tenders received
- b. Evaluation and recommendation of acceptable tenders.
- c. Carrying out the directions of the competent authority for effective execution and completion of Civil works

To achieve the above objectives, a 2-tier tender committee (CTC-I & CTC-II) has been constituted along with terms of reference, as per Appendix 'A' & 'B'.

29.4 APPROVAL:

Proposals for civil works (Capital / Revenue) shall be approved by the competent authority, after Finance Concurrence as per SDoP.

29.5 DEFINITIONS:

- a. **Administrative Approval including Technical sanction:** This term denotes in principle approval by the Competent Authority for the execution of work including the designs and drawings (wherever applicable), and detailed estimates of the cost of work for construction or repairs /maintenance as may be required and also incurring expenditure thereon subject to budget provision. No work shall be commenced or liability incurred in connection with it until administrative approval has been obtained from the competent authority. (In line with GFR 136).
- b. **Budget Provision:** This term refers to the provision of the cost of works in the Capital Budget or Revenue Budget as approved by the Board of Directors.

- c. **Chief Engineer:** Chief Engineer shall mean the Head of Construction / Civil Department nominated in the respective Divisions / Corporate Office. In respect of Zonal, Regional and District Offices, Zonal / Regional / District Managers shall discharge the role of the Chief Engineer. He shall be in-charge of all activities connected with planning of Civil Works including associated works etc., and co-ordination/Technical evaluation of construction proposals at respective divisions / Corporate Office / Zonal / Regional / District Offices. He will report to such executive as nominated by the respective Head-SBU / Head-Complex or Functional Director.
- d. **Competent Authority:** Competent Authority shall mean the authority competent to sanction/approve works in terms of monetary limits provided under the SDoP. The value includes cost of free supply items, if any, issued by the company.
- e. **Contract:** The Contract means the Work order against a NIT (Notice Inviting Tender), all documents relating to Technical and commercial bids, minutes of meetings like pre-bid meetings (if held), Techno-commercial discussion (if held), acceptance letter, approved BOQ, contract agreement executed between the company and the contractor together with the documents referred to therein including the terms and conditions with appendices and any special conditions with regard to designs, drawings and including such other relevant connected documents. All these documents taken together shall be deemed to form one contract and shall be complementary to each other.
- f. **Contractor:** The “Contractor” shall mean the individual and or partnership firm or joint venture company who has agreed to undertake the civil works and shall include legal representatives of such business entities.
- g. **Contract Sum:** Contract Sum shall be the accepted value of Contract originally awarded or amended from time to time.
- h. **Delayed offer:** In case of manual tenders, an offer posted on or before the closing date but received after the closing date is deemed as delayed offer. Such offer is identified and marked as “delayed offer”. Delayed offers shall not be considered for the purpose of tender evaluation and all delayed offers shall be returned with reasons in writing.
- i. **Engineer-in-charge/Officer-in-charge:** Shall mean the Officer nominated for the purpose of specific contract, who shall direct, supervise and execute the works. He will report to the Chief Engineer. In respect of Zonal, Regional and District Offices, he will report to Zonal / Regional/ District Managers.
- j. **Item Rate Contract:** This refers to the cost of the works arrived at, after extension of the quantities shown in schedule of quantities by the item rates quoted by the tenderer for the various items.
- k. **Measurement Book (MB):** Means the bound book, serially machine numbered and containing different number of pages, in which the execution of works are measured and recorded from time to time, for ascertaining the progress of the works as well as RAR payments.
- l. **Preliminary Committee for Major Civil Works:** This is an ad-hoc committee constituted by the respective Functional Director to address the specific user requests with the following terms of reference;
 - i. To assess the necessity for the proposed civil works duly considering the available facilities
 - ii. To identify the location.

- iii. To ascertain the scope of work, nature and size of the facility.
- iv. To prepare and submit formal proposal for the consideration of Management
- m. Site:** The Site shall mean the land, building/s and such other civil structure/s in/on which the work is to be executed under the contract, which is to be used for and in connection with the contract.
- n. Standard Schedule of Rates:** (Called in brief SSR) This refers to the Latest version of Military Engineering Services (MES) Standard Schedule of Rates applicable with percentage of escalation notified by MES from time to time if any, and this shall generally form the basis for all estimates and tenders.
- o. Term Contract:** Term or period contract is normally entered for a period not exceeding two years for attending to minor, urgent and miscellaneous civil works not exceeding Rs.4,00,000/- per job. It refers to Item Rate contract (rates arrived based on percentage escalation quoted by the contractors above the rates of latest version of Military Engineering Services (MES) SSR for corresponding section/ schedule items) for repairs/ maintenance jobs required to be taken up at short notice.
- p. The Company:** The word 'The Company' refers to 'BEML Limited'.
- q. Works:** Works includes all types of works connected with Development of land, Civil Construction, Structural works, interiors, design consultancy and Project Management, allied type of civil works pertaining to Mechanical, Fabrication, Electrical Installations, Air-conditioning, Erection of Plant and Machinery as well as civil maintenance and repairs thereto.

29.6 BUDGET:

- a. Budget for civil works:** The budget (Capital/Revenue) proposal duly approved by the Board of Directors for new capital schemes/facilities or replacements and also the revised budget approved by the board for the ongoing schemes/facilities including phasing of commitment and expenditure thereof. The Construction Department shall address the specific user request considering the necessity and the scope of the work, for the proposed civil works may be Capital or Revenue.
 - i. While considering the request by the user department, the construction department will examine the proposal to see whether the proposals are prima facie acceptable and whether the requirements of the user department cannot be met by any other alternative / more economical means. Where the construction department can suggest an alternative, this will be done under suggestion to competent authority to accord administrative and the remarks of the user department will be obtained. Where no alternative arrangement can be suggested or is acceptable to the user department, the construction division will examine the proposal from the feasibility aspect, draw up a rough estimate on a 'not exceeding' basis and also estimate the time required for execution of the work.
 - ii. Justification including the economics of the proposals shall be brought out clearly in the budget proposals.
 - iii. For new Schemes, requirement of other Allied Services to the buildings/ structures and other external services shall also be considered in totality so that the sanction covers the entire requirement. The estimates in the proposal shall be as realistic as possible for providing funds in the capital budget, keeping in view the

priorities and the alternatives. This shall also provide a dependable basis for assessing the offers received in the tender.

- iv. Full details in terms of plinth area, Quantity, specification and nature of works shall be furnished in sufficient detail providing for all the line items required for any civil work costing Rs.0.50 lakhs and above. Items for a work costing less than Rs.0.50 lakhs shall however be grouped under miscellaneous provision and a consolidated approval be taken.
- v. Sanctions for individual items not committed within the budget year shall lapse automatically. However, for such lapsed items, fresh sanction shall be sought in the ensuing budget year.
- vi. Completion report shall be furnished by the Civil Construction Department of the respective Divisions/ Corporate office / Zonal / Regional / District offices to Planning & Finance department in regard to schemes which have been physically completed and on which no further commitments or expenditure are considered necessary. The Construction Department in the Divisions / Corporate office / Zonal / Regional / District offices shall send a list of such completed items with full details to the respective finance heads for records.
- vii. The sanction reference given by the Corporate Office shall be quoted in all matters connected with the budget viz., reporting of monthly commitment and expenditure to the Corporate Office, Capital Appropriation Requests, Purchase Orders/Work orders etc. The Head-Civil Maintenance Department and the respective Planning Department of the Divisions shall monitor the Capital Budget Sanctions against each item with reference to commitment and expenditure and the same shall be reported to Corporate Planning Department through SBU Finance.
- viii. The phasing of commitment and expenditure shall be on a realistic basis.
- ix. In respect of sanctions which are already committed, the reporting of monthly expenditure shall be based on percentage of progress made / or payment made to the contractor whichever is higher.
- x. In respect of sanctions yet to be committed, the expenditure shall be estimated keeping in view the anticipated date of completion.
- xi. The estimation of expenditure shall include progress of payments made, cost of free supply of materials issued against individual works, duties and other taxes etc.
- xii. Projection of commitment figures in the budgets shall be based on the probable date by which the relevant contract for Civil Works likely to be released. Mere rising of Capital Appropriation Request (CAR) against a budget sanction shall not amount to commitment.
- xiii. After approval of the capital budget by the Board, Corporate Planning shall intimate the Divisions/ Corporate Construction Department / Zonal / Regional and District Offices the details of the sanctions approved. A list of sanctioned works Division-wise shall be kept by the Head of Planning Department of the respective divisions/Corporate Finance and Zonal / Regional / District Managers for civil works. Such details shall also be maintained by the Head of Civil Maintenance Department of the respective Divisions/ Corporate Construction Department

pertaining to their area. The site data required for planning purposes shall be furnished by the respective Construction Department.

29.7 ADMINISTRATIVE APPROVAL:

This term denotes approval by the competent authority for the execution of work connected with the requirements of the Company and incurring expenditure thereon, as per SDoP. The authority competent to accord administrative approval shall be as per SDoP subject to the budget provision and with Finance concurrence. Administrative approval for each work shall be obtained by the respective Construction Department of Divisions/ Corporate Office. In respect of Zonal, Regional and District Offices Corporate Construction Department shall co-ordinate on request of Zonal, Regional and District Offices. Administrative approval shall be accorded by taking into account the following:

- a. Necessity for the work
- b. Conforming to the policies of the Company
- c. Conformity with the scope of work laid down and
- d. Priority drawn up on the basis of urgency

The proposal shall also be co-ordinated by the Head of Maintenance of respective divisions in respect of Corporate Office by the Management Services Department under HR in respect of Zonal, Regional and District Offices by the HR Chief of Sustenance SBU before administrative approval is accorded. Any revision of the administrative approval within the ceiling authorised by the SDoP is permissible by the competent authority in consultation with Finance provided funds can be found from within the amount sanctioned for work after excluding savings on account of items abandoned.

As per GFR (General Financial Rules) 194 / 2016, works shall not be split up to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the order.

29.8 TECHNICAL SANCTION:

This refers to technical sanction to detailed estimates for works to be administratively approved by competent authority as per SDoP. The technical estimate prepared by the Head of Civil Maintenance departments of Divisions or a consultant appointed for the purpose shall be duly coordinated by the Head of Maintenance of the respective divisions. In respect of Corporate Office and Zonal / Regional / District Offices, technical estimates shall be prepared and coordinated by Corporate Construction Department. It implies approval to the design and drawings of the work proposed to be executed and sanction is accorded only when the competent authority is satisfied about the technical soundness of the proposal. For the purpose of comparison of rates, technical estimates shall be prepared based on the latest version of schedule of rates of MES SSR with appropriate escalation percentages issued by MES circulars from time to time and also provision towards contingencies and taxes as applicable. Wherever the rates are not available in MES SSR, the same shall be adopted from Prevailing Market rates. The technical estimates shall also include the cost of free supply of materials to be given by BEML to the contractor for the subject work. In case of major civil works and where the structural design, safety aspect and interiors are involved, the Chief Engineer shall recommend to obtain Architectural and Design Consultancy with the approval of the Competent Authority.

The administrative approval shall contain reference to Capital Budget Sanction. In case of works not sanctioned in the capital budget, the appropriate reference of SDoP under which the Administrative approval has been sought shall be mentioned. No technical sanction is required for minor civil works costing less than Rs.4,00,000/- ordered on Term Contract for repair/maintenance works. The objective of technical sanction is to ensure that:

- a. Extravagant scales are not adopted.
- b. The designs and specifications are sound, economical and adequate to fulfil the purpose of the works.
- c. The estimate for the work is as realistic as is possible at the time it is prepared.
- d. The materials and the execution of the work are according to the specifications.

29.9 EMPANELMENT OF CONTRACTORS:

- a. It is generally economical to carry out construction work through the agency of the Contractors. The timely and satisfactory completion of any civil works is, to a great extent, dependent upon the capability, resourcefulness and technical skill of the contractors. It is, therefore, necessary to classify the various types of works in relation to financial limits, keeping in view the required capability and technical skills for the purpose of grading the contractors commensurate with the importance and the value of the Civil Works. Accordingly, there shall be a system of empanelment and maintenance of approved lists of contractors duly classified under different slabs for each class/type of works and the approved list of contractors maintained class-wise/category-wise for each slab separately.
- b. The purpose is to contact the right source for right job for competitive offers and the Chief Engineer shall use his expertise in proper classification in terms of type of work, value and the degree of skill required for the work. Corporate Materials department shall ensure empanelment of contractors for local/repair works for Divisions and at Corporate Office, in consultation with Construction Departments of the respective divisions/Corporate Office through EOI in newspapers for value exceeding Rs.1.00 Crore (one crore) / Company website/ CPP Portal.
- c. The updation of the contractors list shall be done once in Two Years by Corporate Materials department. A committee comprising of the following members shall scrutinize the applications received based on the eligibility criteria fixed and the updated list shall be circulated to all Divisions/Regional and District Offices.

Committee Members:

- i. Chief of Corporate Materials – Chairman
- ii. Chief of Civil Maintenance Department of all divisions as members.
- iii. Rep. from Corporate Quality Department (Not below the rank of Grade III) - Member.
- iv. Rep. from Corporate Finance (Not below the rank of Grade III) - Member.
- v. Chief of Corporate construction department - Coordinator/Secretary.
- d. In addition, facility for submission of applications online for empanelment shall be made in the website, to enable the agencies to apply for empanelment at any point of time. Such applications shall be scrutinised from time to time, and the same shall be updated and circulated.

e. Eligibility and Qualifications of Bidders

- i. All eligible bidders meeting the eligibility criteria as defined in ITB can participate in the tender. The applicant should be a private or government-owned legal entity.
- ii. Bidder should have valid registration with Employees Provident Fund organization under 'EPF and Miscellaneous Provisions Act, 1952'.
- iii. For package size exceeding certain values [say - Rs. 10 (ten) crore], Joint Ventures may be allowed. Maximum number of partners in JV shall be limited (say – three). In case of JV, all the partners shall be jointly and severally liable for the successful completion of the work.
- iv. A firm that has been engaged by Ministry/ Department to provide consultancy services for the preparation or implementation of a project, and any of its affiliates (associates, subsidiary, JV partner), shall not be eligible for subsequently providing goods or works (other than a continuation of the firm's earlier consultancy services) for the same project.
- v. A firm determined non-performing by the Procuring Entity shall not be eligible to bid during the period so determined.
- vi. The bidder must not have in his employment:
 - a. The near relations (defined as first blood relations, and their spouses, of the bidder or the bidder's spouse) of persons involved in decision making in the procurement as listed in the Appendix to ITB.
 - b. Without Government permission, any person who retired as gazetted Officer within the last two years of the rank and from the departments listed in the Appendix to ITB.

29.10

- a. The types of works that are normally executed shall be classified under one or more of the following categories duly grading the jobs as minor, major, routine maintenance etc.,
 - i. Building and related Civil and structural Works, sanitary and water supply installations.
 - ii. Road and drains.
 - iii. Interior Decoration and associated civil works.
 - iv. Waterproofing and associated civil works.
 - v. Electrical works.
 - vi. Structural rehabilitation works.
 - vii. Acoustic/Insulation works.
 - viii. Other special jobs etc.
 - ix. Term Contract Works for minor Civil and allied works.
- b. The works under each type shall be further grouped slab-wise in relation to financial limits for the purpose of empanelling contractors as shown below. This shall facilitate better choice of contractors for each category of work for easy and efficient execution of the jobs.
 - i. upto Rs.5.00 Lakhs
 - ii. above Rs.5.00 lakhs and upto Rs.20.00 lakhs

- iii. above Rs.20.00 lakhs and upto Rs.50.00 lakhs
- iv. above Rs.50.00 lakhs and upto Rs.100.00 lakhs
- v. above Rs.100.00 lakhs and upto Rs.200.00 lakhs
- vi. above Rs.200.00 lakhs and upto Rs.400.00 lakhs
- vii. above Rs.400.00 lakhs

29.11 The contractor who is eligible for a particular class can quote for a lower class work also. The empanelment of contractors shall be made by inviting applications reckoning the following particulars:

- a. Professional competence.
- b. Nature of works in which the firm is experienced.
- c. Financial Standing and particulars of property.
- d. Organisational set up and Supervisory Staff.
- e. Facilities available.
- f. Statutory requirements viz., PAN, VAT, TIN, Service Tax Reg. No., etc.
- g. Contractors shall comply with the provision of ESI & PF Act.
- h. Any other information relevant to technical competency etc.
- i. The Contractor has to invariably obtain a Contractor's All Risk Insurance Policy before commencement of the work, which shall be valid till the completion of the contract and the possession of the work site is handed over to the Company.

29.12 The list of empanelled contractors shall be updated periodically as stated above in Para 29.10 with addition and deletions and got approved by the Management subject to detailed examination of the various aspects as given below. The additions shall be based on a thorough scrutiny of applications in our standard form and responses to our advertisement periodically and deletions based on unsatisfactory performance, unreliability, doubtful integrity etc., of Contractors. This list shall be the approved list of contractors and the empanelling authority shall have the right to suspend, remove, demote or black-list a contractor for adequate reasons and remove the contractors from the approved list in the interests of the Company.

- i. Technical capability and past performances, possessing adequate technical personnel and necessary facilities in the form of Machinery, Equipment, Tools and Plant etc.,
- ii. Financial soundness duly supported by bank reference, latest income tax returns, and any other supporting documents.
- iii. Empanelment with other well established organisations like CPWD, MES, State PWD, Railways, and other Public Sector Undertakings.
- iv. Status of any litigation/arbitration/blacklisting if any, with the Company/ any other Public Sector / any other Government Departments and its latest status.
- v. The main considerations are the financial status, capacity and experience of the contractor. The intending contractor shall produce proof of documents with financial limit of works for which he applies for empanelment as our approved contractors.

vi. While updating the new list, track record of already empanelled contractors has to be reviewed and deleted for:

- i. Poor performance,
- ii. Black listed by the Company / other PSUs or Ministry.

The new list would be circulated to all Divisions / Corporate Office / Zonal / Regional and District offices by Head-Corporate Materials.

vii. Whenever open tenders are floated with appropriate sanctions, for wider participation, the empanelled contractors shall be informed of such tenders to have wider participation.

29.13 EARNEST MONEY:

The bidders shall be asked to furnish bid security along with their bids. Amount of bid security shall ordinarily range between two percent to five percent of the estimated value. The amount of bid security shall be determined accordingly by the Purchase department and indicated in the bidding documents. The bid security may be accepted in the form of Account Payee Demand Draft, Banker's Cheque or Bank Guarantee from any of the commercial banks or payment online in an acceptable form, safeguarding the purchaser's interest in all respects. The bid security is normally to remain valid for a period of forty-five days beyond the final bid validity period. Please refer clause 29.15.

29.14 INTEGRITY PACT AGREEMENT WITH COMPANY:

Contractors shall enter into Integrity Pact with Company for contracts value as specified by the Company from time to time. The draft of the same can be downloaded from Company website. The original integrity pact duly signed shall be submitted along with the pre-qualification / technical bid.

29.15 MSE:

Civil works being works contract, MSE firms are not eligible for exemption under MSME Act such as EMD, Cost of tender form fee etc as per office memorandum F.No.1(3)/2018-MA, Part-III dated 25.03.2022.

29.16 TYPES OF CONTRACT:

Broadly, the Civil Works are divided into the following types:

- a. Item Rate Contract: Item wise bill of quantities of the work are given in the tender documents and the contractor shall fill the rates against each item and carry forward the total. The contract is accepted on the lump sum total thus arrived at. The work is measured item wise and priced at the rates quoted by the contractor.
- b. Term Contract: This refers to Term contract for repairs and maintenance jobs and minor works not costing more than Rs.4,00,000/- but requires to be taken up at short notice. An approximate indication of the work-load in terms of value for one/ two years for different types of work is indicated in the tender and a schedule of rates for each type of works is agreed upon in the contract by which the price to be paid for the work executed is regulated. The contract of this type is entered into with the

successful tenderer for a period for a period not exceeding two years and is concluded well in advance for ease of operation during the financial year. The term contract shall be finalised division wise by the Purchase Departments of respective SBU. In respect of Corporate Office, by Corporate Materials Department.

- c. On expiry of the contract, the validity of the existing Contract shall be extended with approval of the competent authority as per SDoP and with the acceptance of the existing Term contractor. Against the approved Term Contract, work orders shall be issued by the Purchase Departments of respective SBU. With a view to controlling the expenditure, there shall be Division wise/Corporate Office, budget sanction for Term Contracts for each year as shall be approved by the competent authority as per SDoP. The expenditure is monitored through various work orders placed under Term Contract during a financial year which shall be within the approved budgetary limit.
- d. Turnkey Contracts: Turnkey contracts may be adopted, wherever it is appropriate.

29.17 TENDER SYSTEM:

Tender system is adopted to secure the most competitive rates conforming to ethics of tendering. There are different types of tenders viz., Open / Public Tender, Limited Tender and Single Tender. Notice for inviting tender for Open tenders to be published in e-mode and uploading the tender documents in BEML Website & CPP Portal.

Tenders for works costing over Rs.1.0 Crore shall be uploaded on Indian Trade Journal in addition to uploading in BEML Website & CPP Portal.

29.18 PUBLIC TENDER / OPEN TENDER:

- a. In case of public tender/open tender, the tender notice shall be uploaded in Company Website and CPP Portal. It is mandatory for all Ministries/ Departments of the Central Government, their attached and Subordinate Offices and Autonomous /Statutory Bodies to publish their tender enquiries, corrigenda thereon and details of bid awards on the Central Public Procurement Portal (CPPP). If the department has its own website/ e Procurement Portal, it should also publish all its advertised tender enquiries on such website/ Portal also. GFR 2017 has dispensed with advertisements in Newspapers. However, in exceptional circumstances, procuring entities may issue the advertisement in newspapers as deemed it. Such advertisement should also consist of the link of website from where the detailed advertisement and bidding document can be seen and downloaded.
- b. The tender shall be published under two bid system, i.e., technical bid and commercial bid separately. After opening of the Technical bid, the bid shall be evaluated by the Construction Tender Committee. The commercial bids shall be opened only in respect of those technical bids which are technically accepted by the Construction Tender Committee.
- c. Tender Documents shall consist of tender notice, tender form, conditions of contract (general and special conditions etc.). If it is desired to release the advertisement in more than one English newspaper for wider publicity, approval of CMD is required. It is imperative that before inviting tenders, the following requirements are satisfied:
 - i. Budget provision
 - ii. Administrative approval of works by the Competent Authority.

iii. Bill of quantities.

29.19 LIMITED TENDER:

- a. The concept of limited tender is being restricted to empanelled contractors. LTE procedures should be default mode of procurement when the estimated value of procurement is less than Rs.5 lakh.
- b. In a Limited Tender, the tender forms shall be issued by the Corporate Materials in respect of Corporate Office /Purchase Department for the respective SBU and by tender committee/HR department for respective Zonal, Regional & District Offices based on the approved list of contractors as relevant to the value of works and the type, with reasons recorded for non-issue of forms to empanelled contractors wherever applicable.
- c. The Head-Corporate Materials Department/ Purchase departments of respective SBU is authorised to issue tender forms to any empanelled contractor in the approved list of contractors maintained by the Company, or the respective blocks for wider participation and better competition, while doing so, the competency and the technical skill required for executing the work shall be kept in view.

However, inviting limited tender requires the approval of Management.

29.20 SINGLE TENDER:

- a. Single tender is resorted to when the works to be carried out are of urgent nature or where technical needs of the works are such as to make open tenders inappropriate. Administrative approval with proper justification for single tender can be taken from the competent authority as per SDoP.
- b. In all matters of price/rate negotiation, Chief of Finance or his representative in the SBU shall be associated. The rates so negotiated shall favourably be comparable with the existing schedule of rates for similar work in the existing contracts.

29.21 PREPARATION OF BID DOCUMENTS:

The bid documents must be based on relevant Standard Bidding Documents (SBD) for the Type of Contract (Lump Sum, Item Rate Etc); Estimated Value range, Bidding System (Single bid / Two bid / PQB) etc. SBD for e-procurement would be slightly different from the traditional SBD. To ensure uniformity, the standard provisions in most sections of the SBD are to be used unaltered. Any modification to suit a unique requirement of the specific procurement in these documents is to be done through variable sections such as Appendix to Instructions to Bidders or Special Conditions of Contract (these variable sections may have different nomenclatures in some organisations). Normally, if the organisation does not have its own SBD, it may follow those of other Public Works Organisation like CPWD. Before floating the tender, the Bid Document should be approved by the competent authority. The contents of Bid Documents would therefore vary, but will generally comprise the following (some of these sections may be named or organised differently in some organisations):

Volume 1

- i. Notice Inviting Tenders (NIT)
- ii. Section I Instructions to Bidders (ITB) and Appendix to ITB (AITB)
- iii. Section II General Conditions of Contract (GCC)
- iv. Section III Special Conditions of Contract (SCC)

Volume 2

- i. Section IV Technical Specifications

Volume 3

- i. Section V Forms of Bid
- ii. Section VI Bill of Quantities
- iii. Section VII Standard Formats: Bid Security, Performance Security, Advance Payment Security, Form of Agreement
- iv. Section VIII Schedules for Supplementary Information
- v. Section IX Sample Forms for updating qualification information, and so on

Volume 4

- i. Section X Drawings

Volume 5

- i. Section XI Documents to be furnished by the bidder

29.22 AWARDING CONTRACT WITHOUT A TENDER:

In very exceptional cases, contract shall be awarded without calling for a tender subject to approval of the competent authority as per SDoP. These powers are to be exercised in emergent cases for reasons to be recorded in writing.

However, all other contractual procedures and documents (like acceptance of Work Order etc.,) except Contract Agreement shall be insisted upon for such emergent works having duration of less than 3 days.

29.23 TENDER OPENING AND TENDER COMPARATIVE STATEMENT:

- a. Time allowed for submission of open tenders shall be 21 days. For tender value more than Rs.10.0 Crore, 28 days tender submission time to be given. In case of emergent/fast track projects/works the time for submission of tenders can be relaxed with lesser number of days with due approval of Competent Authority
- b. Time allowed for submission of Limited Tenders where the tenders are sent to empaneled contractors shall be 15 days.
- c. All open tenders (uploaded on BEML website and CPP Portal) shall be issued under Two bid system with prequalification criteria. Approval of competent authority to be taken as per SDoP.
- d. The following are the Pre-qualification criteria to be incorporated in the Technical bid:
 - i. Average Annual financial turnover during the last 3 years ending 31st March of previous financial year shall be at least 30% of the approximate estimated amount stated in the tender documents.

- ii. EMD of required amount to be furnished in the form of Online Payment or Demand Draft or Banker's cheque or Bank Guarantee.
- iii. Integrity Pact Agreement to be executed by the contractor for estimated value of the works as specified from time to time and indicated in the NIT. The format of Integrity Pact to be duly signed and given by the bidder along with the tender documents.
- iv. As per Expenditure Management Commission, Government of India, (Recommendation No.71) solvency of the bidder and liquidity are important criteria to determine the capacity of the contractor, especially for large value contracts above Rs.10.0 crore. The Tender document for large value project shall also include the requirement of viable financial model to explain how the contractor proposes to fund the execution of the project.
- v. For tender value more than Rs.10.0 Crore, the Solvency Certificate for tender value shall be for an amount of 40% of estimated value of the tender and the same shall be given by a Scheduled bank in favour of the bidder and such solvency certificate shall be within a period of 12 months from the date of submission of the tender.
- e. Experience criteria to be fulfilled (CVC IOM No.12-02-1-CTE-6 dt. 17.12.2002): Experience of having successfully completed works of similar nature during last 07 years ending last day of the month previous to the one in which the tenders are invited shall be either of the following:
 - i. Three similar nature of works completed each costing not less than the amount equal to 40% of estimated amount of the tender;
 - or-
 - ii. Two similar nature of works completed each costing not less than the amount equal to 50% of estimated amount of the tender;
 - or-
 - iii. One similar nature of work completed costing not less than the amount equal to 80% of estimated amount of the tender;

Note:

- 1. The experience certificate shall be considered only in the cases of works completed in full and complete.
- 2. In case of experience certificate obtained from other than Government organisations/ Public Sectors, the same shall be supported with TDS certificate by the contractor.
- 3. In case of works combined with civil, electrical and utility services, the experience in similar nature of work shall include civil as well as electrical and utility services.
- 4. The meaning of "similar nature of work " for the purpose of tender shall be defined in the Notice Inviting Tender (NIT).
- 5. Valid license from statutory authority concerned shall be furnished for execution of specialized works including electrical works.
- 6. ESI and PF: The contractors are required to comply with the provisions of ESI & PF act.
- 7. If the work order commencement date is before 7 years and completion is within 7 years, the value of work completed within 7 years period shall be considered for

the work experience value. Year wise work completion value certified by Chartered Accountant shall be obtained for the same.

- f. In case of manual tenders & pre-qualification bids received through manual mode, the same shall be opened by the tender opening section under the Purchase Department of the respective SBU / Corporate Materials Department in the presence of nominated Committee and attest the tender documents with date and initial as per the tender opening procedure.
- g. The tender opening Committee shall consist of representatives from Purchase and Finance. In respect of Zonal, Regional and District Offices, the tenders shall be opened at the respective Offices, in the presence of nominated Committee.
- h. A comparative statement shall be prepared with reference to the bill of quantity as per the tender documents, recording the rates quoted by the various contractors, the value of each item of work and the total value as quoted by the contractors.
- i. The comparative statement shall be checked by finance with respect to the tenders received before it is put up for approval.

29.24 SELECTION OF OFFERS AND ACCEPTANCE OF TENDERS:

- a. The lowest tender only shall be accepted. The technical estimate shall provide a basis for assessing the reasonableness of the lowest tender. For this purpose, the item-wise rates shall be broadly checked by the Construction Tender Committee for any abnormality. Item wise rates having low freak rates shall be examined to see if the tender as a whole is workable. Where the tender is found unworkable, the same shall be rejected by the Construction Tender Committee. Clarifications, if any required, on technical matters in the technical bid submitted by the bidder, and shall be obtained by the Construction Tender Committee to evaluate the tender in right perspective. After the opening of the commercial bid and preparation of the price comparative statement, and arriving of L1 bid, with due approval of the competent authority, techno-commercial discussions can be held with L1 bidder to obtain price advantage for the Company and such price negotiation shall be conducted by the Construction Tender Committee. A note of approval shall be put up for placement of work order based on such price negotiations, if any held, to the respective Competent Authority as per SDoP.
- b. When it is approved, acceptance of tender shall be intimated in writing to the Contractor.
- c. The Contract Agreement shall be signed on a Non-Judicial stamp paper of a requisite value by the contractor or his legal assignee and the Head-Materials in SBU / Corporate Office and Zonal / Regional / District Manager's in ROs / DOs as per SDoP.
- d. The standard format of Contract Agreement as at Appendix-C shall be adopted. Any deviations from the standard format shall be with the approval of competent Authority with the concurrence of Legal & Finance.
- e. A work order number linking to the relevant contract shall be assigned for accounting purposes by the Purchase Department concerned of the respective SBU / Corporate Materials department. In respect of Zonal, Regional and District Offices, by the respective Zonal, Regional and District Managers.

- f. The original contract agreement, bill of quantity, the terms and conditions, details of free supply materials to be issued by the Company to the contractor, general and special conditions, Contract Acceptance letter, original CAR policy, etc., shall also be forwarded to Accounts Department for making payment.

29.25 RE-TENDER:

Re-tendering is not to be resorted to in the normal course. However, re-tendering shall be considered in the following exceptional cases;

- a. When the prices quoted are considerably very high/very low.
- b. When it is suspected that there is a ring existing and price have been manipulated.
- c. Material change in the basic specification has been introduced after receipt of tenders.
- d. None of the offers meet the desired specifications and pre-qualification of tender criteria.
- e. L1 Firm withdraws the offers or do not agree for extension of validity when it becomes necessary.
- f. When there is a sudden slump in the market which is to be approved, sustained and justified.
- g. Due to any other criteria as found by the Construction Tender Committee.

Re-tendering when resorted to shall be only after obtaining the approval from the Chief of the Division / Complex.

29.26 NEGOTIATIONS:

- a. Negotiation in respect of all matters relating to tender value, rate, shall be based on the recommendations of Construction Tender Committee I or II.
- b. Negotiation shall be conducted by the Construction Tender Committee I or II and the recommendation of the Committee to be recorded in writing, a copy of which shall be kept in the relevant tender file. A fair approach and advantage to the Company shall be kept in view. In case of exigencies where it is not possible for the Chairman of Construction Tender Committee I or II to be present for the negotiation, he shall authorise a representative to attend the negotiation on his behalf. Negotiation shall be held with L-1 agency only with due approval of the Competent Authority. In case L-1 backs out there shall be a retender with the recommendation of CTC I or II and with due approval of the Competent Authority. Such L-1 firm which has backed out shall not be considered for re-tender.

29.27 SECURITY DEPOSIT:

- a. The successful tenderer shall be required to furnish security deposit for the fulfilment of contract and the amount shall be 10% of the value of the contract, to be paid by the contractor. No waiver can be allowed in this regard. Such security deposit shall not entail any interest payment on refund.
- b. The contractor shall choose any one of the following options for payment of security deposit in writing as under:

- i. The contractor shall within 30 days of acceptance of the contract deposit, the difference between Earnest Money and full Security Deposit by Online Payment / Demand Draft/ Banker's cheque drawn on any of the commercial bank made in favour of Company. PEMD held with BEML cannot be considered for such adjustment in the Security Deposit payable by the contractor.
- ii. Performance Security is to be furnished by a specified date [generally 21 (twenty one) days after notification of the award] and it should remain valid for a period of 60 (sixty) days beyond the date of completion of all contractual obligations of the contractor, including Defect Liability Period (DLP).
- iii. Security Deposit amount shall be deducted from the running bills of the contractor at the rate of 10% or higher of the gross value of each bill. However, the entire security deposit amount shall be deducted before completion of 90% of work.
- c. The above deposit shall be held by the Company as security for the satisfactory performance of the contract. All compensations or other sums or money payable by the contractor to the Company under the terms and conditions of this contract shall be deducted from this security deposit or from any other sums that shall be due, or shall become due to the contractor by the Company on any account whatsoever and in the event of the security deposit being reduced by reasons of any such deductions the contractor shall within ten days thereafter make good these deductions.

29.28 REFUND OF SECURITY DEPOSIT:

- a. The above deposit, as the name itself signifies, shall be held as Security for performance of the contract. One half of the Security Deposit i.e. 50% shall be refunded to the contractor on completion of the contract based on the recommendations of the Chief Engineer in writing that the work has been physically completed in all respects.
- b. The balance 50% of the security deposit shall be refunded to the contractor on written demand from the contractor after the expiry of the DEFECT LIABILITY PERIOD or on payment of final bill whichever is later, with the recommendation of the Chief Engineer, provided the Chief Engineer is satisfied that there are no dues outstanding against the contractor. If the Security Deposit is in the form of Bank Guarantee, on completion of the contract, the contractor can give a fresh Bank Guarantee for 50% of the total security value for a period required by BEML and the original Bank Guarantee shall be returned thereafter on written demand from the contractor and shall be released subject to rectifying all defects noticed during the defect liability period indicated by BEML.
- c. Any refund of security deposit shall be made only with the recommendation of the Chief Engineer.

29.29 TENDER COMMITTEE:

- a. A Committee known as Construction Tender Committee is constituted to aid decision making in the awarding of Civil Works Contracts. For this Purpose, a committee shall be constituted drawing members from appropriate level based on the nature of tender and tender value for selection of contractors, scope for negotiations etc., recommend acceptance of tenders etc., in accordance with prescribed terms of

reference. The constitution, terms of reference and the tenders requiring reference to Construction Tender Committee are furnished in Appendix - A (for CTC-I) and Appendix - B (for CTC-II).

- b. All proceedings of the CTC must be clearly recorded before the approval of the competent authority is obtained. Recommendations of the CTC shall be recorded in the file relating to the particular work. Based on the recommendations of CTC, the tender shall be accepted by the authority competent as per SDoP. In making their recommendations, the Committee shall also take into account the technical competency and financial status of the contractor whose tender is recommended for acceptance. Cases where the approving authority has over-ruled the observations of Finance shall be reported to the next higher authority for approval.

29.30 EXECUTION OF WORK:

- a. The Engineer-in-charge /Officer-in-charge nominated by Chief Engineer shall supervise the execution of works by the Contractor. He shall authorise drawal of materials from the stores in convenient batches as shall be required against the contract, to be supplied by the Company.
- b. The issue of materials shall be regulated in conformity with the planned progress of work so as to keep the excess issue within limits. Contractors' materials brought to site shall also be regulated in relation to planned progress of works. The Engineer-in charge/Officer-in-charge shall not only supervise the work but also record the measurements at every stage in the measurement book (MB). The measurements recorded shall be in agreement with the details of bill of quantity. The progress of works with Cumulative quantities shall be recorded. For all the hidden work like reinforcement, excavation, foundation concrete, masonry below ground level etc., measurements shall be recorded in the measurement book as the work progresses. In regard to other than hidden work, there shall be kutchha recording of the measurements to be transcribed to measurement book so as to ensure that the recordings in the MBs are full and complete up to the previous RAR stage.
- c. Alternatively, where it is feasible to quantify the stage-wise work done correlating with the Bill of Quantities as in the case of building, the Engineer-in-charge/ Officer-in charge shall submit a work-sheet indicating the stage-wise percentage of progress and value duly linking up with the Bill of quantities. However, before the final bill is accepted, complete measurement shall be recorded on the measurement book by the Engineer-in charge/ Officer-in-charge and accepted by the Contractors.

29.31 EMPOWERED PROJECT TEAM FOR LARGE VALUE PROJECTS (REF. NO.16/1/2016-PPD DTD 04.08.2016 - EMC):

As per Expenditure Management Commission, Government of India, for large value projects a dedicated and competent project team shall be constituted and such empowered project teams are tasked only with project execution and not given any other operational duties. This team shall be constituted with due approval of Management.

29.32 MEASUREMENT BOOK (MB):

- a. Independent Measurement Book (MB) shall be maintained for each contract. However, a consolidated MB shall be maintained for Term Contracts.
- b. Payment for all works done and for all supplies is made on the basis of measurements recorded in the Measurement Books. The MB must, therefore, be treated as the base record for payments. Even where it is feasible to quantify the work done correlating stage-wise with the bill of quantities as in the case of building, complete measurement shall duly be recorded in MB by the Engineer-in-charge/Officer-in-charge nominated by Chief Engineer and also accepted by the Contractors, for making payments. All the MBs shall be machine numbered and the unused books shall be kept in the custody of the Construction Department in the respective Divisions/Corporate Office.
- c. The issue of MBs relating to the contracts shall be regulated by the Construction Department of the respective Divisions/Corporate Office and all the measurements shall be individually recorded in the relevant MBs. The RAR Payments recommended by the Engineer-in-charge/Officer-in-charge at each stage shall be based on the measurement recorded in the MB.
- d. The measurements are to be taken jointly by Officer concerned and the contractor/ his representative and recorded in the MB as duly concurred by the contractor/ his representative. Correction in MB, if any required, shall be carried out by the Officer concerned, simply striking through at once, and duly attesting the same with initials and date. The technical check of the measurements recorded in the MB at the RAR stages shall be exercised by the superior Officer of the person recording such measurements in the MB and duly attest such check in the MBs with initials and date.
- e. However, the final check measurement on completion of the job shall be done by the Chief of Civil Construction Department. The Technical Check so exercised shall be recorded in the MBs with dated initials of the Chief of Civil Construction Department.

29.33 RUNNING ACCOUNT REMITTANCES (RAR):

- a. During the progress of work, contractor shall submit the claims giving complete details of work done, rate and value to the Engineer-in-charge/Officer-in-charge nominated by Chief Engineer who shall certify the rate and quantity as per the MB and prepare a statement showing the description and quantity for which he recommends payment.

These claims are called RAR bills and RAR payments are made once in a calendar month or more depending upon the periodicity of contract/progress of work.

- b. Where the RAR payment is based on the measurements recorded in the MB, the recommendation for payment shall be stage-wise co-related with the bill of quantities.
- c. Due to technical reasons, where pro-rata payments on stage-wise progress of work is considered necessary though not specified in the contract, the Chief Engineer with the approval of competent authority, shall decide the number/type of stages correlating with the bill of quantities and submit a statement showing the stage-wise break-up of the contract value indicating work progress details including percentage of completion, cost, and remarks, if any, of the Engineer-in-charge/Officer-in-charge

with a copy to Accounts in the respective SBU for regulating the quantity and payment. This shall form the basis for the Engineer-in-charge/Officer-in-charge to prepare a bill for actual progress of work. The basis as decided above shall uniformly be adopted for regulating all RAR payments till the final bill is submitted.

- d. However, in respect of hidden works, recording of measurements in MB shall invariably be made then and there and the MB produced to Accounts at the time of RAR payment.
- e. Accounts shall arrange payment for RAR bills within a fortnight's time from the date of receipt based on the certification of the Engineer-in-charge/Officer-in-charge and after necessary check/verification.
- f. As per Expenditure Management Commission, Government of India, (Recommendation no.76) in large projects above Rs.10.0 Crore, 50% of running bill amount shall be released within 7 days of submission without a detailed check on the claim. The balance shall be released after the claim is scrutinized as per procedure, in order to get more competitive bids and for speedy execution as cash flow is a critical requirement in a project. The clause shall be incorporated in the Tender documents.
- g. As per the terms & conditions of the contract, the contractor shall also be paid 'Material Advance' for the material brought to site for incorporation in the work duly certified by the Engineer-in-charge/Officer-in-charge. For such materials brought inside by the contractor, the contractor has to produce necessary test certificates from reputed Testing Laboratories for steel and hypothecation deed duly executed by the contractor in favour of the Company on a non-judicial stamp paper of requisite value.
- h. Payment of 'Material Advance' shall be recommended by the Engineer-in-charge/Officer-in-charge for materials required to be used in the works as per the planned progress of work. However, payment of material advance against materials brought to site by the contractor ahead of scheduled progress of work shall be considered not exceeding 75% of the value of such material in exceptional cases with the approval of Competent Authority, with justification recorded in writing. The payment terms of the Contract conditions shall also permit for making such Material Advance payments.
- i. RAR payments shall be regulated to the extent of the value of work done, with due adjustments for recoveries and other payments (including material advance/adhoc payments made if any) effected so far against the contract.
- j. Civil /maintenance works at the Zonal, Regional & District Offices shall be executed by the nominated Officer at Zonal / Regional / District Offices as duly monitored and certified by the Committee headed by the Zonal Manager / Regional Manager/ District Manager, formed for the work at the respective Zonal / Regional /District Office against the bill submitted by the contractor.

29.34 ISSUE OF MATERIALS:

- a. The issue of materials, custody and usage at the work site shall be duly co-ordinated by the Engineer-in-charge/Officer-in-charge nominated by Chief Engineer. All documents relating to drawal, movement and return of surplus materials for store credit shall be authorised by the Engineer-in-charge/Officer-in-charge.

- b. Materials shall be issued to Contractors at prescribed rates as mentioned in the schedule 'B' of the contract. While regulating the issues, the Engineer-in-charge/Officer-in charge shall ensure the reasonableness of the quantity of the materials drawn in relation to planned progress of work so as to keep the excess issue within the limits. The Engineer-in-charge/Officer-in-charge shall ensure the following upon completion of the work/contract:
- c. As per GFR 2017, in case of materials issued to contractor, the cost of which is recoverable from him, the acknowledgement shall have full particulars of the materials issued, including the recovery rates and the total value chargeable to the contractor.
 - i. To return the surplus materials physically lying in the work site to stores under stores credit within 30 days from the date of completion of the work. This shall be subject to clearance by inspection based on which Stores Department shall accept and account the surplus materials.
 - ii. Material reconciliation statement duly reconciling the total issues/drawals of materials with the actual quantity of materials used in the work as recorded in the MB, by taking into account the wastage allowance at permitted limits.
 - iii. The surplus materials returned under Stores Credit but physically lying at the work site shall be compared with the actual position obtainable on material reconciliation for such further action as shall be necessary.

29.35 CUSTODY AND CONTROL OF MATERIALS:

- a. The contractor has to ensure safe custody of the materials properly storing them in the work site godown earmarked as such and shall be made available for verification by the Engineer-in-charge/Officer-in-charge nominated by Chief Engineer at any point of time.
- b. This shall also include the materials purchased by the contractors and brought to site. Materials in the site shall be identifiable with specific work and normally there shall be no diversion of materials to other work/works, without the permission of the Engineer in-charge/Officer-in-charge nominated by Chief Engineer in writing.
- c. In respect of cement, the godown shall have double lock arrangement with one key in the custody of Engineer-in-charge/Officer-in-charge so as to ensure that the drawals from the godown are made with the knowledge of the contractor / his representative and the Engineer-in-charge/Officer-in-charge. The materials drawn from the godown shall be recorded by the Engineer-in-charge/Officer-in-charge, in a separate register duly certifying the physical balance periodically.
- d. After completion of the work, a reconciliation statement of materials issued to the contractor and quantity required for the work done as per the MB calculated on the basis of co-efficient and wastage allowance indicated in the contract shall be prepared and placed on the records, under a copy to Accounts department along with the final bill fully disclosing the disposition for excess drawals/issues duly linked up with Store Credit number, date and quantity to the extent surplus materials were returned by the contractor and Stores credited, by the Engineer-in-charge/Officer-in-charge.

- e. In respect of scrap materials, the quantity and gate pass reference shall also be recorded.
- f. The cost of the balance unreturned surplus materials, if any, shall be recovered at double the rate specified in schedule 'B' of the contract for materials agreed to be supplied by the Company plus 10% thereon towards handling and storage charges for free supply items. The Company shall agree to supply structural steel items at rates prescribed in the contract, depending on the importance of the work. The respective Chief of Division shall arrange for procurement of cement in convenient batches dove-tailed to the planned progress of work in consultation with the Construction Department of the respective Divisions / Corporate Office / Zonal / Regional and District Offices.
- g. As regards structural steel items, the respective Chief of purchase shall take procurement action based on the projections made by the Chief Engineer who shall furnish size, specification, and description of the item, quantity required and the schedule of issues.

29.36 FREE SUPPLY OF MATERIALS:

- a. Normally, materials shall be issued to contractors at rates prescribed in schedule 'B' of the contract. However, the Company shall opt to issue specified materials as "free supply" depending on the importance and specific requirements of the work and the prevailing market conditions. It shall be imperative that the following pre-conditions are fully met before materials are issued as "free supply" against any contract/works.
- b. Specific approval of Competent authority as per SDoP with the concurrence of Finance department before the tender is floated, indicating the description of materials, quantity and estimated cost considered for issue as "free supply" based on the recommendations of the Construction Tender Committee. The approval for the same shall be obtained along with administrative approval.
- c. There shall be a specific clause in the Tender Documents and the contract covering the following aspects:
 - i. Specified Materials for issue as "free supply" indicating wastage allowance permitted
 - ii. The surplus materials of "free supply" lying in the site on the date of completion of the contract/work shall be returned by the contractor soon after completion of the work and in any case within 30 days from the date of completion of the work duly supported by a store-credit note authorised by the Engineer-in-charge/Officer-in charge.
 - iii. The cost of surplus materials of "free supply" unreturned as determined between the total issues and the quantity of materials used in the contract as recorded in the MB taking into account the wastage allowance permitted less the quantity of materials returned to stores under store-credits shall be recovered at double the rate specified in schedule 'B' of the contract plus 10% thereon towards stores handling charges.
 - iv. A bank guarantee has to be furnished by the Contractor for the value of the material planned for issue as "free supplies" so as to ensure safe custody and usage thereof.
- d. In the case of tenders where it has been decided to issue specified materials as "free

supply" the monetary limit for acceptance of the tender by the Competent Authority as per SDoP shall be inclusive of the cost of free supply materials.

29.37 VALUATION OF DEVIATIONS:

- a. As per Expenditure Management Commission, Government of India, (Recommendation no.77) to overcome the delays in post contractual period, when a variation/deviation is required to be exercised, in the contract a time schedule shall be included for critical decisions (approval of variations) during post contractual period in the Tender/Contract document, for large value projects.
- b. The justification for deviations whether as per the requirements of the user Department or for technical reasons shall accordingly be indicated by the Construction Departments of respective Divisions / Corporate Office / Zonal / Regional and District Offices in the note for administrative approval of Competent Authority as per SDoP. If the deviation is as per the requirements of the user Department, its co-ordination shall be obtained before the commencement of deviation work. (It is in line with GFR 136)
- c. Every deviation shall be subject to the limits specified as under:
 - i. The net value of all deviations (additions and deductions) including non tendered items, of the value of work completed, shall not exceed 20% of the approved contract value. In case the deviations exceed 20% of the approved contract value, then such deviations shall be treated as amendment to contract and shall accordingly approval shall be obtained from the authority higher than the authority who has approved the contract.
 - ii. Even in cases where, the net value of all deviations excluding non tendered items is less than 20%, of the approved contract value, but more than 40% in respect of any individual item, indicated in schedule A-BOQ, then such deviations shall be treated as amendment to contract and accordingly approval shall be obtained from the authority higher than the authority who has approved the contract.
 - iii. In case of non tendered items, the total value of such non tendered items shall not exceed 5% of the approved contract value. In case the deviations exceed 5% of the approved contract value, then such deviations shall be treated as amendment to contract and approval shall be obtained from the authority higher than the authority who has approved the contract.
- d. The basis for ascertaining the non tendered items shall be as follows:
 - i. The value of all deviations shall be ascertained by measurements, on the basis of the rates or prices for similar work in the bill of quantities of the same contract in so far as such rates or prices apply.
 - ii. Where the rates or prices in Bill of Quantities do not apply, the value shall be based upon rates or prices deduced there from to the extent practicable to do so.
 - iii. The rates for Non Tendered (NT) items shall be based on the SSR rates after proportionate adjustment in comparison with the tendered rates of like items in the contract. The basis to be adopted for working out the NT rate is the comparison of the NT item with similar trade item in the bill of Quantity for which the contractor has quoted.

- iv. Wherever NT items cannot be deduced from the like items quoted in the tender or SSR rates, market rate shall be allowed based on vouchers/invoices as per the actuals including transportation, labour etc., plus 10% overheads and the labour rate shall be taken as per minimum wages in force, based on the recommendations of the Chief Engineer.
- v. The contractor shall provide the same make of fittings/fixtures specified in the tender documents unless he has quoted for other equivalent for genuine reasons. In case due to exigency of the work and difficult market conditions, the contractor is not able to provide the same make, he shall be allowed to provide equivalent approved make subject to his obtaining the concurrence of the Chief Engineer for the price adjustment as between the quotation and the purchase price for the item involved. The base for reckoning shall be the date of purchase. The contractor shall produce purchase invoice as a proof of expenditure for the items other than those specified in the tender documents allowed for incorporation in the work. Construction Department in respective Divisions / Zonal / Regional / District Offices shall ensure the reasonableness of the rate in the purchase bill produced by the contractor. The price adjustment shall be the difference between the two makes on the date of purchase.
- vi. As a last resort a tender shall be floated to ascertain the rate for NT items. All Deviations in contracts for works including non-tendered items shall be approved by the Competent Authority as per SDoP within the limits prescribed in the contract. The deviations and NT items shall be technically checked and processed by the respective "Engineer-in-charge/ Officer-in-charge" in concurrence with Finance Department of the respective SBU.

29.38 CLASSIFICATION OF SOIL:

- a. In the course of execution of Construction work, it shall be necessary to examine the strata of soil actually encountered for proper classification to assess the deviation from the contract awarded relating to the initial earth work and the classification of the soil based on the classifications given in "MES SSR". For this purpose, a Committee is constituted consisting of the following members:
 - i. Civil Engineer in-charge of the respective Division/Corporate Office.
 - ii. Chief of Maintenance in the respective Division/Corporate Office.
 - iii. The member nominated by the Chief of Finance Department in the respective SBU/Corporate Office.
- b. The composition of members of this committee shall be varied to suit the organisational structure in the division, as shall be authorised by the Chief of the respective Division.

29.39 COMPLETION CERTIFICATE:

- a. As soon as the Contractor completes the work assigned to him the same shall be inspected and if found satisfactory shall be taken over by the Chief Engineer. A "Completion Certificate" shall be issued to the contractor within 30 days from the date the contractor has given request for the same. If there are minor defects which can be rectified even after the building has been taken over, the defects shall be listed

out and the contractor shall be asked to rectify the same before the final bill is submitted. The final bill along with the completion certificate duly certified by the engineer in charge/ Officer in charge shall be submitted to Finance Department for payment. The completion certificate shall have the following details:

- i. particulars of the work and Contract Number
- ii. the date of work order to commence the work,
- iii. date of completion as per original contract agreement,
- iv. actual work done value.
- v. extension of time if any, granted,
- vi. date on which contractor was required to complete the work.
- vii. actual date of completion and taking over by BEML.

29.40 LAYOUT DRAWINGS/REVISED CONTRACT VALUE:

As a supporting document for capitalisation of work, a copy of the original drawing incorporating modifications as actually executed with service points clearly indicated shall be sent to Finance Department along with the final bill. A copy of this drawing incorporating the modifications and indicating the service points shall be sent to the Maintenance Department also for their reference and records. With the modifications incorporated, it is necessary to prepare a revised estimate including all deviations and non-tendered items, duly approved by the competent authority as per SDoP, before final bill is settled for the work.

29.41 FINAL BILL:

- a. On completion of the work and the recording of measurements in the MBs, a final bill shall be submitted by the contractor. On receipt of the final bill duly signed by the contractor, the same shall be scrutinised by the Engineer-in-charge/Officer-in-charge to see that the claim is in order.
- b. The final bill prepared by the Construction Department and accepted by the contractor, shall be accompanied with the following documents:
 - i. Original Completion certificate
 - ii. A statement showing stores issued for incorporation in the work, stores actually incorporated by the contractor, theoretical quantity of stores required for work and whether there has been any over issue/under issue of the stores to the contractors.
 - iii. No claim certificate duly signed by the contractor
 - iv. Original Contractor's All Risk Insurance Policy covering up to the actual date of completion of work.
 - v. Contract Agreement
 - vi. Revised estimate as duly approved by Competent Authority.
 - vii. ESI & PF statement duly co-ordinated by Welfare Section.
 - viii. Measurement books duly technically checked by Construction Engineer.
 - ix. Any other documents which are specified by the Management from time to time.

- c. The Engineer-in-charge/Officer-in-charge has to certify in the work Completion certificate as well as in the Measurement Book, that the work is executed in conformity with the contract specification, drawings and other conditions. The final bill duly checked and co-ordinated by the Engineer-in-charge/Officer-in-charge shall be sent to the Finance Department through Chief Engineer along with the documents stated above.
- d. Normally, the final bill is to be paid within 125 days from the date of completion of the work. However, efforts shall be made to pay the final bill within 100 days. To ensure prompt payment of final bills, the time schedule indicating the outer limit as given above shall be strictly adhered to by all concerned.

Person/Department Responsible	Nature of Document/Work	Time limit (outer limit)
Contractor and engineer – in - charge/Officer-in-charge	To submit the Final bill to Accounts Department, after ensuring that the work is executed in conformity with the contract specification, drawings, and other conditions, detailed checking of final bill & measurements of recordings in the MBs and to endorse as "technically checked" in the MB, in all its aspects including material reconciliation statement, etc	75 days from the date of completion of the work.
Finance	To check the final bill for correctness in all respects duly linking up with the rate analysis for non tendered items, Measurement books and to prepare remittance voucher, and to make final payment by Accounts Department.	150 days for the date of receipt of final bill from Construction Department.

- e. The Chief Engineer shall be responsible to monitor the overall progress of work and ensure timely completion of the work and to ensure that the payment is made to the contractor as per the time schedule indicated above.

29.42 PRE-FINAL RARs:

- a. Pre-final RAR is raised only when the work is completed and the complete measurement is recorded in the MBs by the Engineer-in-charge/Officer-in-charge designated by Chief Engineer duly accepted by the contractor.
- b. Pre-final RAR shall be sent to the Accounts Department by the Engineer-in-charge/Officer-in-charge only after Technical check of the measurements and endorsement in the MBs by the Chief Engineer.
- c. The Engineer-in-charge/Officer-in-charge shall recommend for payment not exceeding 90% of the value of work completed with due adjustments for recoveries and RAR payments (including Material advance if any) effected so far against the contract.

- d. Such bills shall be paid within 2 weeks from the date of their receipt in the Finance Department after scrutiny and check for the correctness of the bill duly linking up with the Mbs.
- e. The recommendation of Pre-final RAR is based on the discretion of the Chief Engineer on case to case basis.

29.43 ADHOC PAYMENTS:

- a. If payment for final bill could not be arranged within 125 days from the date of the completion of the contract for genuine reasons other than undue delay in submitting the final bill by the contractor, an Adhoc payment not exceeding 90% of the value of the work done after making all necessary deductions for statutory dues, RAR payments, Material advances if any paid, shall be recommended by the Chief Engineer with the approval of respective Complex Chief. Such adhoc payment can be recommended only if the contractor is having concurrent running contracts in the Complex.
- b. The following guide-lines shall be adopted while making such adhoc payment:
 - i. Such payment shall not exceed 90% of the final bill value.
 - ii. All conditions of contract and recoveries to be effected shall be taken care before effecting adhoc payment.
 - iii. If a contractor has no other contract concurrently running in the Division, adhoc payment need not be made. Instead, final bill shall be expedited and paid atleast within six months from the date of completion of the contract.

29.44 DEFECT LIABILITY PERIOD:

- a. Normally the period of maintenance for all the works shall be one year. However for special cases, viz., water proofing contracts etc., the Defect Liability Period shall be based on case to case basis at the discretion of the Chief Engineer.
- b. Similarly there could be certain special works for which Defect Liability Period shall not be applicable. For example: survey of land etc.
- c. The applicability of Defect Liability Period or otherwise, has to be decided by the Chief Engineer with specific approval of respective Complex Chief.
- d. During this period, the contractor shall be responsible to rectify all the defects noticed and attributable to the work done by him in respect of works executed by him. As soon as any defect in the work comes to the notice, the Chief Engineer shall inform the contractor, in writing, to rectify the defect and inform him that in case he fails to do so within a reasonable time, the Company would rectify the defects at his risk and expense as per the conditions of the contract.
- e. If the contractor does not attend to the rectifications inspite of repeated requests, the Company shall proceed at his risk and expense and get the work completed. The cost incurred by the Company shall be recovered from the defaulting contractor. The Company shall forfeit the balance 50% of the Security Deposit retained and adjust this amount against the expenses so incurred. The balance amount, if any, after recovering the expenses incurred shall be refunded to the contractor. In case the amount available is insufficient to cover the expenses in full, that portion of the

expenditure still remaining unadjusted shall be recovered from any of the subsequent bills due for payment to the contractor against any other contract.

- f. Even after such adjustments, the amount available is insufficient to cover the expenses in full, the Company reserves the right to take legal course of action to recover such unadjusted amount.

29.45 EXTENSION OF TIME:

- a. For all contracts awarded, time is the essence of the contract. The contractor is bound to complete the work within the stipulated time. The Chief Engineer has to assess the delay arising out of default of the contractor. Where the delay is due to default of the contractor, and if there is no financial loss due to such delay, the Chief Engineer can recommend for grant of extension of time by the authority as per SDoP.
- b. Where the delay is due to default of the contractor, and if there is a financial loss due to such delay, the extension of time requires the approval of competent authority as per SDoP. In the absence of competent approval, Liquidated Damages for delay in completion of the work shall become enforceable.
- c. Where the delay is not due to default of the contractor, for example: - a) not providing clear work front to the contractor by the Company, b) Company's delay in decision making for changes relating to original work., etc necessary extension of time shall be granted with the approval of Competent Authority, as per SDoP without sanctioning escalation claimed by the contractor except statutory levies.
- d. Extension of time when granted with the approval of the Competent Authority as per SDoP shall have the effect of rendering the clause Liquidated Damages for delay in completion work' inoperative upto the period of extension of time so granted unless otherwise specifically stated.

29.46 LIQUIDATED DAMAGES FOR DELAY IN COMPLETION OF WORKS:

- a. In case the Contractor fails to complete the works and clear the site on or before the stipulated time mentioned in the Work order he shall without prejudice to any other right or remedy of the Company in this behalf pay, as agreed Liquidated Damages and not as penalty, pay sum equal to 0.5% of the Contract sum (excluding non tendered/extra items, if any) for every week's delay subject to maximum of 10% of the total final bill value of the Contract.
- b. Liquidated Damages shall be applicable in the following cases:
 - i. Where the contractor fails to complete the work within the stipulated time;
 - ii. Where the extension of time is granted with levy of LD;
 - iii. Where extension of time is granted without levy of LD but the contractor has failed to complete the work within the extended period.
- c. The amount of Liquidated Damages shall be adjusted or set off against any sum payable to the contractor under this or any other contract/s awarded by the Company.
- d. In case where the contract is subjected to levy of LD, the Chief Engineer shall be the authorised person to issue 'Work Completion Certificate', which shall be final and binding the Company as well as the Contractor concerned.

29.47 FORECLOSURE OF CONTRACT:

The tender documents shall provide a clause to the effect that at any time after acceptance of the tender, the Company can decide to abandon or reduce the scope of work for any reason whatsoever, the Chief Engineer shall give notice in writing to that effect to the contractor. The compensation, if any, payable for such foreclosure of work shall be discussed mutually between the Company and the contractor and settled after taking into consideration the loss suffered by the contractor on account of foreclosure of the contract. The contractor shall have no claim for any compensation whatsoever on account of any profit or advantage which he might have derived consequent to foreclosure of the whole or part of the works. The Company shall have the option to take over the contractor's materials or any part thereof, either brought to the site. The amount of compensation payable to the contractor due to foreclosure shall be decided with the approval of the management.

29.48 COMPLETION OF CONTRACT:

The contract is not to be treated as completed until a Defects Liability Certificate (DLC) has been issued. There will be only one DLC. It will be issued when the contractor has completed all his obligations under the contract. While making the final payment to the contractor and before releasing the PBG, it should be ensured that there is nothing outstanding from the contractor, because it would be difficult to retrieve such amounts after releasing the bank guarantee/ final payment. Before the bank guarantee is released a "no claim certificate" may be taken from the contractor. At least in large contracts (above Rs. 25 (twenty-five) lakh), it should be ensured that before the release of the bank guarantee (final payment, if there is no bank guarantee), the following reconciliations should be done across departments involved in the execution of the contract:

1. Material and Works Reconciliation

The Ministry/ Department should confirm that all Works ordered in the contract and paid for have been taken over in good condition and there is no shortcoming. Full reconciliation of all materials, machinery and assets provided to the contractor should be done including wastages and return of scrap/ off-cuts.

2. Reconciliation with the User Department

Besides Works reconciliation, the user department should certify in writing that the following activities (wherever applicable) have been completed by the contractor, to the department's satisfaction, as per the contract:

- a. Achievement of performance standards of Work;
- b. Installation and commissioning, if any;
- c. Support service during the Defect Liability Period which has ended on ;
- d. As Made Drawings;
- e. Return of all ID cards, gate passes, documents, drawings, protective gear, material, equipment, facilities and assets loaned to contractor.

3. Payment Reconciliation

The Ministries/ Departments may reconcile payments made to the contractor to ensure that there is no liability outstanding against the contractor on account of:

- a. LD;
- b. Price reduction enforced on account of shortfall in standards of Work;

- c. Variations/ deviations from the scope of the contract;
- d. Overpayments/ duplicate payments, if any;
- e. Services availed from Procuring Entity and vacation thereof such as accommodation, electricity, water, security, transport, cranes and other machinery, and so on,
- f. Demurrage, insurance premiums or claims, and so on;
- g. Works reconciliation;
- h. Price variations;
- i. Statutory duties paid on behalf of the contractor by Procuring Entity; and
- j. On satisfactory reconciliation and against a “no claim certificate” from the contractor, the bank guarantee may be released and its acknowledgment taken from the contractor.

29.49 DISPUTE RESOLUTION:

All disputes, controversy or differences or claim (“Dispute”) whatsoever arising out of or in relation to this Contract between the parties, including but not limited to any question regarding its existence, construction, interpretation, performance, breach, validity, or termination or otherwise of the terms and conditions of the contract shall be mutually discussed and settled amicably between the Parties by negotiations, mediations or conciliations. The unresolved dispute shall be settled by Institutional Arbitration as proposed by BEML and the Arbitration Tribunal shall consist of a Sole Arbitrator appointed from the Panel of the such Institution as per its Rules. The Arbitration proceedings shall be conducted in accordance with the Rules of such Institution. The seat/venue of arbitration shall be at the place of awarding the contract and all the arbitration proceedings shall be conducted in the English Language. The costs of the arbitration shall be borne by the Parties in equal proportion or in such manner as the sole arbitrator may direct.

For Government Departments and Public Sector Enterprises etc.:

- a. All disputes, controversy or differences or claim (“Dispute”) whatsoever arising out of or in relation to this Contract between the Company and any other Public Sector / Government department including but not limited to any question regarding its existence, construction, interpretation, performance, breach, validity, or termination or otherwise of the terms and conditions of the contract shall be mutually discussed and settled amicably between the Parties by negotiations, mediations or conciliations. In any case unresolved dispute same shall be referred for resolution through AMRCD (Administrative Mechanism for Resolution of CPSEs Disputes) as mentioned in DPE OM No. DPE -02/0001/2023-AMRCD -FTS-13578 dated 08/12/2025 (as may be amended and substituted) and the decision of AMRCD on the said dispute shall be final and binding on the Parties.

b. Jurisdiction:

The court at the place of awarding of contract only shall have jurisdiction for all disputes/matter relating to the contract.

29.50 CONTRACTOR'S LIABILITY AND INSURANCE:

- a. From commencement to completion of the works, the contractor shall take full responsibility taking precautions to prevent loss or damage. He shall be liable for any damage or loss that shall happen to the works or any part thereof.

- b. In addition, the contractor shall indemnify and keep the Company indemnified against all losses and claims for injuries or damages to any person or any property whatsoever which shall arise out of or in consequence of the construction works. For this purpose, the contractor shall take an insurance policy "contractors all risks insurance" - to cover the risks, as per the Conditions of the Contract. The insurance policy has to be kept valid till the work is completed and the possession handed over to the Company. The policy shall be taken at his cost showing the Company as the 'principal' to simplify the work in the matter of raising claims and settlement thereof.

29.51 PRINCIPAL EMPLOYER:

- a. The Contract Labour Act and the related legislations incorporate liability on the Principal Employer in regard to various measures such as Registration of the firm, provision of welfare and safety measures, disbursement of wages to the Workmen by the contractor maintenance of registers, submission of periodical returns to Licensing officer ensuring PF & ESI coverage etc.
- b. In this connection, reference is invited to the guidelines issued by the Management from time to time for strict compliance in relation to Civil Works Contracts and Service Contracts for execution within the factory Premises. It shall be ensured that the contract is awarded to a contractor who has obtained certificate of registration under the Act and possess a valid licence. It shall also be ensured that the contractor maintains all the registers and records required under the Act and produce the registers to the licensing Authority on demand. It is also required to ensure that periodical returns under the Act are sent to licensing Officer. HR Department shall ensure that PF and ESI provisions are duly complied with by the contractors in accordance with the guidelines issued by the Management, with a view to enforcing strict compliance of the provisions of the Contract Labour (Abolition and Regulation) Act of 1970 read with Central Rules 1971.

29.52 CONSULTANTS/ARCHITECTS:

In case of need, consultants/architects other than foreign consultants could be engaged for preparation of design, building plans and layout in the following areas:

- a. Architectural and Structural design, Project Management consultancy for new projects and important buildings
- b. Architectural and Structural design consultancy for individual building/structures, where designs are not available but where from the aesthetic point of view, it is desirable to engage a consultant for architectural and structural design consultancy.
- c. Only structural/design consultancy for individual projects/buildings/structures, where designs are not available, but where architectural features can be followed based on existing buildings/structures.
- d. Specialised work like;
 - i. Soil investigation to determine Safe Bearing Capacity (SBC), Soil Strata, Surveying, Geophysical survey etc.
 - ii. Structural Rehabilitation works
 - iii. Interior design works

- iv. Waterproofing works
- v. Special foundations for machinery etc.

29.53 APPOINTMENT OF CONSULTANTS: (GFR 177 to 196)

- a. For all the jobs for which the estimate is more than Rs.50 Lakhs, the Consultant shall be selected through tendering process by advertising in Company website and CPP portal.
- b. For the jobs with an estimated cost below Rs.50 Lakhs, if there is a need for appointing a Consultant, the same shall be finalised by inviting bids from the panel of approved consultants. In the absence of an approved list, the list of such Consultants shall be got approved by the Competent Authority before the tendering process and the panel revised once in 3 years.
- c. Pending finalisation of the panel for want of the approval of Competent Authority, we shall follow the procedure for identification of the Consultant through advertisement in Company website and CPP portal.

29.54 EMPANELMENT OF ARCHITECTS / CONSULTANTS:

- a. Empanelling of Architects/Consultants shall be done in a meaningful way to serve the purpose in keeping with the aim of economy in expenditure and technical competence of the Architect. This list shall be maintained by the Corporate Materials/Purchase Department of the respective SBU duly got approved by the Competent Authority.
- b. As a regular measure, advertisement in Company website and CPP Portal shall be kept in view for updating the approved list periodically.
- c. Based on the experience and rating of the Architects/Consultants, the unreliable and unworthy firms shall be deleted from the approved list. The additions and deletions to this list shall be got approved by Competent Authority based on the recommendations of the Chief Engineer/Corporate Materials/Purchase Departments of the respective SBU.

29.55 AGREEMENT / ACCEPTANCE:

The engagement of Consultants/Architects/Project Management Consultant shall be governed by an agreement/work order entered into by the Company setting out the terms and conditions. It is necessary that the approval of competent authority is to be obtained as per SDoP, before entering into the agreement and issue of work order. It shall be made clear in the agreement/work order that the Consultants/Architects shall render technical check/ advice regarding any problems arising during the course of execution of the work and also furnish the following:

- a. Bill of Quantities.
- b. Estimated quantities of Structural Steel/reinforcement bars,
- c. Estimated quantities of cement.
- d. Detailed working drawing (blue prints) together with the original vellums. The drawings so forwarded shall also be for execution purposes.

- e. Design calculations & Third Party Certification of Design calculations.
- f. Monitoring, supervision and Execution, assistance for finalisation of bill, measurements etc.

29.56 CONSULTANTS / ARCHITECTS' FEES:

The fees to be paid to the individual works shall normally be the lowest quotation from among the quotations received from the consultants, subject to DPE norms laid down in DPE's Circular No: Adv (c)/Genl/75/71/Cir-102/73 dt 9.1.1973 and amended from time to time.

- a. Original works --- 3% of the cost of the work
- b. Repeat works --- ½% of the cost of the work

CHAPTER – 30 GUIDELINES FOR PROCUREMENT UNDER “MAKE-II” PROCEDURE

30.1 INTRODUCTION:

- a. With the emerging dynamism of private sector and with the aim of achieving substantive self-reliance in defence production, it is imperative that BEML harnesses the potential of the private sector.
- b. The ‘Make-II’ procedure notified by MoD is part of “Make” procedure of the DPP2016 with an objective of wider participation of Indian industry and impetus for MSME/Start-ups sector. As per MoD letter No. D.O No. 18(2)/18/MIIOFB&DPSUs/DP(Plg-MS) dated 07 Mar, 2019, MoD had directed DPSUs to incorporate a similar procedure into their existing procurement procedures. The present Framework is being issued in compliance with this directive. In this sub-category of Make-II, no BEML funding is envisaged for Design & Development (D&D) but there has to be an assurance of Supply Order to be placed on the lowest bidding Development Agency (DA) on successful development.
- c. Indian vendors as detailed in Annexure-I to this framework are eligible for participation as per the Make-II procedure for D&D and subsequent supply of items.
- d. The salient points applicable specifically for Make-II framework are detailed in this procedure. Aspects which are not stated specifically herein are to be guided by the normal procurement procedure in BEML. by inviting commercial bids which is to be submitted prior to Commencement of Trials. The requirement of local content for sample development and subsequent procurement phase shall be in sync with the requirement stipulated in ‘Buy (Indian-IIDM)’ category of Defense Procurement Manual-2025 or as decided by Indigenization Committee.
- e. Projects under this framework will involve development of equipment/ system or their sub-systems/assembly/ sub-assemblies/components/material, primarily for import substitution, wherever commercial viability can be established.
- f. Projects with estimated cost (Design & development phase and Procurement phase) not exceeding Rs.250.0 Lakhs, will be earmarked for MSMEs/Startups. However, if no MSME/ Startup expresses interest for any such proposal, the same may be opened up for the general category of vendors.

30.2 DEVELOPMENT PROCESS STEPS:

The development & procurement process under this scheme would involve the following functions:-

- a. Formulation of Proposal by Indigenization Committee (IC)
- b. Approval of proposal by Competent Authority
- c. Issue of Expression of Interest (EoI)
- d. Evaluation of EoI responses
- e. Award of Purchase Order

- f. Design and Development of Sample
- g. Solicitation of Commercial Offer
- h. Trials & Evaluation of Sample
- i. Techno Commercial Discussions
- j. Award of Procurement Contract

30.3 FORMATION OF INDIGENIZATION COMMITTEE (IC):

BEML will identify the potential Make-II projects on the basis of requirement of the customers, Indigenization plan, or other valid considerations. An Indigenization Committee shall be constituted for this purpose at each Division and carry out functions as detailed below.

- a. An Indigenization Committee shall be constituted with representatives (as applicable) from Indigenization group/cell, Manufacturing, Planning, Materials and Quality Assurance as members. The committee will be constituted with the approval of Head-SBU. The senior-most member of the committee preferably at GM/CGM level should be the Head of the Committee. Head of the Committee may co-opt additional members for specific cases and specific periods as required.
- b. All procurement activities under this Procedure should be handled by a team comprising of rep(s) from Divisional Purchase & Finance.
- c. Indigenization Committee and Procurement Team shall, inter-alia, carry out the following important functions:

Indigenization Committee (IC):

- i. Preparing of Proposal, EOI & RFP.
- ii. Technical Evaluation of EOI/RFP responses.
- iii. Assisting Materials department in Commercial Evaluation of EOI/RFP
- iv. Monitoring and reporting on the progress of the project.
- v. Handholding of the DA (Suppliers) to provide guidance, to resolve problems and to improve the probability of success of the project.
- vi. Coordination of utilization of facilities available within the company or in nearby DPSUs as may be required.
- vii. Any other responsibilities as entrusted by the Head of Committee.

Procurement Team:

- i. Issue of EOI/RFP and receipt of responses
- ii. Commercial Evaluation of EOI/RFP responses
- iii. Issue of Project Sanction Order (Development Order)
- iv. Issue of Production Order
- v. Post-Order administration of contractual issues/matters.

30.4 APPROVAL OF PROPOSAL:

Indigenization Committee (IC) will formulate the proposal as described below:

The proposal at the EOI stage will be structured around the following considerations:

- a. **Visibility of orders from BEML's customers.** Firm Orders can be committed to the DA (supplier). Anticipated quantity can be committed if the corresponding Order from BEML's customer is already being processed. Quantity estimate should also consider Spares, Floats, replacement after expiry of TTL, etc. as appropriate. 5 years requirement can be taken as a basis unless a higher demand can be convincingly proved. If any additional quantity is envisaged (or arises later), a Repeat Order provision can be included in the EOI/RFP.
- b. **Economic viability of the project:** Economic viability is to be assessed based on the estimated unit price of the item to be developed. The estimated unit price (or benchmark price) will be determined as follows.
 1. **Import substitution cases:** The landed cost of the imported item coupled with the expected price reduction due to indigenization, declining price trend in the market, etc. as assessed by the Indigenization Committee, plus the amortization of the estimated cost of D&D (Design & Development).
 2. **Other cases:** Technical estimate by the Indigenization Committee based on the price of functionally similar items or nearest comparable items, data in the public domain or any other reliable source.
 3. In both the above cases, the estimated unit price should include taxes, levies, etc. as applicable. In case the item needs accompanying essential deliverables such as mounting tray, connectors, etc. for its intended use, then the price of such deliverables also should be included in the estimated unit price.

For assessment of economic viability, the following check should be applied:

- a. **Import substitution cases:** The Estimated unit price should be less than or equal to the landed cost of the imported item. The indigenization Committee can waive this condition if sufficient justification including strategic benefit, self-reliance, need to address obsolescence, etc. exists.
- b. **Other cases:** Price reasonability of the item would be sufficient to establish economic viability of the project as well.

Approval of Competent Authority as per SDoP would be obtained for the proposal. This provisioning will be valid for six months for issuance of EOI. For cases where EOI is not issued within six months from accord of approval, Head of the Division / SBU can revalidate the approval based on due justification by the Indigenization Committee.

30.5 ISSUE OF EOI:

- a. Indigenization Committee (IC) shall get the EOI hosted in BEML Website, inviting Company (ies) to participate in development process. The EOI will contain the following:

- b. Technical specifications/ Preliminary specifications
- c. Scope of the item including number of samples required.
- d. Time frames and critical activities.
- e. Cost sharing mechanism for trials may be specified with the objective to facilitate the development process.

Or

- a. List of trials/items/facilities/consumables that will be provided free of cost and also specify 'number of times' such free trials will be allowed.
- b. Quantities required for next known no of years (Based on market condition)
- c. Acceptability of Multiple Technological Solutions, if any and splitting of procurement quantities between L1 & L2.
- d. Details of Evaluation Criteria for assessment of EOI response.

30.6 EVALUATION OF EOI RESPONSES:

- a. Responses to EoI shall be evaluated as per criteria given in EoI and shall be approved by the Competent Authority. All the shortlisted companies will be called suppliers.
- b. Project shall be progressed ahead, even if only one EoI respondent is found meeting the evaluation criteria subject to approval of Indigenization Committee.
- c. Purchase order with 'Nil' or Rs.1/- financial implications shall be issued after obtaining approval of the competent authority as per SDoP.

30.7 TIME OVERRUN:

The approval of extension of timelines for any 'Make-II' project may be recommended by the Indigenization Committee and approval sought from the Head of the Division / SBU. In case multiple vendors are developing the same item, the time extension should apply to all the vendors. Such extensions should not critically affect the schedule of the basic project (or product to be launched) for which the item is being developed. Vendors who fail to complete the development (or cross predetermined milestones to make them eligible to receive the RFP) within the extended schedule should be considered as unsuccessful.

30.8 DESIGN AND DEVELOPMENT OF SAMPLES:

Indigenisation Committee (IC) will act as the primary interface for supplier's during the design and development stage and will facilitate the following:

- a. Provision of requisite professional inputs/documentation/ samples to supplier's (Samples may be provided against Bank Guarantee)
- b. Providing clarifications related to functional or operational aspects of the item / equipment.

- c. Coordinate trials including provisioning of trial range/test facilities/consumables, etc., as mentioned in the EoI.

30.9 SOLICITATION OF COMMERCIAL OFFERS:

- a. Request for Quotation (RFQ) for 'Procurement phase', as per their extant procedure, will be issued for submission of their commercial offer prior to commencement of trials.
- b. The quantities in Procurement phase cannot be reduced from the quantities indicated in EoI issued for the sample development phase.**

30.10 USER TRIALS & EVALUATION:

- a. User trials would be carried out by BEML to validate the performance of the sample offered by suppliers.
- b. Projects, where sample of only a single firm/individual clears the trials, shall be progressed as resultant single vendor.

30.11 TECHNO COMMERCIAL DISCUSSIONS:

The Estimated Project cost at the time of approval, will be calculated on the basis of last purchase price of the imported item being substituted. The techno commercial discussions to be carried out and all processes from opening of commercial bids till conclusion of contract. Negotiations in case of multivendor projects having procurement cost less than Rs 25 crore shall be carried out only in special circumstances with reasons to be recorded. However, committee will carry out negotiations for all single vendor cases, other than resultant single vendor, irrespective of value of the project. The products which are being developed under 'Make-II' as an import substitute and their prices are known, no benchmarking & no negotiation will be carried out, even in single vendor cases, if the offered price is lower than Import cost by 20% on case to case basis. However, in such cases, the Competent Financial Authority (CFA) will satisfy himself/herself that the price of the selected offer is reasonable with respect to the approved cost and consistent with the quality required.

After techno commercial discussion, the extant procurement procedure of BEML would be followed and the Purchase Order would be signed as per SDoP. The Integrity Pact shall also be signed with supplier along with Non-Disclosure Agreement and Non-competitive Agreement.

30.12 MULTIPLE TECHNOLOGICAL SOLUTIONS:

- a. In cases involving large quantities and where multiple technological solutions are acceptable, an option may be provided in the EoI and subsequently in the Commercial RFQ for the 'procurement' phase for procurement of specified quantities (in the ratio of 60:40) from L2 vendor who have successfully developed the product sample, on the condition that this second vendor accepts the price and terms & conditions quoted by the L1 vendor.

- b. In case, multiple technological solutions are not acceptable, the successful other vendors will be issued a certificate indicating that the product has been successfully trial evaluated, to facilitate such vendors to explore other markets and remain in the production of the product.

30.13 INTELLECTUAL PROPERTY RIGHTS (IPR):

The title / ownership / IPR, where applicable, will be retained by BEML. Conditions governing management of IPR will be included in the RFP/ EoI. In exceptional case, Supplier and BEML may mutually decide IPR during development of project.

30.14 REVIEW AND MONITORING:

The progress of the item would be monitored by Indigenization Committee (IC) on regular basis. Review of the projects shall be carried out on Quarterly basis at Corporate office and/or at Division and Report shall be prepared.

30.15 FORECLOSURE:

- a. No Foreclosure of the Project will be done after issue of Purchase Order other than for reasons of default/ non-adherence to Purchase order by Supplier. However, if rates quoted by the Supplier in procurement phase are found to be abnormally high, BEML will reserve the right to foreclose the procurement process.
- b. All deviations on matters concerned with 'Make-II' cases not covered under this framework, shall require prior approval of CMD.
- c. Any grievance during the process shall be redressed as per laid down procedure in Purchase Manual of BEML.

CHAPTER – 31 PLACING LONG TERM ORDERS FOR INDIGENIZATION

31.1 BACKGROUND:

Long term Contract (LTC) / MoU exists in Purchase Manual in Chapter 10; Placing of Purchase Order under clause 10.7. Long term contract is generally entered into for a period of not less than one year and not more than five years at a time.

In Purchase Manual Long term contract is generic in nature for required items selected by Divisions with the approval of Competent authority as per SDoP and does not address specifically for items requiring indigenisation requiring for more than five years.

31.2 OBJECTIVE / APPLICABILITY:

The objective of Long Term Orders is for the purpose of indigenization and it does not cover sourcing from import.

One of the common challenges faced in indigenization of an item (component or material, spares or sub-systems, or equipment) is that the quantity required at a given point of time is small and does not make economic case for incurring development / indigenization cost for such small number. Long Term Orders framework attempts to address this issue. It provides for procuring organization guidelines where it may aggregate the demand of the said item for a long-term period up to 10 years to make it economically attractive for the industry to invest in its development/ Indigenization.

31.3 PROCEDURE:-

Identifying items/Material for Long Term Orders (LTOs):

- a. The Indigenization Committee will be responsible for identifying the imported items which can benefit from Long Term Order of up to 10 years.
- b. The end users may be consulted in the process of identifying Items / materials for long term Orders.
 - i. For approving proposal for indigenization should be with internal estimation of material and labor cost involved including other expenses.
 - ii. Indigenisation Committee with the concurrence of Division Complex head and functional Directors would decide on items / aggregates requiring Long term contract. Every year the list is to be reviewed.
- c. Items / sub systems that are planned for change in design or in the process of design change need not be considered for Long term orders.

- d. The prerequisite for identifying items / materials for long term orders is visibility of long Term demand of the said item / material. Visibility of long-term demand does not necessarily mean availability of firm order from the user but an expectation that the equipment / platform or its upgraded version for which the said item is required, is going to be in use for coming 5 to 10 years and therefore indigenization of said item or its upgraded version would also be required in coming years.
- e. Mere visibility of long-term demand is not sufficient to identify an item for placing long term order. The Indigenization Committee (IC) must also consider and justify the need to place long term order based on one or more of the following three parameters:
 - i. High Technology Intensity.
 - ii. Quantities required per year or per cycle of procurement are small.
 - iii. Economic Viability for development/indigenization does not exist for small quantities.
- f. In case of items like fasteners, O-rings, etc. which require high quality & reliability and long process certification, the vendors may find economic viability if these items are given under Long Term Order considering aspects like staggered delivery, shelf & storage life (as applicable).

31.4 FEATURES OF LONG TERM ORDERS:

- a. Long term order enables aggregating the demand for multiple years thereby providing greater incentive for vendor to invest in development / indigenization. However, long term orders should be for year period not longer than 10 years.
- b. The period for a Long Term Order should be for the shortest period which gives adequate economic viability to the project.
- c. 80% estimated quantity is to be considered for Long Term Orders:

Based on estimated demand of the item for a period, say 10 years, only 80% of the said demand should be considered for inclusion in Long Term Order. This is to safe guard against any downward trend in demands, while the item is offered under Long Term Orders.

31.5 PRICE VARIATION CLAUSE:

Appropriate Price Variation Clause should be incorporated to take care of price variations over a period of time i.e., variation could be both ways, increase as well as decrease. In addition, relevant Exchange Rate Variation Clause may also be incorporated. Where a price variation clause is provided, the price agreed upon should specify the base level viz., the month and year to which the price is linked, to enable variations being

calculated with reference to the price levels prevailing in that month and year.

Further while pricing our products, impact of such PVC should be factored into our cost estimates invariably to insulate BEML from its impact.

Standard commercial terms to be part of contract like payment terms, BG, warranty etc.

31.6 APPROVAL OF COMPETENT AUTHORITY FOR LONG TERM ORDERS:

The Indigenization Committee (IC) shall obtain approval of the proposal from the Competent Authority as per SDoP for the following:

- a. Items/material identified for long term orders
- b. Estimated quantities for long term orders
- c. Time frame for long term orders

31.7 PROCEDURAL GUIDELINES FOR ENTERING INTO LONG TERM ORDERS WITH VENDORS:

The procedure as per BEML Purchase Manual to be followed for placing Long term orders. Models for Long Term Order:

- a. Make II
- b. Indigenization procedures

31.8 STOCKPILING / INVENTORY:

The Indigenization Committee should consider keeping stockpile/inventory of 12 months to 24 months' inventory of the material/item which is placed on a Long-Term Order on a vendor considering shelf life/storage life and financial implications. This is to safeguard against a delinquent long-term vendor. In case the vendor fails to supply the product as per schedule, the Indigenization Committee has time to develop new vendors by using the stock/inventory available.

31.9 FORECLOSURE CLAUSE:

Procuring Authority may include in the contract, a clause wherein they reserve the right to foreclose the Long-Term Order on risk and cost of the vendor in case the vendor fails to comply with the terms of the contract or where the development/indigenization does not proceed according to the accepted milestones and /or if there are undue time and cost overruns, or failure of the prototype(s) during evaluation or on account of any other reasons. The proposal for foreclosure will be approved by the Competent Authority, based on recommendation of the Indigenization committee.

31.10 COST CRITERIA:

The Procuring Authority should note that like any Indigenization, the long term order is expected to result in savings in cost apart from strategic self-reliance.

CHAPTER – 32 – GUIDELINES FOR SELECTION OF CONSULTANTS (SERVICE PROVIDERS) / FIRMS BASED ON QUALITY CUM COST BASED SELECTION (QCBS)

32.1 PURPOSE:

To set guidelines in tender for selection of service providers for services where technical aspects has more weightage than cost.

32.2 APPLICABILITY OF GUIDELINES:

Guidelines are applicable for a variety of services such as consultancy, inspection, auditor, legal, doctors etc.

These guidelines do not apply to other types of services in which physical aspects of the activity predominate (e.g. maintenance of facility or plant).

32.3 METHOD OF SELECTION OF CONSULTANTS:

Method of selection is through combined Quality cum Cost Based Selection (Highly technical projects) – QCBS.

32.4 EVALUATION COMMITTEE:

The Committee should be constituted with at least 3 members at appropriate level including user department. The Committee should formulate technical evaluation parameters and weightages to be provided for each parameter by providing appropriate marks.

The Committee should oversee contractual conditions to assess the Quality of deliverables, to accept / reject any part of assignment, to levy appropriate liquidated damages or penalty if the assignment is not carried out as per the contract.

32.5 SELECTION OF CONSULTANTS:

In the first stage likely sources on the basis of formal or informal enquiry and by inviting EoI (Expression of Interest) will be floated. On the basis of responses received consultants meeting requirement will be short listed for further consideration.

In second stage, two bid tendering will be floated for shortlisted consultants to submit their offer by way of technical and commercial bids.

32.6 TENDERING:

Tendering to incorporate following parameters:

a. Preparation of terms of reference (ToR):

ToR to be prepared by those who has sufficient knowledge and experience in the areas of assignment.

ToR to include purpose / objective, scope of work, kind of expertise required, schedule, deliverables etc.

b. Preparation of cost estimate or budget:

The cost estimate to be based on the employers assessment of the resource needed to carry out the assignment like staff time, logistics support, physical inputs, fee or remuneration etc.,

c. Preparation and issue of Request for proposals (RFP):

To include Formats for technical proposal and Formats for financial proposal etc.,

d. Evaluation of technical proposal

Following criteria (model scheme) may be as follows:

Sl.no	Criteria	Marks
1	Experience of the firm (experience with similar nature, total experience, studies carried out in India etc.,)	60
2	Experience of Key personnel (Qualifications, relevant experience etc.,)	25
3	Financial strength of the consultant (Turnover, Net profit etc.,)	15
	TOTAL	100

Note : The above table and values are only indicative and same may be in terms of marks and by adding or deleting the criteria's depending on the type of service.

Based on above criteria, consultants to be shortlisted who secure minimum qualified marks which is to be specified in tender.

e. Opening of financial proposal:

Score Matrix under QCBS under various type of assessment may be as follows

Description	Quality / Cost score weighing (%)
High complex / specialised assignments	80 / 20
Moderate complex	70 / 30
Standard assignments (Auditors / legal counsel / facility Management etc.,)	60 / 40

Note : The above table and weightage are only indicative and same modified depending on the type of service.

f. Under QCBS for example in case of moderate complexity the technical proposals will be allotted weightage of 70% while financial proposals will be allotted weightages of 30%

g. Proposals with the lowest cost may be given a financial score of 100 and other proposals given financial scores that are inversely proportional to their prices.

h. The total score both technical and financial to be obtained by weighing the quality and cost scores and adding them up. The proposed weightages for quality and cost to be specified in RFP.

i. Evaluation would be as below:

For example

Proposal	Evaluated cost
A	Rs 120
B	Rs 100
C	Rs 110

Proposal	Technical (Marks)	Evaluated cost (Rs)	Lowest evaluated cost (LEC) / EC (Evaluated cost)	Combined evaluation (Tech/finan) -points	Ranking
A	75	120	$100/120 = 83$ points	$75 \times 0.7 + 83 \times 0.3 = 77.4$	S3
B	80	100	$100/100 = 100$ points	$80 \times 0.7 + 100 \times 0.3 = 86$	S2
C	90	110	$100/110 = 91$ points	$90 \times 0.7 + 91 \times 0.3 = 90.3$	S1

Proposal C (S1) at the evaluated cost of Rs.110 was therefore declared as winner and recommended for negotiations / approval to the competent authority.

Note: The above procedure will be amended on the basis of revised Government guidelines as and when required.

Broad guidelines have been prepared for QCBS evaluation and will be amended suitably as and when required with approval of CFD.

CHAPTER – 33 – REQUIREMENT OF REGISTRATION (FOR VENDORS FROM A COUNTRY WHICH SHARES A LAND BORDER WITH INDIA)

33.1 BACKGROUND:

Registration & Eligibility of Vendors from a country which shares a land border with India will be governed by the Policies & guidelines issued by DPIIT, which is subject to revisions/ amendments by DPIIT from time to time thereof.

33.2 REQUIREMENT OF REGISTRATION:

- a. Any bidder from a country which shares a land border with India will be eligible to bid in any procurement whether of goods, services (including consultancy services and non-consultancy services) or works (including turnkey projects) only if the bidder is registered with the Competent Authority, i.e., DPIIT, as specified in Para 33.13(c) below.
- b. The Order shall not apply to (i) cases where orders have been placed or contract has been concluded or letter/notice of award/ acceptance (LoA) has been issued on or before the date of the order (23rd July 2020); and (ii) cases falling under para 33.14 below.

33.3 TRANSITIONAL CASES:

Tenders where no contract has been concluded or no LoA has been issued so far shall be handled in the following manner: -

- a. In tenders which are yet to be opened, or where evaluation of technical bid or the first exclusionary qualificatory stage (i.e. the first stage at which the qualifications of tenderers are evaluated and unqualified bidders are excluded) has not been completed: No contracts shall be placed on bidders from such countries. Tenders received from bidders from such countries shall be dealt with as if they are non-compliant with the tender conditions and the tender shall be processed accordingly.
- b. If the tendering process has crossed the first exclusionary qualificatory stage, if the qualified bidders include bidders from such countries, the entire process shall be scrapped and initiated de novo. The de novo process shall adhere to the conditions prescribed in the Order.
- c. As far as practicable, and in cases of doubt about whether a bidder falls under paragraph (33.2) above, a certificate shall be obtained from the bidder whose bid is proposed to be considered or accepted, in terms of paras 33.6(c), 33.6(d) and 33.7 read with para (33.2).

33.4 INCORPORATION IN TENDER CONDITIONS:

In tenders to be issued after the date (23rd July 2020) of the order, the provisions of paragraph (33.2) above and of other relevant provisions of the Order shall be incorporated in the tender conditions.

33.5 APPLICABILITY:

- a. Apart from Ministries/Departments, attached and subordinate bodies, notwithstanding anything contained in Rule 1 of the GFRs 2017, the Order shall also be applicable to all Autonomous Bodies;

- b. to public sector banks and public sector financial institutions; and
- c. subject to any orders of the Department of Public Enterprises, to all Central Public Sector Enterprises; and
- d. to procurement in Public Private Partnership projects receiving financial support from the Government or public sector enterprises/ undertakings.
- e. Union Territories, National Capital Territory of Delhi and all agencies/ undertakings thereof.

33.6 DEFINITIONS:

- a. "Bidder" for the purpose of the Order (including the term 'tenderer', 'consultant' 'vendor' or 'service provider' in certain contexts) means any person or firm or company, including any member of a consortium or joint venture (that is an association of several persons, or firms or companies), every artificial juridical person not falling in any of the descriptions of bidders stated hereinbefore, including any agency, branch or office controlled by such person, participating in a procurement process.
- b. "Tender" for the purpose of the Order will include other forms of procurement, except where the context requires otherwise.
- c. "Bidder from a country which shares a land border with India" for the purpose of the Order means
 - i. An entity incorporated, established or registered in such a country; or
 - ii. A subsidiary of an entity incorporated, established or registered in such a country; or
 - iii. An entity substantially controlled through entities incorporated, established or registered in such a country; or
 - iv. An entity whose beneficial owner is situated in such a country; or
 - v. An Indian (or other) agent of such an entity; or
 - vi. A natural person who is a citizen of such a country; or
 - vii. A consortium or joint venture where any member of the consortium or joint venture falls under any of the above
- d. "Agent" for the purpose of the Order is a person employed to do any act for another, or to represent another in dealings with third persons.

33.7 BENEFICIAL OWNER FOR THE PURPOSES OF POINT (C) (IV) WILL BE AS UNDER:

- a. In case of a company or Limited Liability Partnership, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person(s), has a controlling ownership interest or who exercises control through other means;
- b. In case of a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of entitlement to more than fifteen percent of capital or profits of the partnership;
- c. In case of an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or

capital or profits of such association or body of individuals;

- d. Where no natural person is identified under (33.7) (a) or (33.7) (b) or (33.7) (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
- e. In case of a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with fifteen percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

33.8 SUB-CONTRACTING IN WORKS CONTRACTS:

In works contracts, including turnkey contracts, contractors shall not be allowed to subcontract works to any contractor from a country which shares a land border with India unless such Contractor is registered with the Competent Authority. The definition of “contractor from a country which shares a land border with India” shall be as in paragraph (33.6) (c) above. This shall not apply to sub-contracts already awarded on or before the date of the Order (i.e. 23rd July, 2020).

33.9 CERTIFICATE REGARDING COMPLIANCE:

A certificate shall be taken from bidders in the tender documents regarding their compliance with the Order. If such certificate given by a bidder whose bid is accepted is found to be false, this would be a ground for immediate termination and further legal action in accordance with law.

33.10 VALIDITY OF REGISTRATION:

In respect of tenders, registration should be valid at the time of submission of bids and at the time of acceptance of bids. In respect of supply otherwise than by tender, registration should be valid at the time of placement of order. If the bidder was validly registered at the time of acceptance / placement of order, registration shall not be a relevant consideration during contract execution.

33.11 GOVERNMENT E-MARKETPLACE:

The Government E-Marketplace shall, as soon as possible, require all vendors/ bidders registered with GeM to give a certificate regarding compliance with the Order, and after the date fixed by it, shall remove non-compliant entities from GeM unless/ until they are registered in accordance with this Order.

33.12 MODEL CLAUSES / CERTIFICATES:

Model Clauses and Model Certificates which may be inserted in tenders / obtained from Bidders is given in Format-F5. While adhering to the substance of the Order, procuring entities are free to appropriately modify the wording of these clauses based on their past experience, local needs, etc., without making any reference to Department of Expenditure.

33.13 COMPETENT AUTHORITY AND PROCEDURE FOR REGISTRATION:

- a. The Competent Authority for the purpose of registration under this Order shall be the Registration Committee constituted by the Department for Promotion of Industry and Internal Trade (DPIIT).

- b. The Registration Committee shall have the following members
 - i. An officer, not below the rank of Joint Secretary, designated for this purpose by DPIIT, who shall be the Chairman;
 - ii. Officers (ordinarily not below the rank of Joint Secretary) representing the Ministry of Home Affairs, Ministry of External Affairs, and of those Departments whose sectors are covered by applications under consideration;
 - iii. Any other officer whose presence is deemed necessary by the Chairman of the Committee.
- c. DPIIT has laid down the method of application, format etc. for such bidders as stated in para (33.2) (a) above. On receipt of an application seeking registration from a bidder from a country covered by para (33.2) (a) above the Competent Authority shall first seek political and security clearances from the Ministry of External Affairs and Ministry of Home Affairs, as per guidelines issued from time to time. Registration shall not be given unless political and security clearance have both been received.
- d. The Ministry of External Affairs and Ministry of Home Affairs may issue guidelines for internal use regarding the procedure for scrutiny of such applications by them.
- e. The decision of the Competent Authority, to register such bidder may be for all kinds of tenders or for a specified type(s) of goods or services, and may be for as specified or unspecified duration of time, as deemed fit. The decision of the Competent Authority shall be final.
- f. Registration shall not be granted unless the representatives of the Ministries of Home Affairs and External Affairs on the Committee concur.
- g. Registration granted by the Competent Authority of the Government of India shall be valid not only for procurement by Central Government and its agencies/ public enterprises etc. but also for procurement by State Governments and their agencies/ public enterprises etc. No fresh registration at the State level shall be required.
- h. The Competent Authority is empowered to cancel the registration already granted if it determines that there is sufficient cause. Such cancellation by itself, however, will not affect the execution of contracts already awarded. Pending cancellation, it may also suspend the registration of a bidder, and the bidder shall not be eligible to bid in any further tenders during the period of suspension.

Notified vide OM No.P-45021/112/2020-PP (BE-II) (E-43780) issued by DPIIT dated 30.03.2021.

- i. For national security reasons, the Competent Authority shall not be required to give reasons for rejection/cancellation of registration of a bidder.
- j. In transitional cases falling under para 33.3 above, where it is felt that it will not be practicable to exclude bidders from a country which shares a land border with India, a reference seeking permission to consider such bidders shall be made by the procuring entity to the Competent Authority, giving full information and detailed reasons. The Competent Authority shall decide whether such bidders may be considered, and if so shall follow the procedure laid down in the above paras.
- k. Periodic reports on the acceptance/ refusal of registration during the preceding period may be required to be sent to the Cabinet Secretariat. Details will be issued separately in

due course by DPIIT.

33.14 SPECIAL CASES [IN REFERENCE TO PARA (2) (B) ABOVE]:

- a. Bona fide procurements made through GeM without knowing the country of the bidder till the date fixed by GeM for this purpose, shall not be invalidated by the Order.
- b. Bona fide small procurements, made without knowing the country of the bidder, shall not be invalidated by the Order.
- c. In projects which receive international funding with the approval of the Department of Economic Affairs (DEA), Ministry of Finance, the procurement guidelines applicable to the project shall normally be followed, notwithstanding anything contained in the Order and without reference to the Competent Authority. Exceptions to this shall be decided in consultation with DEA.
- d. The Order shall not apply to procurement by Indian missions and by offices of government agencies/ undertakings located outside India.
- e. The Order will not apply to bidders from those countries (even if sharing a land border with India) to which the Government of India has extended lines of credit or in which the Government of India is engaged in development projects. Updated lists of countries to which lines of credit have extended or in which development projects are undertaken are given in the website of the Ministry of External Affairs (Ref.14 below).
- f. A bidder is permitted to procure raw material, components, sub-assemblies etc. from the vendors from countries which shares a land border with India. Such vendors will not be required to be registered with the Competent Authority, as it is not regarded as "subcontracting". However, in case a bidder has proposed to supply finished goods procured directly/ indirectly from the vendors from the countries sharing land border with India, such vendor will be required to be registered with the Competent Authority (Ref.15 below).
- g. Procurement of spare parts and other essential service support like Annual Maintenance Contract (AMC)/ Comprehensive Maintenance Contract (CMC), including consumables for closed systems, from Original Equipment Manufacturers (OEMs) or their authorized agents, shall be exempted from the requirement of registration as mandated under Rule 144(xi) of GFR, 2017 and Public Procurement orders issued in this regard (Ref.16 below).

33.15 CLARIFICATION TO ORDER (PUBLIC PROCUREMENT NO.1) DATED 23RD JULY, 2020:

- a. For the purpose of (33.3) (b) above, "qualified bidders" means only those bidders would otherwise have been qualified for award of the tender after considering all factors including price, if the Order (Public Procurement No.1) dated 23rd July 2020 had not been issued.
- b. If bidders from such countries would not have qualified for award for reasons unconnected with the said Orders (for example, because they do not meet tender criteria or their price bid is higher or because of the provisions of purchase preference under any other order or rule or any other reason) then there is no need to scrap the tender/ start the process de novo.
- c. The following examples are given to assist in implementation of the Order

Example 1: Four bids are received in a tender. One of them is from a country which shares a

land border with India. The bidder from such country is found to be qualified technically by meeting all prescribed criteria and is also the lowest bidder. In this case, the bidder is qualified for award of the tender, except for the provisions of the Order (Public Procurement No. 1) dated 23rd July. In this case, the tender should be scrapped and fresh tender initiated.

Example 2: The facts are as in Example 1, but the bidder from such country, though technically qualified is not the lowest because there are other technically qualified bidders whose price is lower. Hence the bidder from such country would not be qualified for award of the tender irrespective of the Order (Public Procurement No. 1) dated 23rd July 2020. In such a case, there is no need to scrap the tender.

Example 3: The facts are as in Example 1, but the bidder from a country which shares a land border with India, though technically qualified, is not eligible for award due to the application of price preference as per other orders/ rules. In such a case, there is no need to scrap the tender.

Example 4: Three bids are received in a tender. One of them is a bidder from a country sharing a land border with India. The bidder from such a country does not meet the technical requirements and hence is not qualified. There is no need to scrap the tender.

References:

14- Notified through Order (Public Procurement No. 2) vide F.No.6/18/2019-PPD issued by Department of Expenditure dated 23.07.2020

15- Notified vide OM No. F.18/37/2020-PPD issued by Department of Expenditure dated 08.02.2021

16- Notified vide OM No. F.12/1/2021-PPD(Pt.) issued by Department of Expenditure dated 02.03.2021

(BEML Purchase Manual Amended with ref. to Chapter-1, Clauses: 1.7(iii).1 to 1.7(iii).14 @ Page-10 to Page-18 of DoE Manual For Procurement of Goods)

CHAPTER – 34 – PUBLIC PROCUREMENT POLICY FOR MICRO AND SMALL ENTERPRISES (MSE's)

34.1 PUBLIC PROCUREMENT POLICY:

1. The Policy:

- a. From time to time, the Government of India (Procuring Entity) lays down procurement policies to help inclusive national economic growth by providing long-term support to micro, small and medium enterprises, and disadvantaged sections of society.
- b. The Procurement Policy for Micro and Small Enterprises, 2012 [amended 2018 and 2021] has been notified by the Government in the exercise of the powers conferred in Section 11 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which is mandatory to be followed by Central Government Ministries/ Departments/ Public Sector Undertakings. Details of the policy, along with the amendments issued in 2018 and 2021 are available on the MSME website.
- c. Under the amended Public Procurement Policy for MSEs, Order 2012, the Central Government Ministries/ Departments/ Public Sector Undertakings shall procure a minimum of 25 per cent of their annual value of goods or services from MSEs. (In accordance with General Financial Rules, 2017, Rule 153-(ii)).
- d. The annual goal of procurement from MSEs also includes subcontracts to Micro and Small Enterprises by large enterprises and consortia of Micro and Small Enterprises formed by the National Small Industries Corporation. If a subcontract is given to MSEs, it will be considered as procurement from MSEs.
- e. Out of the target of 25% of annual procurement from MSEs (Not in the specific tender), the sub-target of 4% of annual procurement from MSEs is earmarked for procurement from MSEs owned by Scheduled Caste (SC)/ Scheduled Tribe (ST) entrepreneurs, and 3% of annual procurement from MSEs is earmarked for procurement from MSEs owned by women entrepreneur. However, in the event of failure of such MSEs to participate in the tender process or meet tender requirements and L1 price, the 4% sub-target for procurement earmarked for MSEs owned by SC/ST entrepreneurs and 3% earmarked to women entrepreneurs will also be met from other MSEs.

2. Eligibility:

- a. Micro and Small Enterprises (MSEs) registered under Udyam Registration are eligible to avail the benefits under the policy.
- b. This Policy provides preferential procurement of goods produced and services rendered by MSEs. Traders/ distributors/ sole agents/ Works Contract are excluded from the purview of the policy as per Public Procurement Policy for MSEs.
 - i. In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall continue to avail of all nontax benefits of the category (micro, small, or medium) it was

in before the re-classification, for a period of three years from the date of such upward change.

- ii. MSEs would be treated as owned by SC/ ST or Women entrepreneurs:
 - a) In the case of proprietary MSE, proprietor(s) are SC /ST or Woman.
 - b) In the case of partnership MSE, the SC/ ST or Women partners hold at least 51% (fifty-one per cent) shares in the unit;
 - c) In the case of Private Limited Companies, SC/ ST or Women promoters hold at least 51% (fifty-one per cent) share.

3. Applicability and Exemptions:

- a. The policy is applicable to Central Government Ministries/ Departments/ Public Sector Undertakings.
- b. The policy is not applicable to State Government Ministries/ Departments/ State PSEs, but they have similar policies applicable in their state.
- c. Exemptions: Given their unique nature, defence armament imports shall not be included in computing the 25 (twenty-five) per cent goal for the Ministry of Defence. In addition, defence equipment like weapon systems, missiles, etc., shall remain out of the purview of such a reservation policy. Monitoring of goals set under the policy will be done, as far as they relate to the Defence sector, by the Ministry of Defence itself in accordance with suitable procedures to be established by them.

4. Facilities for MSE's:

- a. **Reduced Transaction Costs:** To reduce the transaction cost of doing business, MSEs will be facilitated by providing them tender documents free of cost, exempting MSEs from payment of earnest money deposits, and adopting e-procurement to bring transparency in the tender process. However, exemption from paying Performance Bank Guarantee/ Security Deposit is not covered under the policy.
- b. **Relaxation in Prior Turnover and Experience:** The Procuring Entity may relax the condition of prior turnover and prior experience for start-up enterprises recognized by the Department for Industry & Internal Trade (DPIIT), subject to meeting quality & technical specifications. Start-ups may be MSMEs or otherwise. Such relaxation can be provided in the case of procurement of works as well. It is further clarified that such relaxation is not optional but normally has to be ensured, except in case of procurement of items related to public safety, health, critical security operations and equipment, etc) where adequate justification exists for the Procuring Entity not to relax such criteria. The decision of the Procuring Entity in this regard shall be final. Please also refer to para 5.1.3-7-c) and 7.4.1-1-b). (Rule 173 (i) of GFR 2017).
- c. **Timely Payments:** Chapter V of the MSMED Act, 2006, also has provisions for ensuring timely payments to the MSE suppliers. The period agreed upon for payment must not exceed forty-five days from the deemed acceptance of the materials supplied by the

MSMEs; in case of any discrepancies in the supplies, then the Procuring Entity shall raise an objection to the MSME supplier within 15 days from the date of receipt of materials if such objection is not raised, then it will be taken as deemed acceptance. For delays in payment, the buyer shall be liable to pay compound interest to the supplier on the delayed amount at three times the bank rate notified by the Reserve Bank. For arbitration and conciliation regarding the recovery of such payments and interests, the Micro and Small Enterprises Facilitation Council has been set up in various states.

5. Purchase Preference:

- a. In tender, if the L1 price is from someone other than an MSE, participating Micro and Small Enterprises (MSE) quoting prices within a price band of L1+15 (fifteen) per cent shall be allowed to supply up to 25 (twenty-five) per cent of the total tendered value by bringing down their price to L1 price. If there is more than one eligible MSE within such price band who agree to match the L1 price, the 25 (twenty-five) per cent quantity is to be distributed proportionately to them.

Note:

- i. If the procuring entity negotiates with the non-MSE L1 bidder, the price band (L1+15%) should be calculated based on the original L1 price, not the lower negotiated price, and such eligible MSE bidders shall be called to match the new negotiated L1 price as per procedure mentioned above for placement of 25% quantity.
- ii. In case the tender item cannot be split or divided, etc., the MSE quoting a price within the band L1+15% may be awarded for full / complete supply of total tendered value to MSE, considering the spirit of the Policy for enhancing Govt. Procurement from MSEs.
- iii. When an L1 bidder is not a Micro and Small Enterprise (MSE), MSE bidders eligible for purchase preference under the policy are those whose prices fall within the preference margin of L1+15%. If the procuring entity negotiates with the L1 bidder, the preference margin (L1+15%) should be calculated based on the original L1 price, not the lower negotiated price. Such eligible MSEs should be invited to match the negotiated L1 price as per the policy.

6. Developing MSE Vendors:

- a. The Central Ministries or Departments or Public Sector Undertakings shall take necessary steps to develop appropriate vendors by organising Vendor Development Programmes (VDP) or Buyer-Seller Meets focused on developing Micro and Small Enterprises (MSEs) for procurement through GeM Portal. To enhance the participation of MSEs owned by SCs / STs / Women in Government procurement, Central
- b. Government Ministries / Departments / CPSEs should conduct Special Vendor Development Programmes / Buyer-Seller Meets for SC/STs and Women MSEs.

7. Policy Implementation:

- a. A Review Committee has been constituted under the Chairmanship of the Secretary, Ministry of MSME, to monitor and review the Public Procurement Policy for MSEs. M/o

MSME will review and/or modify the composition of the Committee as and when required. This Committee will, inter alia, review the list of 358 items reserved for exclusive purchase from MSEs on a continuous basis, consider requests from Central Government Departments CPSEs for exemption from 25 (twenty-five) per cent target on a case-to-case basis and monitor achievements under the Policy.

- b. To monitor the progress of procurement by Central Government Ministries/ Departments and CPSEs from MSEs, the Ministry of MSME launched the MSME 'Sambandh' Portal on 8th December 2017 for uploading procurement details by all CPSEs on a monthly and an annual basis, which the Ministry regularly monitors.
- c. To redress the grievances of MSEs related to non-compliance with the policy, a Grievance cell named "CHAMPION Portal" has been set up in the Ministry of MSME.
- d. A National SC/ST hub (NSSH - <https://scsthub.in/>) scheme was launched in October 2016 to provide handholding support to SC/ST entrepreneurs, and it is being coordinated / implemented by the NSIC under this Ministry.
- e. Clarifications: The office of the Development Commissioner (Micro, Small & Medium Enterprises) issued an FAQ on the Public Procurement Policy for MSE Order, 2012.

34.2 RESERVATION OF SPECIFIC ITEMS FOR PROCUREMENT FROM MSE's:

- a. To enable wider dispersal of enterprises in the country, particularly in rural areas, the Central Government Ministries or Departments or Public Sector Undertakings shall continue to procure items reserved for procurement exclusively from MSE (presently 358 (three hundred and fifty-eight) items including eight items of Handicrafts) from Micro and Small Enterprises, which have been reserved for exclusive purchase from them.
- b. List of 358 items to be procured from MSE's is furnished in Annexure M.**
- c. Whenever, procurement / purchase received the requirement for procurement of project / non-project items, concerned purchase department executive shall mandatorily check whether those items are reserved for procurement from MSEs or not. If those items are to be procured from MSEs (manufacturer / service firms), suitable clause to be incorporated in the NIT.
- d. Product Reservation/ Purchase Preference provision shall invariably be part of the Notice Inviting Tender (NIT) and Instructions to Bidders (ITB).

(Amended with ref. to Chapter-1, Clause 1.11 Note @ Page-15 of DoE Manual For Procurement of Goods 2024 edition).

Note: The values / percentages mentioned in this chapter are as per the extant GoI Guidelines. As and when the guidelines are revised, the same shall be applicable.

34.3 MSE – BID SECURITY:

- a. To safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry pertaining to Non-project

material and contracts, Bid Security (also known as Earnest Money) is to be obtained from the bidders except Micro and Small Enterprises (MSEs) as defined in MSE Procurement Policy issued by Department of Micro, Small and Medium Enterprises (MSME) or are registered with the Central Purchase Organization or the concerned Ministry or Department.

- b. MSEs registered firms are eligible for exemptions as applicable in MSME Act, in respect of EMD and cost of tender forms fee for goods & services. Such firms shall submit relevant documents in proof of MSE.
- c. **Traders / Distributors / Sole Agents / Works Contract are not eligible for exemption and are excluded from the purview of the policy as per Public Procurement Policy for MSEs.**
- d. **EMD Exemption is not applicable for MSEs in works contract tenders.**

34.4 PAYMENT TO MSE SUPPLIERS:

- a. In respect of Micro, Small and Medium Enterprises as classified under Micro Small and Medium Enterprises Development Act 2006, the payment term shall be:
- b. When there is an agreement in writing, payment shall be made on or before the date agreed upon between BEML and the Vendor. However, the period agreed upon between BEML and MSE (Micro and small Enterprises) Vendor shall not be exceed 45 days from the day of acceptance or the day of deemed acceptance (vide MoD ref MoM dated 8th August 2016). If payment is not released within 45 days interest shall be paid for delayed payment as per MSME act.
- c. When there is no agreement, payment shall be made immediately after the expiry of 15 days from the day of acceptance or the day of deemed acceptance.
- d. "The day of deemed acceptance means" where no objection made in writing by the buyer regarding acceptance of goods or services with 15 days from the day of delivery of goods or rendering service, the day of actual delivery of goods or rendering of services.
- e. In case of maintenance service contract, the payment shall be made after successful service and after certification by the User Department.

Note:

* The identification / marking of vendor as MSE shall be done at the time of creation of Vendor Master in ERP using T-Code "XK01 - Create Vendor Master".

** The user can view the list of MSE Vendors from ERP T-Code "ZMMSE-List of MSE Vendors".

34.5 ADVANCE PAYMENT:

- a. The advance payments need to be generally discouraged except in specific cases.
- b. Wherever payment of advance is considered unavoidable (up to the percentage laid down in rule 159 (GFR 2005 with bank guarantee) and decided before issue of tender, the same shall be incorporated upfront in the RFP / tender document indicating the percentage of advance.

- c. No advance payment shall be made to the vendors without confirming the issue of bank guarantee from the bank concerned.
- d. As per CVC guideline Ref No 02/02/11 dated 17th Feb, 2011, the vendor shall pay interest on such advance payment if the contract is terminated due to default of the contractor and such payment shall be allowed after getting an acceptable Bank Guarantee from a Scheduled Bank for an amount at least 110% of advance so as to enable recovery of not only principal amount but also interest portion if so required, with sufficient validity so as to fully protect the BEML interest. The advance payment may be released in stages depending upon the progress of the work and mobilization of required equipment(s).
- e. However, in case of MSEs advances up to 15% may be considered if requested against Bank Guarantee. The interest on the advance amount is not to be insisted from MSEs (vide MoD ref MoM dated 8th August 2016).
- f. Some reasonable time shall be stipulated for submission of Bank Guarantees so that contractual remedies could be enforced if required. The bank guarantee needs to be properly examined with respect to the acceptable format and any conditions deterrent to the BEML interest shall be got withdrawn before acceptance besides verifying the genuineness of the Bank Guarantees from the bankers.
- g. Timely action for revalidation / encashment of the bank guarantees also need to be taken so as to protect the BEML interest.

34.6 PRODUCT RESERVATION AND PREFERENTIAL/ MANDATORY PURCHASE FROM CERTAIN SOURCES:

The Central Government may, by notification, provide for mandatory procurement of any goods or services from any category of bidders, or provide for preference to bidders on the grounds of promotion of locally manufactured goods or locally provided services.

Note: Before considering any Purchase Preference/ product reservation mentioned below, the Procuring Entity should check the latest directives in this regard for necessary action. Product Reservation/ Purchase Preference provision shall invariably be part of the Notice Inviting Tender (NIT) and Instructions to Bidders (ITB).

Reservation of Procurement of certain class The Central Government has reserved all items of hand-spun and hand-woven textiles (Khadi goods) for exclusive purchase from Khadi & Village Industries Commission (KVIC). Of all items of textiles required by the Central Government departments, it shall be mandatory to make procurement of at least 20% from amongst items of handloom origin, for exclusive purchase from KVIC and/ or Handloom Clusters such as Co-Operative Societies, Self Help Group (SHG) Federations, Joint Liability Group (JLG), Producer Companies (PC), Corporations etc. including Weavers having Pehchan Cards¹⁹.

Reservation of Procurement of certain class of Products from certain agencies- Pharmaceuticals. The pharmaceuticals Purchase Policy²⁰, 2013 is intended to ensure

- a. Optimum utilization of the installed capacity and to provide necessary fillip in reviving

these ailing pharmaceuticals CPSEs

- b. Availability of quality medicines at low prices to the masses
- c. Drug security of the nation.

The salient features of this policy are as follows:

- a. Pharmaceuticals Purchase Policy in respect of 103 (one hundred and three) medicines would be valid for a period of five years from the date of issue (30/10/2013) of orders by Department of Pharmaceuticals.
- b. Pharmaceuticals Purchase Policy will extend only to Central Public Sector Enterprises (CPSEs) under the administrative control of Department of Pharmaceuticals such as Indian Drugs and Pharmaceuticals Limited (IDPL), Hindustan Antibiotics Limited (HAL), Bengal Chemicals and Pharmaceuticals Limited (BCPL), Karnataka Antibiotics and
- c. Pharmaceuticals Limited (KAPL) and Rajasthan Drugs and Pharmaceuticals Limited (RDPL) and their subsidiaries where Government of India owns 51% (fifty one percent) or above shares.
- d. This would be applicable to purchases by Central Government Departments, their Public Sector Undertakings, and Autonomous Bodies, etc. This would also be applicable to purchase of medicines by State Governments under Health Programmes funded by Government of India such as the National Rural Health Mission etc.
- e. The pricing of the products would be done by National Pharmaceutical Pricing Authority (NPPA) using the cost-based formula, as mentioned in the Drugs Price Control Order, 1995. A uniform discount of 16% (Sixteen percent) would be extended to all products. All the taxes, whatsoever, would have to be passed on to buyers.
- f. Annual revision of prices would be linked to Wholesale Price Index as per provisions contained in Drugs Prices Control Order, 2013.
- g. The procuring entity would purchase from pharma CPSEs and their subsidiaries subject to their meeting Good Manufacturing Practices (GMP) norms as per Schedule 'M' of the Drugs & Cosmetic Rules.
- h. In case pharma CPSEs and their subsidiaries fail to supply the medicines, the procuring entity would be at liberty to make purchases from other manufacturers. If the pharma CPSEs or their subsidiaries fail to perform as per the purchase order, they would also be subject to payment of liquidated damages or any other penalty as per the terms of the contract.
- i. The list of medicines (please refer to Annexure 27) may be reviewed and revised by the Department of Pharmaceuticals as per requirement.

Note: The content mentioned in this chapter are as per the extant GoI Guidelines. As and when the guidelines are revised, the same shall be applicable.

CHAPTER – 35 – PUBLIC PROCUREMENT (PREFERENCE TO MAKE IN INDIA)

35.1 PREFERENCE TO MAKE IN INDIA:

To encourage 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment, Department of Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, issued Public Procurement (Preference to Make in India), Order 2017.

a. The order is issued pursuant to Rule 153 (iii) of GFR, 2017.

b. Definitions: For the purpose of this Order:

'Local Content' means the amount of a value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all customs duties) as a proportion of the total value, in percent.

1. Explanatory Notes for Calculation of Local Content:

- a. Imported items sourced locally from resellers/distributors shall be excluded from calculation of local content.
- b. The license fees/royalties paid/technical charges paid out of India shall be excluded from local content calculation.
- c. Procurement/ Supply of repackaged/refurbished/rebranded imported products as understood commonly shall be treated as reselling of imported products and shall be excluded from calculation of local content. The definition of repackaged/refurbished/rebranded imported products is as follows;
 - i. 'Refurbishing' means repair or reconditioning of an imported product does not amount to manufacture because no new goods come into existence.
 - ii. 'Repackaging' means repacking of imported goods from bulk pack to smaller packs would not ordinarily amount to manufacture of a new item.
 - iii. 'Rebranding' means relabelling or renaming or change in symbol or logo/makes or corporate image of a company /organization/firm for an imported product would amount to rebranding.
- d. To ensure that imported items sourced locally from resellers/distributors are excluded from calculation of local content, procuring entities to obtain from bidders, the cost of such locally-source imported items (Inclusive of taxes) along with break-up on license/royalties paid/technical expertise cost etc, sources from outside India. For items sold by bidder as reseller, OEM certificates for country of origin to be submitted.
- e. For contracts involving supply of multiple items, weighted average of all items to be taken while calculating the local content.
- f. 'Class-I local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, meets the minimum local content as prescribed for 'Class-I local supplier' under this order.

- g. 'Class-II local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, meets the minimum local content as prescribed for 'Class-II local supplier' but less than that prescribed for 'Class-I local supplier' under this order.
- h. 'Non – Local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content less than that prescribed for 'Class-II local supplier' under this order.

For the purpose of this Order:

- a. 'L1' means the lowest tender or lowest bid or the lowest quotation received in a tender, bidding process or other procurement solicitation as adjudged in the evaluation process as per the tender or other procurement solicitation.
- b. 'Margin of purchase preference' means the maximum extent to which the price quoted by a "Class-I local supplier" may be above the L1 for the purpose of purchase preference. It has been fixed as 20 (twenty) percent.
- c. 'Nodal Ministry' means the Ministry or Department identified pursuant to this order in respect of a particular item of goods or services or works.
- d. 'Procuring entity' means a Ministry or department or attached or subordinate office of, or autonomous body controlled by, the Government of India and includes Government companies as defined in the Companies Act.
- e. 'Works' means all works as per Rule 130 of GFR- 2017, and will also include 'turnkey works'.

2. **Special Treatment for Items covered under PLI Scheme:**

The manufacturers manufacturing an item under PLI Scheme shall be treated as deemed Class-II Local Supplier for that item unless they have minimum local content equal to or higher than that notified for Class-I local supplier for that item, provided the manufacturer has received incentive from the concerned PLI ministry for the item. The above shall be applicable for specific time period only, as notified by concerned PLI ministry.

3. **Eligibility of 'Class-I Local Supplier' / 'Class-II Local Supplier' / 'Non-Local Suppliers' For different types of procurement:**

- a. In procurement of all goods, services or works in respect of which the Nodal Ministry/ Department has communicated that there is sufficient local capacity and local competition, only 'Class-I local supplier', shall be eligible to bid irrespective of purchase value.
- b. Only 'Class-I local supplier' and 'Class-II local supplier', shall be eligible to bid in procurements undertaken by procuring entities, except when Global tender enquiry has been issued. In global tender enquiries, 'Non-local suppliers' shall also be eligible to bid along with 'Class-I local suppliers' and 'Class-II local suppliers'. In procurement of all goods, services or works, not covered by sub para (3) (a) above, and with estimated value of purchases less than Rs.200.0 Crore, in accordance with Rule 161 (iv) of GFR, 2017, Global tender enquiry shall not be issued except with the approval of competent

authority as designated by Department of Expenditure.

- c. For the purpose of this Order, works includes Engineering, Procurement and Construction (EPC) contracts and services include System Integrator (SI) contracts.

4. Mandatory sourcing of items, with sufficient local capacity and competition, from Class-I local suppliers in SI/ EPC/ Turnkey Contracts/ Service Tenders:

- a. The items, notified as having sufficient local capacity and competition, shall mandatory be sourced from Class-I local suppliers in SI/EPC/Turnkey Contracts/Service Tenders. This provision will be applicable only for those items which have been notified by the Nodal Ministry as Class-I i.e., having sufficient local capacity and competition, with specific HSN codes.
- b. Notwithstanding above, if in any project, it is considered that it is not practically feasible to source such items from Class-I local suppliers, it may take relaxation from such stipulation with the approval of secretary of the administrative Ministry/Department concerned or with the approval of the Competent Authority specified by the Administrative Ministry/Department, on case-specific basis.

5. Purchase Preference:

- a. Subject to the provisions of the Order and to any specific instructions issued by the Nodal Ministry or in pursuance of the Order, purchase preference shall be given to 'Class-I local supplier' in procurements undertaken by procuring entities in the manner specified here under.
- b. In the procurements of goods or works, which are covered by para (3)(b) above and which are divisible in nature, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:
 - i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is 'Class-I local supplier', the contract for full quantity will be awarded to L1.
 - ii. If L1 bid is not a 'Class-I local supplier', 50 (fifty) percent of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the 'Class-I local supplier' will be invited to match the L1 price for the remaining 50 (fifty) percent quantity subject to the Class-I local supplier's quoted price falling within the margin of purchase preference, and contract for that quantity shall be awarded to such 'Class-I local supplier' subject to matching the L1 price. In case such lowest eligible 'Class-I local supplier' fails to match the L1 price or accepts less than the offered quantity, the next higher 'Class-I local supplier' within the margin of purchase preference shall be invited to match the L1 price for remaining quantity and so on, and contract shall be awarded accordingly. In case some quantity is still left uncovered on Class-I local suppliers, then such balance quantity may also be ordered on the L1 bidder.
- c. In the procurements of goods or works, which are covered by para (3)(b) above and which are not divisible in nature, and in procurement of services where the bid is evaluated on price alone, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:
 - i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is 'Class-I local supplier', the contract will be awarded to L1.

- ii. If L1 is not 'Class-I local supplier', the lowest bidder among the 'Class-I local supplier', will be invited to match the L1 price subject to Class-I local supplier's quoted price falling within the margin of purchase preference, and the contract shall be awarded to such 'Class-I local supplier' subject to matching the L1 price.
- iii. In case such lowest eligible 'Class-I local supplier' fails to match the L1 price, the 'Class-I local supplier' with the next higher bid within the margin of purchase preference shall be invited to match the L1 price and so on and contract shall be awarded accordingly. In case none of the 'Class-I local supplier' within the margin of purchase preference matches the L1 price, the contract may be awarded to the L1 bidder.
- iv. "Class-II local supplier" will not get purchase preference in any procurement, undertaken by procuring entities.

6. Applicability in tenders where contract is to be awarded to multiple bidders:

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

- a. In case there is sufficient local capacity and competition for the item to be procured, as notified by the nodal Ministry, only Class I local suppliers shall be eligible to bid. As such, the multiple suppliers, who would be awarded the contract, should be all and only 'Class I Local suppliers'.
- b. In other cases, 'Class II local suppliers' and 'Non local suppliers' may also participate in the bidding process along with 'Class I Local suppliers' as per provisions of the Order.
- c. If 'Class I Local suppliers' qualify for award of contract for at least 50 (fifty) percent of the tendered quantity in any tender, the contract may be awarded to all the qualified bidders as per award criteria stipulated in the bid documents. However, in case 'Class I Local suppliers' do not qualify for award of contract for at least 50 (fifty) percent of the tendered quantity, purchase preference should be given to the 'Class I local supplier' over 'Class II local suppliers' / 'Non local suppliers' provided that their quoted rate falls within 20 (twenty) percent margin of purchase preference of the highest quoted bidder considered for award of contract so as to ensure that the 'Class I Local suppliers' taken in totality are considered for award of contract for at least 50 (fifty) percent of the tendered quantity.
- d. First purchase preference has to be given to the lowest quoting 'Class-I local supplier', whose quoted rates fall within 20 (twenty) percent margin of purchase preference, subject to its meeting the prescribed criteria for award of contract as also the constraint of maximum quantity that can be sourced from any single supplier. If the lowest quoting 'Class-I local supplier', does not qualify for purchase preference because of aforesaid constraints or does not accept the offered quantity, an opportunity may be given to next higher 'Class-I local supplier', falling within 20 (twenty) percent margin of purchase preference, and so on.

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

7. Exemption of small purchases:

Notwithstanding anything contained in paragraph (procurements where the estimated value to be procured is less than Rs. 5 lakhs shall be exempt from the Order. However, it shall be ensured by procuring entities that procurement is not split for the purpose of avoiding the provisions of this Order.

Exemption in sourcing of spares and consumables of closed systems: Procurement of spare parts, consumables for closed systems and Maintenance / Service contracts with Original Equipment Manufacturer / Original Equipment Supplier / Original Part Manufacturer shall be exempted from this order.

8. Minimum local content:

The 'local content' requirement to categorize a supplier as 'Class-I local supplier' is minimum 50 (fifty) percent. For 'Class-II local supplier', the 'local content' requirement is minimum 20 (twenty) percent.

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

9. Requirement for specification in advance:

The minimum local content, the margin of purchase preference and the procedure for preference to Make in India shall be specified in the notice inviting tenders or other form of procurement solicitation and shall not be varied during a particular procurement transaction.

10. Government e-Marketplace (GeM):

In respect of procurement through the Government eMarketplace (GeM) shall, as far as possible, specifically mark the items which meet the minimum local content while registering the item for display, and shall, wherever feasible, make provision for automated comparison with purchase preference and without purchase preference and for obtaining consent of the local supplier in those cases where purchase preference is to be exercised.

11. Verification of local content:

- a. The 'Class-I local supplier' / 'Class-II local supplier' at the time of tender, bidding or solicitation shall be required to indicate percentage of local content and provide self-certification that the item offered meets the local content requirement for 'Class-I local supplier' / 'Class-II local supplier', as the case may be. They shall also give details of the location(s) at which the local value addition is made.
- b. In cases of procurement for a value in excess of Rs. 10 crores, the 'Class-I local supplier' / 'Class-II local supplier' shall be required to provide a certificate from the statutory

auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.

- c. The bidder shall give self-certification for local content in the quoted item (goods/works/services) at the time of tendering. However, at the time of execution of the project, for all contracts above INR 10 Crore, the contractor/ supplier shall be required to give local content certification duly certified by cost/ chartered accountant in practice. For cases where it is not possible to provide certification by Cost/Chartered Accountant at the time of execution of project, the supplier shall be permitted to provide the certificate for local content from Cost/ Chartered Accountant after completion of the contract, within time limit acceptable to the procuring entity. In case the contractor/ supplier does not meet the stipulated local content requirement and the category of the supplier changes from Class-I to Class-II/ Non-local or from Class-II to Non-Local, a penalty up to 10% of the contract value may be imposed. However, contract once awarded shall not be terminated on this account.
- d. Decisions on complaints relating to implementation of this Order shall be taken by the competent authority which is empowered to look into procurement-related complaints relating to the procuring entity.
- e. Nodal Ministries may constitute committees with internal and external experts for independent verification of self-declarations and auditor's/ accountant's certificates on random basis and in the case of complaints.
- f. Nodal Ministries and procuring entities may prescribe fees for such complaints.
- g. False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which a bidder or its successors can be debarred for up to two years as per Rule 151 (iii) of the General Financial Rules along with such other actions as may be permissible under law.
- h. A supplier who has been debarred by any procuring entity for violation of the Order shall not be eligible for preference under the Order for procurement by any other procuring entity for the duration of the debarment. The debarment for such other procuring entities shall take effect prospectively from the date on which it comes to the notice of other procurement entities, in the manner prescribed under paragraph (i) below.
- i. The Department of Expenditure shall issue suitable instructions for the effective and smooth operation of this process, so that:
 - i. The fact and duration of debarment for violation of the Order by any procuring entity are promptly brought to the notice of the Member-Convenor of the Standing Committee and the Department of Expenditure through the concerned Ministry/Department or in some other manner;
 - ii. on a periodical basis such cases are consolidated and a centralized list or decentralized lists of such suppliers with the period of debarment is maintained and displayed on website(s);
 - iii. in respect of procuring entities other than the one which has carried out the

debarment, the debarment takes effect prospectively from the date of uploading on the website(s) in the such a manner that ongoing procurements are not disrupted.

12. Specifications in Tenders and other procurement solicitations:

- a. Every procuring entity shall ensure that the eligibility conditions in respect of previous experience fixed in any tender or solicitation do not require proof of supply in other countries or proof of exports.
- b. Procuring entities shall endeavour to see that eligibility conditions, including on matters like turnover, production capability and financial strength do not result in unreasonable exclusion of 'Class-I local supplier' / 'Class-II local supplier' who would otherwise be eligible, beyond what is essential for ensuring quality or creditworthiness of the supplier.
- c. Procuring entities shall review all existing eligibility norms and conditions with reference to sub-paragraphs 11 (a) and (b) above.

d. Reciprocity Clause:

- i. When a Nodal Ministry/Department identifies that Indian suppliers of an item are not allowed to participate and/ or compete in procurement by any foreign government, due to restrictive tender conditions which have direct or indirect effect of barring Indian companies such as registration in the procuring country, execution of projects of specific value in the procuring country etc., it shall provide such details to all its procuring entities including CMDs/CEOs of PSEs/PSUs, State Governments and other procurement agencies under their administrative control and GeM for appropriate reciprocal action.
 - ii. Entities of countries which have been identified by the nodal Ministry/Department as not allowing Indian companies to participate in their Government procurement for any item related to that nodal Ministry shall not be allowed to participate in Government procurement in India for all items related to that nodal Ministry/ Department, except for the list of items published by the Ministry/ Department permitting their participation.
 - iii. The stipulation in (ii) above shall be part of all tenders invited by the Central Government procuring entities stated in (i) above. All purchases on GeM shall also necessarily have the above provisions for items identified by nodal Ministry/ Department.
 - iv. State Governments should be encouraged to incorporate similar provisions in their respective tenders.
 - v. The term 'entity' of a country shall have the same meaning as under the FDI Policy of DPIIT as amended from time to time.
- e. Specifying foreign certifications/ unreasonable technical specifications/ brands/ models in the bid document is restrictive and discriminatory practice against local suppliers. If foreign certification is required to be stipulated because of non-availability of Indian Standards and/or for any other reason, the same shall be done only after written approval of Secretary of the Department concerned or any other Authority having been designated such power by the Secretary of the Department concerned.

- f. "All administrative Ministries/Departments whose procurement exceeds Rs.1000 Crore per annum shall notify/ update their procurement projections every year, including those of the PSEs/PSUs, for the next 5 years on their respective website."

13. Action for non-compliance of the Provisions of the Order:

In case restrictive or discriminatory conditions against domestic suppliers are included in bid documents, an inquiry shall be conducted by the Administrative Department undertaking the procurement (including procurement by any entity under its administrative control) to fix responsibility for the same. Thereafter, appropriate action, administrative or otherwise, shall be taken against erring officials of procurement entities under relevant provisions. Intimation on all such actions shall be sent to the Standing Committee.

14. Assessment of supply base by Nodal Ministries:

The Nodal Ministry shall keep in view the domestic manufacturing / supply base and assess the available capacity and the extent of local competition while identifying items and prescribing the higher minimum local content or the manner of its calculation, with a view to avoiding cost increase from the operation of this Order.

15. Increase in minimum local content:

The Nodal Ministry may annually review the local content requirements with a view to increasing them, subject to availability of sufficient local competition with adequate quality.

16. Manufacture under license / technology collaboration agreements with phased indigenization:

- a. While notifying the minimum local content, Nodal Ministries may make special provisions for exempting suppliers from meeting the stipulated local content if the product is being manufactured in India under a license from a foreign manufacturer who holds intellectual property rights and where there is a technology collaboration agreement / transfer of technology agreement for indigenous manufacture of a product developed abroad with clear phasing of increase in local content.
- b. In procurement of all goods, services or works in respect of which there is substantial quantity of public procurement and for which the nodal ministry has not notified that there is sufficient local capacity and local competition, the concerned nodal ministry shall notify an upper threshold value of procurement beyond which foreign companies shall enter into a joint venture with an Indian company to participate in the tender. Procuring entities, while procuring such items beyond the notified threshold value, shall prescribe in their respective tenders that foreign companies may enter into a joint venture with an Indian company to participate in the tender. The procuring Ministries/Departments shall also make special provisions for exempting such joint ventures from meeting the stipulated minimum local content requirement, which shall be increased in a phased manner.

17. Powers to grant exemption and to reduce minimum local content:

The administrative Department undertaking the procurement (including procurement by any entity under its administrative control), with the approval of their Minister-in-charge, may by written order, for reasons to be recorded in writing,

- a. reduce the minimum local content below the prescribed level; or
- b. reduce the margin of purchase preference below 20 (twenty) percent; or
- c. exempt any particular item or supplying entities from the operation of this order or any part of the Order.

The Administrative Department, while seeking exemption under this para, shall certify that such an item(s) has not been notified by Nodal Ministry/Department concerned under para i (a) of the order.

A copy of every such order shall be provided to the Standing Committee and concerned Nodal Ministry / Department. The Nodal Ministry / Department concerned will continue to have the power to vary its notification on Minimum Local Content.

18. Directions to Government Companies:

In respect of Government companies and other procuring entities not governed by the General Financial Rules, the administrative Ministry or Department shall issue policy directions requiring compliance with this Order.

19. Standing Committee:

A standing committee is hereby constituted with the following membership:

- a. Secretary, Department for Promotion of Industry and Internal Trade-Chairman
- b. Secretary, Commerce-Member
- c. Secretary, Ministry of Electronics and Information Technology-Member
- d. Joint Secretary (Public Procurement), Department of Expenditure-Member
- e. Joint Secretary (DPIIT)-Member-Convenor

The Secretary of the Department concerned with a particular item shall be a member in respect of issues relating to such item. The Chairman of the Committee may co-opt technical experts as relevant to any issue or class of issues under its consideration.

20. Functions of the Standing Committee:

The Sanding Committee shall meet as often as necessary, but not less than once in six months. The Committee

- a. shall oversee the implementation of this order and issues arising therefrom and make recommendations to Nodal Ministries and procuring entities.

- b. shall annually assess and periodically monitor compliance with this order.
- c. shall identify Nodal Ministries and the allocation of items among them for issue of notifications on minimum local content
- d. may require furnishing of details or returns regarding compliance with this order and related matters
- e. may, during the annual review or otherwise, assess issues, if any, where it is felt that the manner of implementation of the order results in any restrictive practices, cartelization or increase in public expenditure and suggest remedial measures
- f. may examine cases covered by paragraph above relating to manufacture under license/technology transfer agreements with a view to satisfying itself that adequate mechanisms exist for enforcement of such agreements and for attaining the underlying objective of progressive indigenization
- g. may consider any other issue relating to this order which may arise.

21. Removal of Difficulties:

Ministries /Departments and the Boards of Directors of Government companies may issue such clarifications and instructions as may be necessary for the removal of any difficulties arising in the implementation of the Order.

22. Ministries having existing policies:

Where any Ministry or Department has its own policy for preference to local content approved by the Cabinet after 1st January 2015, such policies will prevail over the provisions of the Order. All other existing orders on preference to local content shall be reviewed by the Nodal Ministries and revised as needed to conform to this Order, within two months of the issue of this Order.

23. Transitional Provision:

The Order shall not apply to any tender or procurement for which notice inviting tender or other form of procurement solicitation has been issued before the issue of this Order. (Rule 153 of GFR 2017).

Note: The content mentioned in this chapter are as per the extant GoI Guidelines. As and when the guidelines are revised, the same shall be applicable.

CHAPTER – 36 – PUBLIC PROCUREMENT THROUGH GOVERNMENT e-MARKET PLACE (GeM)

36.1 ONE STOP GOVERNMENT e-MARKETPLACE (GeM):

1. An online marketplace (or e-commerce marketplace) is a type of e-commerce site where product or services are offered by a number of sellers and all the buyers can select the product/ services offered by any one of the seller, based on his own criteria. In an online marketplace, Purchaser's transactions are processed by the marketplace operator and then product/ services are delivered and fulfilled directly by the participating retailers. Other capabilities might include auctioning (forward or reverse), catalogues, ordering, posting of requirements by Purchasers, Payment gateways etc. In general, because online marketplaces aggregate products from a wide array of providers, selection is usually wider, availability is higher, and prices are more competitive than in vendor-specific online retail stores.
2. Ministry of Commerce has developed an online Government e-Market Place for common use goods and services. The procurement process on GeM is end to end from placement of supply order to payment to suppliers. This is to ensure better transparency and higher efficiency. All the process will be electronic and online. The Procurement of Goods and Services by Ministries or Departments is mandatory for Goods or Services available on GeM as per Rule 149 of GFR, 2017.
3. Products and services are listed on GeM by various suppliers as on other e-Commerce portals: The registration of suppliers on GeM is online and automatic based on PAN, MCA-21, Aadhar authentication etc. The suppliers offer their products on GeM and the Government buyer are able to view all the products as well as compare them. Tools of reverse bidding and e-auction are also available which can be utilised for the procurement of bulk quantities.
4. **Demand Aggregation:** The best prices to a user can be available if same requirement demands of various organizations are aggregated. This acts as an incentive for the supplier to quote their best price. For the same products, the demand of various Govt. Departments can be clubbed together and reverse auction done on the basis of aggregated demand which will provide the best prices to the Govt. Department.
5. **Authority of procurement through GeM:** Procurement through GeM has been authorised as per GFR, 2017 Rule 149: "Government e-Market Place (GeM)" Government of India has established the Government e-Marketplace (GeM) for common use Goods and Services. GeM SPV will ensure adequate publicity including periodic advertisement of the items to be procured through GeM for the prospective suppliers. The Procurement of Goods and Services by Ministries or Departments will be mandatory for Goods or Services available on GeM. The credentials of suppliers on GeM shall be certified by GeM Manual for Procurement of Goods SPV. The procuring authorities will certify the reasonability of rates. The GeM portal shall be utilized by the Government buyers for direct on-line purchases as under:
 - a. Up to Rs.50,000/- through any of the available suppliers on the GeM, meeting the requisite quality, specification, and delivery period;
 - b. Above Rs.50,000/- and up to Rs.10,00,000/- through the GeM Seller having lowest price amongst the available sellers, of at least three different manufacturers, on GeM, meeting

the requisite quality, specification, and delivery period. The tools for online bidding and online reverse auction available on GeM can be used by the Buyer even for procurements less than Rs.10,00,000/-.

- c. Above Rs.10,00,000/- through the supplier having lowest price meeting the requisite quality, specification, and delivery period after mandatorily obtaining bids, using online bidding or reverse auction tool provided on GeM (excluding Automobiles where current limit of 30 lakh will continue).
- d. The invitation for the online e-bidding/reverse auction will be available to all the existing Sellers or other Sellers registered on the portal and who have offered their goods/services under the particular product/service category, as per terms and conditions of GeM.
- e. The above mentioned monetary ceiling is applicable only for purchases made through GeM. For purchases, if any, outside GeM, relevant GFR Rules shall apply.
- f. The Ministries/Departments shall work out their procurement requirements of Goods and Services on either "OPEX" model or "CAPEX" model as per their requirement/ suitability at the time of preparation of Budget Estimates (BE) and shall Project their Annual Procurement Plan of goods and services on GeM portal within 30 (thirty) days of Budget approval.
- g. The Government Buyers may ascertain the reasonableness of prices before placement of order using the Business Analytics (BA) tools available on GeM including the Last Purchase Price on GeM, Department's own Last Purchase Price etc.
- h. A demand for goods shall not be divided into small quantities to make piecemeal purchases to avoid procurement through L-1 Buying / bidding / reverse auction on GeM or the necessity of obtaining the sanction of higher authorities required with reference to the estimated value of the total demand."

It may be noted that, it is the responsibility of the Procuring Entity to do due diligence for ensuring reasonableness of rates.

6. GeM Portal: <https://gem.gov.in>. Detailed instructions for user organization registration, supplier registration, listing of products, terms and conditions, online bidding, reverse auction, demand aggregation, call centre, etc. are available on this portal.

7. Payment Procedure in GeM: The payment procedure in GeM is governed by O.M. No. F.26/4/2016-PPD dated 23rd January, 202057 issued by D/o. Expenditure, M/o. Finance, New Delhi. The following procedures are prescribed for making payments to the Sellers/ Service Providers in GeM which shall be complied and adhered to by all concerned for different type of contracts such as:

- a. Supply of Goods & Services
- b. Supply, Installation, Testing and Commissioning of Goods
- c. Supply, Installation, Testing, Commissioning of Goods and Training of operators and providing Statutory Clearances required (if any)
 - i. In respect of contracts for Supply of Goods, 100% payment including GST should be made after receipt and acceptance of Goods and generation of 57 Accessible from "Goods CRAC" (Consignee Receipt and Acceptance Certificate) subject to recoveries, if any, either on account of short supply and Liquidated Damages etc. for delay in supply.

- ii. In respect of contracts for Services, payment should be made as per periodicity defined in the contract i.e. Monthly, Quarterly or any other predefined payment periodicity. 100% payment including GST for the particular payment cycle should be made after receipt and acceptance of the Services and generation of "Service CRAC" (Consignee Receipt and Acceptance Certificate) subject to recoveries, if any, either on account of short supply, SLA (Service Level Agreement) deviations and Liquidated Damages for delay in supply etc.
- iii. In respect of contracts for Supply, Installation, Testing, Commissioning of Goods and Training of operators etc. the complete cost break-up indicating Basic price, GST, Installation and commissioning charges, Incidental Services, training etc. is to be indicated separately in the bid. In order to cater to installation intensive products, the different configurable payment terms will have to be incorporated in GeM functionalities (depending upon the quantum of installation and turnkey work required).
 - a. First Milestone - On delivery of goods: 80 to 90% payment (lower initial payment if installation scope is very extensive) of the basic price of Goods along with 100% GST on the Goods Price but excluding installation, testing and commissioning and other charges should be paid after receipt Goods and generation of "Delivery CRAC for initial payment". This will be issued after physical verification of quantity only but without commitment about quality or functionalities etc. which would be verified after installation/ commissioning etc. While creating the bid, Buyer shall have functionality to define the percentage of payment linked with delivery of Goods.
 - b. Second Milestone - On Acceptance after installation, testing and commissioning: Balance 10 % to 20% payment of the basic price of Goods and 100% charges for installation, testing and commissioning and other charges along with GST on these charges should be paid after installation and final Acceptance of Goods and generation of "Installation CRAC" to be issued by the End User/ Consignee. Recoveries, if any, either on account of short supply and Liquidated Damages etc. for delay in supply and I or installation etc. shall be made from the payment due under this milestone. While creating the bid, Buyer shall have functionality to define the deliverables in this milestone and the percentage of payment linked with this milestone.
 - c. Third (and subsequent) milestones - Payment of Incidental Costs: 100% Payment related to Incidental costs at consignee site towards Incidental Services (such as providing training, or other work/ service as per scope defined in the contract), to be paid on submission of "Final CRAC" by the End User / Consignee. While creating the bid, Buyer shall have functionality to define the deliverables in this milestone. In exceptional cases, Buyer may choose to split this milestone as required.
- iv. In case of contracts for Supply, Installation, Testing, Commissioning of Goods bundled with one or more Services such as Comprehensive Maintenance, Human Resource hiring for pre-defined time periods etc., the payments for Goods shall be governed by Para (iii) above while payment for Services shall be Governed as per Para (ii) above.
- v. In case of Milestone Based Payments, separate timelines / delivery periods for each milestone will be provided. In case of supply and installation contracts, the delivery

period may be specified by filling up the blanks as under:

- a. First Milestone - For delivery of goods at site days/ months from date of issue of contract with provision for staggered / multiple delivery period for same consignee.
 - b. Second milestone - Installation, Testing and Commissioning etc. of goods: - days /months from the date of handing over of site complete in all respect as per contract.
 - c. Third (and subsequent) milestones - Incidental Services etc.: - days after installation and commissioning.
- vi. The payments on GeM are primarily categorized under two heads i.e. through PFMS or GeM Pool Account. The detailed instructions for both type of payment system are as under:

A. Payments through PFMS:

1. The Central Government Buyer i.e. the concerned Programme Division or Administrative Unit in a Ministry/ Department will place the Contract online after taking prior approval of the Competent Authority for procuring a particular Good or Service. Inter-alia, the Contract form will also contain the following fields including fields required for payment related processes:
 - a. Administrative approval of the Competent Authority indicating the designation of the approving authority.
 - b. Approval of Competent Financial Authority indicating designation of the officer.
 - c. Whether IFD concurrence required? (Yes/No).
 - d. If yes, then IFD Diary No. & Date.
 - e. Budget Head of Account and Year, Major/Minor/Sub-head/Detailed Head/Object Head as in Detailed Demands for Grants.
 - f. Budget availability as on date (Yes/No).
 - g. Amount (Contract Value)) Rs (Budget to be blocked).
 - h. If expenditure is committed for more than a year, the year-wise details (portal should generate a Liability Register for recording multi-year payment commitments, the format for which is prescribed in Rule 53 of the GFR).
2. When these fields are duly captured, the Buyer will be in a position to place the Contract online. The GeM portal will generate a Sanction Order and the Contract which will be digitally/e-signed by the Buyer. These documents duly digitally/e-signed by the Buyer will be made available online to the concerned DDO and PAO or Paying Authority as defined in the contract and Seller/ Service Provider. The DDO and PAO/Paying Authority shall have access to the Contract online in order to ensure that the Bill is generated at the stage of payment in accordance with the contractual provisions.
3. The GeM portal will send the Sanction Order details to PFMS.
4. On issue of Sanction order and placing the Contract for goods, the full amount required from the relevant Budget Head should be blocked in the PFMS. In cases of Services, amount should be blocked for one payment cycle as defined in the contract. Before releasing payment for any cycle, the funds required for the next payment cycle should be blocked so

as to ensure availability of payable funds for the next payment cycle. Blocked fund will be treated as accrued expenditure by PFMS for the financial year in question and it will not be withdrawn for any other purpose other than the one for which the amount is Blocked. In order to alleviate the operational issues as well as to ensure optimum utilization of available funds, the following additions are made in para (A) (4).

- a. The provision of fund blocking equivalent to full contract value is applicable only for contracts with delivery periods of up to 20 days. For contracts with longer delivery periods, fund blocking of appropriate amounts shall be initiated at a date 20 days prior to expected delivery date or on the date of invoice generation by the Seller in GeM whichever is earlier. In case of non-availability of required funds at that point of time, both buyer and seller shall be alerted, and the Buyer, the HoD, the DDO/ PAO and finally up to AS&FA of concerned Ministry/ Department shall be alerted by email and SMS by GeM. On failure in making available the required funds in the appropriate head of account within 10 days, seller has right to decline supply and to seek contract cancellation without any administrative action against the seller. Also, in such a case, any delay in delivery by the seller will also become exempt from the provision of Liquidated Damages.
 - b. Functionality to un-block the blocked funds in exceptional cases/ emergency cases with some validations: Head of Department (HoD) of the organization on GeM can unblock certain % of blocked funds of a contract (may be upto 100%) with the approval of associated finance of the Ministry/ Department or the CPSE in exceptional cases/ emergency cases after giving a clear undertaking that he will ensure timely 58 Notified vide OM No. F.6/18/2019.PPD issued by Department of Expenditure dated 29.12.2020 availability of funds and unblocking will not lead to delay payments to sellers. However, such unblocking will not allowed if the seller has already raised an invoice (before 1st March of Financial Year).
 - c. Funds for the relevant financial year should be blocked only if the delivery period is such that the delivery is scheduled before the 1st of March of that financial year. If the delivery is scheduled in March of that financial year or scheduled in the next financial year then fund blocking is optional for buyer in current financial year and mandatory only in the next financial year in the 1st week of April.
5. Should it be necessary to amend the Contract, such Amendment in the Contract with due approval of the Competent Authority and acceptance of the Seller/Service Provider (wherever required) shall be made available to the Seller /Service Provider/ DDO/ PAO/ Paying Authority on the GeM portal.
 6. Similarly, in the event of complete/ partial cancellation of the Contract the information would be made available to the Seller/Service Provider, DDO and PAO on the GeM portal. In that event, funds so blocked earlier would be released to the extent of cancelled amount.
 7. The Programme Division/Administrative Unit in the Ministries/Departments shall periodically review the blocked budget to ensure that funds are utilized within the same financial year.
 8. The Performance Security (if any) would be obtained from the Seller/Service Provider as per Contract, and their details would be reflected on the GeM portal by the Buyer.

9. Provisional Receipt of Stores on GeM:

- a. On dispatch of Goods, the Seller would enter the Dispatch Details and date of Dispatch and will upload documentary evidence of Dispatch against each consignment on GeM Portal. All these documents and details shall be shown to the Consignee on his dashboard and shall also be notified to the consignee on his e-mail and on his registered mobile number.
- b. The Seller shall prepare an electronic Invoice, digitally/e-signed, on GeM portal and shall submit the same on-line to the Buyer. GeM portal will send an SMS/ email alert to the Buyer, on submission of Invoice. This Invoice will contain mode of dispatch of goods, dispatched/delivered quantity with date and all inclusive price claimed based on digitally/e-signed Contract. In case Services are procured, the required data as per Contract may be incorporated in the Invoice.
- c. After actual delivery of goods at consignee destination/ milestone achievement (such as completion of installation/ commissioning or training etc. as defined in the contract)/ service delivery, Seller would enter the actual date of delivery/ milestone achievement/ Service Log Sheet (as applicable) and will upload documentary evidence for the same duly digitally signed / e-signed. All these documents and details shall be shown to the Consignee on his dashboard and shall also be notified to the consignee on his e-mail and on his registered mobile number. In case of Services Contracts, the Service Provider will fill up the required data as per the contract (such as log sheets and /or Invoice etc duly digitally signed/ e-signed).
- d. Immediately upon above entry by Seller I Service Provider regarding delivery of goods/ milestone achievement/ service delivery, an alert will be flashed on the Dashboard of the consignee and an email and an SMS Alert will be sent to Consignee informing that consignee has to mandatorily acknowledge receipt of stores/ milestone achievement/ service delivery through generation of PRC on GeM. The Buyer/Consignee should receive the Goods/Services and issues an online Provisional Receipt Certificate (PRC), within 48 hours, on 'said to contain basis' on the GeM portal with his/her digital signature / e-sign, mentioning the date of Receipt. (From this date of receipt mentioned in PRC, the period of ten (10) days for consignee's/buyer's right of rejection and return policy would be applicable unless otherwise specified in a particular contract).
- e. In case the consignee does not issue PRC within 48 hrs from entry of delivery of goods/ milestone achievement/ service delivery by Seller/ Service Provider, an alert will be flashed on the dashboard of the consignee and an email and an SMS Alert will be sent to Consignee and Buyer informing that consignee has to mandatorily acknowledge receipt of stores/ milestone achievement/ service delivery through generation of PRC on GeM.
- f. After expiry of 72 hrs. from the first alert, another alert will be flashed on the dashboard of the Consignee, Buyer including HoD and an email along with an SMS Alert to Consignee , Buyer, HoD informing that consignee has to mandatorily acknowledge receipt of stores/ milestone achievement/ service delivery through generation of PRC on GeM and if the time limit of 96 hrs expires from the date of delivery of goods/milestone achievement/ service delivery as per entry made by Seller/ Service provider and if the consignee does not acknowledge receipt of stores/ milestone achievement/service delivery by generating PRC or disputes the same by rejecting receipt, it would be presumed that goods have been delivered/milestone achievement I

service delivery has been made to consignee and PRC will be auto generated by the system (Deemed PRC).

- g. However, if the consignee does not issue PRC within 96 hrs from delivery of goods/milestone achievement/ service delivery as per entry made by Seller/ Service provider, GeM System/Portal would auto generate unsigned PRC considering the date of delivery of goods/ milestone achievement/ service delivery as indicated by the seller as deemed date of receipt for issuance of PRC. GeM portal shall also send periodic notifications every 24 hrs. to the Consignee, Buyer and the HoD about issuance of auto generated Deemed PRC for next 48 hrs.
- h. In case the PRC is auto-generated, the consignee shall have the provision on GeM to respond back within 48 hrs, if the goods have not been received or short received recommending to cancel or amend/correct the date of receipt/ quantity in the autogenerated Deemed PRC. In case nothing is reported/ corrected by consignee on the system, it will be presumed that the consignee has nothing to say and the autogenerated Deemed PRC will be considered as final for all purposes.
- i. If it is found at any stage that seller/ service provider has sent/ uploaded wrong information on GeM, based on which PRC has been wrongly auto generated, the seller/service provider will be dealt severely and should be debarred by GeM for three years.

10. Consignee Receipt and Acceptance of Stores on GeM:

After issue of PRC/ Deemed PRC, the system will start sending an alert on the Dashboard of the consignee and an email and an SMS Alert will be sent as per escalation matrix specified below to issue the CRAC within 10 days:

- a. Level 1 – Up to 3 days – Consignee
- b. Level 2 – 4 and 5th day – Consignee and Buyer
- c. Level 3 – 6 to 10th day – Consignee, Buyer, HOD

After verification including assessment of quality and quantity of goods /verification of completion of all deliverables defined in the milestone/ completion of service for the defined period, the Consignee(s) will issue an on-line digitally/e-signed Consignee's Receipt & Acceptance Certificate (CRAC) (Goods CRAC/Service CRAC/ Delivery CRAC/Installation CRAC/ Final CRAC as the case may be) (within 10 days (unless otherwise specified in a particular contract) of date of receipt indicated in PRC/deemed date of receipt as indicated in Deemed PRC. The CRAC would clearly indicate the Order quantity/milestone achievement/ service delivery, rejected quantity/ unacceptable milestone achievement /unacceptable service delivery (if any, with reasons for rejection including shortages/damaged/unaccepted quality), quantity/ milestone achievement/ service delivery accepted and cleared for payment. However, if the consignee does not issue CRAC within 10 days (unless some other time line is specified in a particular contract for issue of CRAC), on 11th day from the date of receipt/ deemed date of receipt of quantity/ milestone achievement / service delivery as indicated in PRC, GeM System/Portal would auto generate unsigned CRAC which, backed with digitally/e-signed PRC or deemed PRC based on Seller Evidence for the corresponding quantity/ milestone achievement/ service delivery shall be taken as deemed acceptance for payments in lieu of the requirement of digitally/e-signed CRAC. This will be made available on GeM to the Buyer/ Seller and also

the concerned DDO (if applicable) and PAO/Paying Authority. The GeM portal would generate a unique serial number for CRAC relating to concerned DDO (if applicable) & PAO/Paying Authority, so that the payments are made seriatim.

In case the CRAC is auto-generated, the consignee shall have the provision on GeM to cancel or amend the auto-generated CRAC within 72 hrs, if the goods have not been accepted or found defective/ short received. In case nothing is corrected by consignee on the system, it will be presumed that the consignee has nothing to say and the auto-generated CRAC will be considered as final for all purposes including payments.

11. After generation of CRAC, the Buyer shall prepare 'Payment advice' on GeM Portal, indicating any contractual deductions such as penalties for violation of Service Level Agreement (as applicable)/Liquidated Damages for delayed supplies/ milestone achievement/ service delivery etc. which will be used by GeM portal to compute the net amount payable for the accepted quantity/milestone achievement/service delivery after factoring in the contractual deduction(s) and generate claims for payments digitally/e-signed by the Buyer. This claim for payment shall be made available to the DDO on GeM Portal and the requisite data will also be pushed online in the PFMS. DDO will log into PFMS and generate the Bill against the said claims and forward the same to the PAO/Paying Authority for payment, after deducting any statutory deductions including TDS as applicable.
12. It is obligatory to make payments without any delay for purchases made on GeM. In no case should it take longer than the prescribed timelines. The timelines after Consignee Receipt and Acceptance Certificate (CRAC) issued on-line and digitally/e-signed by consignee, will be two (2) working days for Buyer, one (1) working day for concerned DDO and two (2) working days for concerned PAO for triggering payment through PFMS for crediting to the supplier's account. In case of return of Bills by PAO/Paying authority, the discrepancies should be addressed by concerned Buyer/DDO within one working day and thereafter on re- submission of Bill the PAO should also not take more than one (1) working day for triggering payment to the Seller/ service provider Any matter needing a resolution will be escalated to the next higher level in each agency (Buyer, DDO and PAO) where the matter should be resolved within 24 hours. In the entire process, time taken for payment should not exceed ten (10) days including holidays.
13. After online pre-check of all relevant documents, PAO/Paying Authority shall debit the Government account, releasing the corresponding payment through PFMS/ to be credited into the bank account of the Seller/service Provider. The payment so released shall be credited to the Seller/Service Provider account within 24 hours (excluding public holidays), by the Bank. SMS alerts shall be sent to the Seller/Service Provider and Buyer after the payment is authorized by PAO and also after the confirmation of the payment by the Bank. The payment authorization as well as payment confirmation details shall be shared by PFMS on the GeM portal. The PAO/Paying Authority and DDO shall comply with the provisions of General Financial Rules for budget implementation.
14. In case of return of Bill, if necessary by PAO/Paying Authority, it should be made online with all queries/discrepancies/reasons for rejections indicated in one go with the approval of competent authority, to the DDO/Buyer for the needful corrections at their end.
15. The DDO shall also be responsible for issuing TDS certificate (as per Income Tax Act, 1961 amended from time to time) to the Seller after release of the payment to the Seller/Supplier.

The DDO shall also be responsible for deduction of TDS on GST as per GST provisions and to deposit the same with the Govt, as per GST rules and issue Form GSTR 7A to the person whose TDS has been deducted.

16. GeM System/Portal would also have on-line provisions for generating supplementary Invoice(s) for claim/refund of statutory changes in Duties and taxes, if any, as above. A provision for all types of refunds/claims should be available on-line through PFMS.
17. In terms of the provisions of the Information Technology Act 2000 as amended from time to time, digitally/e-signed online documents generated on GeM shall be treated at par with ink-signed documents for release of payment to the Seller/Service Provider and no ink signed paper/documents shall be demanded/insisted.
18. The multi-year liabilities so created as referred to in Para (A) (1) (h) above shall be reviewed regularly by the Programme Division/Administrative unit in consultation with the Financial Adviser. The consolidated information on the total committed liabilities, yearwise, shall be submitted by the Financial Adviser to the Budget Division, Department of Economic Affairs, Ministry of Finance for suitably reflecting in the Budget Estimates for the relevant financial year and in the Medium Term Expenditure Framework (MTEF).
19. For all contracts placed through GeM, the payment through PFMS to all Sellers/ Service Providers must be released online only against electronic bill generated on GeM. No offline payment should be made in such cases to avoid double payment. Only in exceptional cases such as non-availability of the GeM platform or long shutdown of internet services at Buyer location or similar force majeure conditions, such off-line payments can be resorted to subject to the condition that immediately after resolution of the problem, necessary entries would be made on-line in GeM portal to obviate the possibility of double payment.

B. Payment for Non-PFMS Agencies/ Entities (NPAE):

1. Non-PFMS Agency/ Entity (NPAE) is a Government of India (GoI) not using PFMS for its payments of transactions and having their own payment system for making payments against contracts placed for goods/services placed by the NPAE on GeM. All NPAE shall open & operate a special purpose account namely GeM Pool Account for the purpose of ensuring prompt payment to Seller/Service Provider of GeM who supply Goods/ Services to the NPAE through GeM.
2. Accordingly, all the Organisations/ Departments including CPSUs, Municipalities, Educational Institutions, Autonomous bodies, Societies, etc. not operating through PFMS shall be covered under these instructions. These organisations are hereby directed to open, operationalize and operate a GeM Pool Account (GPA) for all procurement. GPA is a special purpose bank account (interest bearing savings/current Account) opened, operated and controlled exclusively by each NPAE. GeM Pool Account shall be mandatory for all procurement irrespective of value. The GeM Pool Account shall be opened, operated and controlled exclusively and completely by the buyer entity/agency subject to certain restrictions on withdrawals of funds as explained in succeeding paragraphs. The Account shall carry interest applicable to savings/ current account. Such account shall be opened in any scheduled bank having already integrated the pool account with GeM.
3. The following are the core elements of GPA that should be incorporated during the opening and operations/ procurement stages:

- a. The NPAE will open the GPA (as a savings or current account) which will be utilized by buyer through the online integration of Bank with the platform owned and maintained by GeM SPV, as per Service Level Agreement (SLA), and solely for procurement of goods and services on GeM.
- b. The terms and conditions of procurement on GeM will be part of the operations agreement between the bank and the NPAE.
- c. The role of the bank will be limited to ensuring operations of the account on the instruction of the NPAE through the authorized NPAE nodal officer for GeM/ buyer.
- d. Real time details of all operations of the account will be shared by the bank, in a mutually accepted format (to be amended from time to time) with the NPAE, only through the GeM Platform.
- e. Once a sub-account/ transaction specific account is credited with an amount, the NPAE cannot withdraw this amount, apart from transfer to the designated Seller/Service Provider, till such a time that the transaction is live.
- f. Any withdrawal/transfer by the NPAE from this account, except for payment to the Seller/ Service Provider, would be permitted in the following conditions.
 - i. Order cancellation
 - ii. Order rejection
 - iii. Refund

All the above situations would first be required to be enabled/ flagged on the GeM Platform for the NPAE to be able to act accordingly.

4. While procuring goods & services through GeM, the NPAEs should credit 100% of the projected Contract Value in case of Goods Contract in their GeM Pool Account before award of contract. In cases of Services, amount should be credited for one payment cycle as defined in the contract and before releasing payment for any cycle, the funds required for the next payment cycle should be credited so as to ensure availability of payable funds for the next payment cycle. Payment so credited will not be withdrawn for any other purpose other than the one for which the amount is credited into GeM Pool Account.
5. After placement of contract on GeM, the process for PRC and CRAC will be same for NPAE category also as indicated in Para (9) above regarding Provisional Receipt of Stores on GeM and Para (10) Consignee Receipt and Acceptance of Stores on GeM for PFMS Buyers.
6. After issue of CRAC, NPAE Nodal Officer shall issue an advice without delay to the bank to release actual amount payable to Seller/ Service Provider as per terms of contract from the GeM Pool Account. On authorization, the bank should transfer the prescribed amount to the Seller/Service Provider supplier mapped in the transaction.
7. In case of a Service level agreement (SLA) breach on the part of the NPAE in terms of payments to the Seller/Service Provider, GeM will intimate the buyer and bank of the same. Post such intimation, and non-action on the part of the NPAE with respect to payment transfer, bank will release payments for the delivery of goods at consignee destination/milestone achievement (such as completion of installation/ commissioning or training etc. as defined in the contract)/ service delivery as notified in the terms and conditions of procurement on GeM to the Seller/ Service Provider mapped in the

transaction. Such a provision is required to be incorporated in GPA and should be considered as a standing instruction from the NPAE to the bank. The residual amount cannot be withdrawn/ transferred by the NPAE, in such cases.

8. In case, even after 10 days of issue of Consignee receipt and acceptance certificate (CRAC)/ auto generated CRAC, the buyer has not initiated the payment process through the GeM platform, a payment trigger will be automatically generated for payment equivalent to 80% of the corresponding quantity/ milestone achievement/ service delivery deduced by the system as per CRAC. Simultaneously intimation will be sent to the HoD, buyer and NPAE Nodal officer for GeM, regarding the release of payment, at their risk and cost in line with the terms and condition (T&C) and SLA of procurement on GeM. The residual payment of 20% is to be processed by the buyer within 35 days after adjusting for any statutory deduction and damages, failing which after 35 days, the same will be released to the Seller/Service.

Provider automatically through an alert to the bank by the GeM Platform, after statutory deductions and any system know deductions.

9. Unutilized funds after closure of the Contract and interest accrued on the credited amount will be at the disposal of nominated NPAE Nodal officer, who may advise banker for further action as deemed fit.
10. The Steering Committee on GeM of each Ministry should monitor the implementation of these instructions regarding operationalization of GeM Pool Account.
11. Ministries/ Departments of Government of India are accordingly requested to issue necessary instructions to all Non-PFMS Agencies/ Entities under their control.
 - i. In case any Non PFMS Agency/ Entity decides with the approval of their Competent Authority to have integration of their on-line payment Systems with functionality for Blocking of Funds etc. as per PFMS system of payments, the Payment procedures outlined for PFMS in Para (A) shall be mutatis mutandis applicable to them.
 - ii. Currently, for unlocking of funds, especially during the fag end of the financial year, buyers need to send emails etc. to GeM. Thereafter, GeM manually unlocks the payments. GeM will automate this whole process.

8. It is mandatory for a buyer to generate a “GeM Availability Report and Past Transaction Summary” (GeMAR & PTS)⁵⁹ with a unique ID on GeM portal using his login credentials on GeM for procurement outside GeM (for example for procurement through Central Public Procurement Portal). The Past Transaction Summary will be provided, where available. “GeMAR & PTS” shall be a pre-requisite for arriving at a decision by the competent authority for procurement of required goods and services by floating a bid outside GeM and its unique ID would be required to be furnished on the publishing portal along with the tender proposed to be published.
9. Purchase of goods without quotation can be resorted for value upto Rs. 50,000/-only on each occasion may be made without inviting quotations or bids on the basis of a certificate to be recorded by the competent authority, only when the required goods are not available on GeM.

Notified vide OM No. F.6.18.2019-PPD issued by Department of Expenditure dated 11th June, 2021.

10. In case a certain item is not available on the GeM portal,] Purchase of goods costing above [Rs.50,000 (Rupees fifty thousand only) and up to Rs.10,00,000/- (Rupees ten lakh only)] on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier and will jointly record a certificate before placement of the purchase order.
11. Where an item is available on GeM and Ministry/ Department/ Organization wants to buy outside the GeM in view of any compelling circumstances, the approval of Standing Committee of GeM (SCoGeM) and Secretary concerned shall be required.

Inserted vide OM No. F.1.26/2018-PPD dated 02.04.2019.

Refer OM No F.6/15/2018-PPD issued by Department of Expenditure dated 5th February 2020.

Note: The content mentioned in this chapter are as per the extant GoI Guidelines. As and when the guidelines are revised, the same shall be applicable.

CHAPTER – 37 – PRE-BID / PRE-AWARD TIE-UP

37.1 A pre-bid tender is desirable to firm up the estimated cost of high-value works and services. These high value works and services will form part of the bid to be submitted by BEML to comply with contract requirements given in the tender of prospective customer.

37.2 Following additional guidelines shall be followed in respect of Pre-bid Tender:

a. A committee consisting of:

- i. R&D
- ii. Planning
- iii. Materials
- iv. Marketing and
- v. Finance

shall be proposed by Marketing and approved by Functional Director.

- b. The committee formed as per para 37.2.a above, shall submit a report indicating high value aggregates along with probable vendors for which pre-bid tie-up is required. These high value aggregates shall normally cover 60-70% of the total material procurement value of the tender. The report shall be approved by Functional Director.
- c. Based on the committee recommendation and on approval by Functional Director, Planning to provide provisional PRs for the proposed pre-bid tie-ups. Head-Planning of concerned SBU shall approve the provisional PRs.
- d. Purchase to initiate tendering action as per the existing procedure based on provisional PRs provided by Planning.
- e. Bids may be obtained from suppliers as recommended by the committee. In case of a supplier not in our approved vendor list, the procedure for registration of suppliers shall be followed.
- f. Techno commercial discussions with L1 only shall be conducted by the Committee at para 37.2.a above, including Head-SBU and Head-Finance of the concerned SBU.
- g. Pre-Bid Tie-up Agreement (PBTA) shall be entered with the L1 firm with due approval of competent authority. PBTA shall contain all major terms and conditions to be included in the contract, with ample scope for techno commercial discussion with customer without involving the tenderer. PBTA shall be as comprehensive as possible requiring minimum alteration at the time of contract and shall specify Customer-BEML-Supplier back-to-back arrangement/ commitment to the maximum extent possible. PBTA shall be coordinated by Head-SBU, Head-Finance of the concerned SBU, Corporate Finance and approved by respective Functional Director.
- h. PBTA should contain stipulations that in the event of price reduction during techno commercial discussion by BEML with the customer, corresponding reduction should be mutually firmed up with the contractor. Major terms and conditions such as acceptance of LD/ penalty, guarantee/ warranty, payment terms including advance, if any, etc., shall be on a back-to-back basis and clearly spelt out in the PBTA. Conditions for advance payment shall form part of Tender Enquiry.

- i. PBTA should contain adequate provisions for variations in financial commitments quantified against additions, deletions and changes in scope of work, and services preferably identifying them against bill of materials, rate per unit of services.
- j. PBTA shall contain adequate safeguards regarding requisite technical parameters, guarantee requirements along with appropriate clause for alteration in prices in case of deviation from the stipulated technical parameters.
- k. Within 30 days of signing of PBTA, 1% of the value of the PBTA shall be furnished by the supplier as bid-bond in the form of Bank Guarantee or Security Deposit etc., in order to ensure the supplier's continued association and linkage with BEML, till the prospective customer finalise the tender.
- l. PBTA will be converted into a Contract / Purchase Order with the approval of competent authority as per SDoP, on receiving firm Customer Order / LoA without any major deviations / financial implications keeping in view the spirit of the PBTA and without again going through the tender procedures.

37.3 Customer tenders with less no. of days for bid submission by BEML:

- a. In case of tenders invited by customers with tender due date less than 30 days, Marketing department should seek Budgetary Quote (BQ) from major aggregate suppliers including proprietary sources, negotiate on the BQ and submit the offer to customer.
- b. Subsequently, on receipt of confirmed order from customer, a formal tender should be issued to that vendor as per purchase procedure by respective SBUs. All efforts to be made to ensure the formal purchase order released is less than or equal to BQ.

CHAPTER – 38 – PROMOTING SELF-RELIANCE THROUGH INNOVATION AND INDIGENISATION

38.1 INTRODUCTION:

Indigenisation refers to developing the capability and capacity to manufacture and produce the required goods and services within the country, which were being imported. This typically involves a two-stage process, comprising the development of goods/services, followed by procurement of the product/s concerned, as opposed to the normal process of outright procurement. This chapter is based on DPM-2025 and issued on broad guidelines for processing and concluding development contracts.

38.2 ATMANIRBHAR BHARAT:

- a. With the articulation of 'Make in India' and 'Atmanirbhar Bharat' vision, the manufacturing of all kinds of equipment in the country has got tremendous impetus. Achieving Atmanirbharta or self-reliance is a strategic imperative and should be seen as a national mission.
- b. Atmanirbhar Bharat refers to achievement of self-reliance in manufacturing and production of equipment as well as services within the country. The objective of self-reliance is sought to be achieved through development of items, spare parts etc. for sustenance and to ensure the availability of infrastructure required for manufacture and production of such goods/services within the country.
- c. Rule 153 (iii) of General Financial Rules provides that the Central Government may, by notification, provide for mandatory procurement of any goods or services from any category of bidders, or provide for preference to bidders on the grounds of promotion of locally manufactured goods or locally provided services. Guidelines have further been laid down by Department for Promotion of Industry and Internal Trade vide Procurement Preference to Make in India (MII policy) order OM no. P-45021/2/2017-PP(BE-II)-Part(4)Vol-II dated 19th July 2024 and its amendments from time to time.

38.3 TYPE OF INDIGENISATION CONTRACTS:

- a. **Development Contracts:** Development POs unlike normal POs, involve development work against given data/ technical specifications/ drawings or development of new product /technology without technical specifications. Such contracts typically include uncertainties and risks during the development process, depending upon the complexity of the item under consideration.

38.4 INDIGENISATION THROUGH DEVELOPMENT PURCHASE ORDERS (PO):

- a. **Categories of Development POs:** This category would broadly fall into the following categories:
 - i. Import and Indigenous Substitution when Design / Specifications are available. This category would be applicable for cases where prototype models are to be developed by the firm on the complete design data provided by R&D. This category need not necessarily entail design and development but will involve indigenous production. The design aspects for this category would always be based on a draft technical / design specification and other information to be provided by R&D.

- ii. Import and Indigenous Substitution when Design / Specifications are not available. This category would consist of Systems / Sub-systems / Equipment for which design drawings and specifications, etc., are not available with BEML. It entails indigenous design, development and production of goods and services. It may be undertaken under technical guidance and advice from R&D in consultation with customer & vendor involved in indigenisation.

38.5 ELIGIBILITY FOR BIDDING FOR INDIGENIZATION FOR DEVELOPMENT CATEGORIES:

Selection of vendors for indigenisation / procurement as per the guidelines provided in Chapter-35 (Public Procurement – Preference to Make In India) of this purchase manual.

38.6 PROCEDURE FOR DEVELOPMENT CONTRACTS:

Two categories of development contracts may involve validations/ trials or field evaluations. Proposals for procurement under Development contracts, where reference prices of imports may or may not be already available, will be processed as outlined below.

a. Procedure for Development Contracts without Involving Validation / Trials:

Proposals under this Category may be processed as under and are to be read in conjunction with special provisions listed at Para 38.8:

- i. Exploration of capable sources/ vendors through issue of EoI in case applicable. EoI to include technical specification, if available, or the functional characteristics/ technical details to the extent possible.
- ii. Obtaining tender approval for the estimated development cost, cost of prototypes and the cost of Initial Order Quantity.
- iii. Issue of RFP to the identified capable vendors on OTE/ LTE/ STE basis, as applicable
- iv. Thereafter, normal processing as per provisions of this purchase manual to be read in conjunction with special provisions at para 8.

b. Procedure for development contracts with Validation / Trials:

Proposals under this Category will be processed as under and is to be read in conjunction with special provisions listed at Para 8:

- i. Exploration of capable sources/ vendors through issue of EoI in case applicable. EoI to include technical specification, if available, or the functional characteristics/ technical details to the extent possible.
- ii. Obtaining tender approval for the estimated development cost, cost of prototypes and the cost of Initial Order Quantity.
- iii. The Indigenisation Agency shall decide whether a validation process (validation/trials) is required and, if so, it shall be indicated in the proposal for tender.
- iv. Issue of RFP to the identified capable vendors on OTE /LTE/ STE basis, as applicable. The RFP would define a validation/ trials process, the scope and duration thereof shall also be finalised and indicated in the RFP. It is to be mentioned in the RFP that the vendors found technically compliant shall be required to provide specified quantities of the item on 'No-Cost, No-Commitment' (NCNC) basis for trial evaluation/ testing. The period within which the vendor is to submit the equipment/ sample after being found technically compliant shall be indicated in the RFP.

- v. The RFP is to solicit technical and commercial offers separately and may also have a provision for pre-bid meeting prior to submission of the offers, so that the technical and other issues are clarified to vendors.
- vi. The technical evaluation shall be a two-stage process for cases requiring validation/ trials. After the technical bids are opened, the TEC shall short-list the vendors that are technically compliant, and the TEC Report shall be approved by competent authority. Thereafter, the technically compliant vendors shall go through the process of evaluation/ testing. The evaluation/ testing shall ideally be completed within a period not exceeding eight months (or as specified in RFP) from receipt of the equipment/ sample from the vendors. The Validation Trial/ Testing Report shall be again ratified by the TEC.
- vii. **Opening of Commercial Offer After Trial Evaluation/ Testing:** The commercial offer shall be opened only after acceptance of the TEC/ Validation Trial/ Testing Report of those vendors who have been recommended as technically compliant. It is to be ensured that the commercial offer remains valid until placement of purchase order/ signing of contract.
- viii. **Dispensing with Trial Evaluation/ Testing:** For parts available Commercial off-the-shelf (COTS), which are upgrades of in service items and have requisite International Standards (IS)/ Bureau of Indian Standards (BIS) or equivalent certification, R&D may accept the parts on the basis of self-certification by the vendor without going through the validation/ testing process, provided it is confirmed by R&D.
- ix. Thereafter, normal processing as per provisions of tendering to be followed.
- c. In case of proposals relating to import substitution through Joint Ventures (JV)/ Transfer of Technology (ToT) etc. from foreign OEMs, the Indian vendors, while responding to the RFP, shall ensure that their foreign partner(s) from whom technology transfer is obtained/purchased, are OEMs or their authorised licensees, design agencies or government sponsored export agencies. In addition, such foreign partner(s) should not have been debarred, banned, suspended or blacklisted by the Ministry of Defence.

38.7 GENERAL GUIDELINES:

In view of the inherent nature of development contracts entailing uncertainties and risks, it is not possible to lay down a rigid set of guidelines/ rules covering all contingencies in such contracts. For the same reason, the norms/ procedures to be followed in case of development orders need to be flexible and industry-friendly, provide for requisite handholding, make allowances for uncertainties, and cater for mid-course corrections/ changes during contract execution, in order to facilitate successful fruition of indigenisation projects while conforming to the established procurement norms of the purchase manual including general guidelines given below:

- a. **Innovation Indigenisation Committee (IIC)** shall identify potential parts / aggregates for indigenous development, which may include product replacement, refurbishment, improvement and upgradation of items/ equipment/systems/ Sub-Systems/ spares, etc. The list of identified parts / aggregates are to be given due publicity for soliciting proposals. Tender approval is to be accorded by competent authority after considering the development cost, cost of prototypes and the cost of Initial Order Quantity.

- b. Considering the unique nature of procurement, costing and various other aspects having financial bearing, competent authority shall consult concerned SBU as per existing SDoP.
- c. **Initial Order Quantity (IOQ):** Initial Order Quantity (Sample Quantity) refers to the total quantity of the developed item, over and above the specified number of development prototypes, which may be included for the Development projects in the Contract, for procurement post successful development of the indigenised/ prototype item. IOQ is to be justified at the time of seeking tender approval and shall be included in the RFP. Based on the type of item, IOQ may be arrived at using either of the following, as may be considered necessary by IIC:
 - i. Immediate urgent/ operational requirement.
 - ii. Minimum Order Quantity (MOQ)/ Economic Order Quantity (EOQ).
- d. Since, Indigenisation, as opposed to outright procurement of goods and services, entails development of indigenous technology / sources for items which were either hitherto being sourced through import or are not readily available in the country, provisions of Rule 149 of GFR on GeM are not to be applied.
- e. Even if one tenderer/ individual or firm/vendor is found capable to undertake development cum production based on market exploration through an open EoI / OTE the case may be progressed as a Resultant Single Vendor Case.

38.8 SPECIAL PROVISIONS FOR UNDERTAKING DEVELOPMENT CONTRACTS:

Proposals under the development contracts, where reference prices and technical specifications may or may not be available, will have special provisions as applicable as under:

- a. EoI shall be published on BEML Website and CPPP Portal inviting vendors to participate in development category. Indigenisation cases shall be progressed ahead, even if only one EoI respondent is found meeting the technical eligibility criteria.
- b. In the multiple vendor cases, development process as stated in Chapter 30.2 to be followed.
- c. A trial methodology is to be incorporated in the RFP where applicable. In such cases, supply of sample for trial evaluation may be included as part of technical bid. Following are the special provisions:
 - i. **Single Vendor Situation Post Conduct of Trials:** In multi-vendor cases, a single vendor situation may emerge post conduct of Field Evaluation trials. The procurement process may be continued as planned. In such situations, efforts should be made to complete the Design & Development process before expiry of original validity of commercial bid.
 - ii. **Supplementary Trials:** On completion of all trials, when no equipment has fully met all the RFP parameters, Supplementary trials may be conducted in case if the vendors can modify their offered items to meet the certification parameters as mentioned in the RFP. The provisions of Supplementary trials along with the number of times such trials would be permitted may be included in the RFP.
- d. Revision of Commercial Bid: Situations would arise when the validity of the commercial offers submitted by vendors expire before acceptance of sample. In such cases, vendors

would be given an option to extend the validity of the commercial offer for a specified period to be decided by competent authority in consultation with technical evaluation committee.

- e. **Negotiations with L2 Vendor:** If the bidder, whose bid has been found to be the lowest evaluated bid withdraws post successful completion of trials and whose bid has been accepted, fails to accept the purchase order, the Procuring Entity on being satisfied that it is not a case of cartelization and the integrity of the procurement process has been maintained, may, for cogent reasons to be recorded in writing, offer the next successful bidder an opportunity to match the financial bid/negotiated price of the first successful bidder, and if the offer is accepted, award the contract to the next successful bidder at the financial bid/negotiated price of the first successful bidder, subject to reasonability of the price bid being established by the procuring entity.
- f. **Techno Commercial discussion in cases of Division of Patronage:** In cases, where specific approval has been taken in the tender to have more than one source of supply, ratio of splitting the supply will be pre-disclosed in the RFP and negotiations will be done with both the L1 and L2 vendor, provided the L2 vendor agrees to accept the price and terms and conditions quoted by/negotiated with the L1 vendor.
- g. **Offer of Latest Specifications at Techno Commercial discussion stage:** In cases, owing to longer gestation time, the L1 vendor may offer latest specifications at no additional cost during techno commercial discussion. The techno commercial discussion committee will be empowered to discuss and recommend acceptance of the same to the competent authority provided all parameters are met. Necessary validation may accordingly be carried out in these cases.
- h. **Test Procedure:** Acceptance test procedure / Quality Assurance Plan / Inspection & Testing plan, as suitable for the equipment of L1 vendor finalised during the Technical Trials will be submitted during the process of techno commercial discussion and included in the draft purchase order.
- i. **Limited Tender Enquiry (LTE):** Un-registered vendors or vendors not in approved vendor list of BEML may also be considered for the purpose of LTE with the approval of competent authority based on evaluation of EoI/ Open Tender / Public Tender Enquiry. However, their registration would be mandatory before placement of order on them.
- j. **Single Tender Enquiry (STE):** Design/ development from a single source may be resorted to with the prior approval of competent authority, for reasons which must be clearly and unambiguously be brought out in writing, at the time of seeking approval to tender.

STE may additionally be resorted to, under the following circumstances:

- i. Non-proprietary items, when only single response is available, despite competitive bidding.
- ii. Where any other mode of bidding is not considered appropriate in the interest of national security.
- iii. Products developed through iDEX scheme (post development of prototype).

38.9 INNOVATION & INDIGENISATION COMMITTEE (IIC):

To provide an impetus to indigenisation, each SBU-Head shall form Indigenisation committee at SBU level headed by Planning and members from R&D, Quality & Purchase.

- a. Be responsible for spearheading indigenisation for Import Substitution.
- b. Identify projects for import substitutions.
- c. Undertake advance planning and consultations with stakeholders.
- d. Facilitate conduct of feasibility reports.
- e. Assign responsibilities and hold task owners/ project facilitation teams accountable for delivery.
- f. Closely monitor and ensure periodic update on all indigenisation projects.
- g. Employ project/ programme implementation experts, as also latest execution/ monitoring techniques and software, to ensure timely completion of all indigenisation projects.
- h. Development of alternate vendors for all indigenised items.

38.10 MEASURES TO BOOST INDIGENOUS MANUFACTURING BY PRIVATE SECTOR:

- a. **Positive Indigenisation Lists:** To promote indigenisation, Positive Indigenisation Lists containing names of parts / aggregates / platform, are being notified from time to time. These lists provide increased opportunities to the Indian industry to enter into the defence manufacturing space, as items in the lists are to be procured from indigenous sources only. To the extent that any item(s) in the lists fall under revenue category, procurement of such items shall also be undertaken from domestic sources and will follow the procedures given in this Manual.
- b. **Level Playing Field:** With a view to providing a level playing field for the indigenous private industry vis-a-vis foreign vendors, Procuring Entities may ensure that no discrimination is made against domestic vendors in respect of Buyer Nominated Equipment (BNE), Customs Duty Exemption, and trial and testing procedures for indigenous and foreign products. At the same time, in any procurement proposal where some quantity is proposed to be imported and the balance proposed from indigenous sources, efforts may be made to ensure awarding maximum quantities to indigenous vendors, with limited number/bare minimum to foreign vendors.

38.11 TERMS OF PAYMENT:

- a. **Advance Payment:** Advance payments to Development Agency may be provided during the development phase to facilitate development of the prototype under Import Substitution categories. Advance payments can be given up to thirty percent of the contract value to private vendors and up to forty percent to Central/ State Govt Agency or a Public sector undertaking. While making any advance payment as above, adequate safeguards in the form of interest bearing advanced bank guarantee should be obtained from the vendors.
- b. **Stage Payments:** The initial advance paid should be adjusted against the successive stage (milestone) payments. The stage payments, if any, should be spread over the period of execution of the projects/contract and made in suitable instalments keeping in

view various stages of development/ manufacture. These stages should be pre-determined, and it should be ensured that the payments made are in consonance with work performed by the firm/contractor and linked to verifiable milestones viz. Preliminary Design Review, Detailed Design Review, purchase of raw materials and realisation of prototype etc. The quantum of payment will generally not exceed 50% of the estimated expenditure incurred by the contractor up to that stage. About 20 to 25% amount as last instalment should be released only after the completion of the project or rendering of the services/supplies to the entire satisfaction of the authority placing the order.

38.12 SPECIAL BENEFITS FOR VENDORS UNDERTAKING DEVELOPMENT CONTRACTS:

Unlike normal procurements, success of indigenisation projects is not assured owing to indeterminable nature of work and risks inherent in the development/ manufacturing processes. Hence, following provisions are extended for development cum procurements contracts/ supply orders:

- a. Waiver of Liquidated Damages (LD) Clause: Since development stage inherently have a number of indeterminable parameters due to complexities, processes and agencies involved, LD clause is waived off for development contracts in the development stage or till development of prototype, so as not to dissuade private sector industry from participating in the indigenization process. LD shall be included only where deemed necessary post prototype development, for procurements made subsequent to successful development and for supply of the quantities included in the procurement order at the rate of 0.1% per week/ part of the week, subject to maximum of 5% of the total cost.
- b. Submission of Earnest Money Deposit at tender stage is not mandatory.
- c. In case of development order from customer includes LD terms, then the same will be included in the corresponding order issued by the Company on back to back basis.
- d. In such projects there can be a situation where only one vendor responds during EoI/OTE and meets the criteria laid down or only one vendor submits prototype after issuance of purchase order or only one vendor is finally qualified/ found to be eligible for placement of purchase order. In such cases, the tendering action must not stop solely on the ground that a situation of single vendor has arisen but it can move ahead and taken to the finality if competent authority with finance concurrence is satisfied at any stage of tendering action on reasonable grounds that the case is fit to be taken further in the national interest and no violation of procurement rules has been till such time.
- e. Submission of PBG shall be applicable only after the prototype has been successfully developed, viz. on completion of certification, user trials and final delivery of the developed prototype.
- f. There will also be an assurance of orders on successful development and trials of the prototype, and the title/ ownership/ IPR, where applicable, will be retained by BEML. Conditions governing management of IPR will be included in the RFP/ EoI.
- g. Post development of prototype, all subsequent procurements may be made from that vendor(s) concerned for an additional period of up to five years (beyond the period catered for by the Initial Order Quantity), if requirement is anticipated during the

additional period and no alternative source is available/developed. Such subsequent procurements would not be treated as single vendor cases, and only a commercial RFP would be issued to them directly. Pricing of the goods/ services for this additional period will need to be fixed while finalizing the Development Contract, and such a provision, if it is to be made applicable, will need to be stated upfront in the RFP.

CHAPTER – 39 – CAPEX PROCUREMENT

39.1 INTRODUCTION & INVESTMENT PROCESS IN BRIEF:

Capital Budget refers to the approved annual plan for Capital Investment / Capital Expenditure (CAPEX).

Capital Expenditure (CAPEX) means any expenditure incurred towards acquisition/ addition of fixed assets i.e., on completion, it would form part of fixed assets. CAPEX may be for expansion, modernization or diversification. This has to be considered on accrual basis and not on cash basis. These assets are intended for long-term use in business operations and revenue generation.

Capital Investments in BEML are categorized in different heads such as Capacity Expansion, Diversification, Modernisation, Research & Development, Township & Welfare (Housing, hospitals, utilities, welfare facilities), Office Equipment, Customer Funded.

Every year, the Annual Plan/Budget is formulated by Corporate Planning at Corporate Office by consolidating the requirement submitted by the SBU / Division / Complex duly recommended by Divisional Technical Committee as per clause 2.19 of this purchase manual. The consolidated proposal will be put up to Capital Investment Committee (CIC) for review and finalisation.

Based on the recommendation of CIC, the proposal will be put-up to CFD for information and recommendation. Subsequently, the Capital Budget Proposal will be submitted to the Board for approval.

Upon approval, the approved proposal will be forwarded to SBU / Division / Complex by Corporate Planning. The physical and financial progress of the approved proposal is to be monitored by Facility Planning Department at respective SBU / Division / Complex and periodical report will be forwarded to Corporate Planning for consolidation.

Corporate Planning shall review the status against approved budget and shall appraise the Management from time to time.

39.2 CATEGORY OF CAPITAL ITEMS:

- a. Capacity Expansion:** The budget requirement for capacity expansion are generally for
 - (i) increasing production capacity of existing products and (ii) including new plants, machinery, or infrastructure.
- b. Diversification:** Diversification refers to investment in different types of projects or business areas to mitigate the current business risk and create new growth avenues. The major categories of diversification under CAPEX are as follows:
 - i. Product Diversification - Investing in new products or modifying existing ones
 - ii. Market Diversification - Expanding into new geographic regions or customer segments
 - iii. Strategic Investments - Entering into new domains
- c. Modernisation:** Modernisation means making existing operations smarter, faster, safer and aims to lower operating costs. The budget requirements of modernisation are to be submitted in the following major categories with appropriate justification:

- i. Balancing facilities - Marginal additions to existing equipment and facilities required for de-bottlenecking of production process.
- ii. Manufacturing process improvement - Improving production or operational processes for better efficiency viz lean manufacturing, workflow redesign, etc.
- iii. Asset Refurbishment / Renovation / Reconditioning - Repairing or overhauling existing assets to restore or improve their performance and to extend their life.
- iv. Replacement - Substituting old, worn-out, or obsolete assets with newer, more efficient or technologically advanced equipment.
- v. Quality Enhancement - Upgrading systems to improve product quality and consistency like precision equipment, testing labs, quality control systems, etc.
- vi. Energy Efficiency Improvement - Investing in equipment that reduces power consumptions like LED lighting, smart energy systems, etc.
- vii. Automation & Digitisation - Introducing automation tools, robotics, and digital platforms.
- viii. IT Infrastructure Modernisation - Upgrading software, hardware, servers, networking equipment.
- ix. Safety & Compliance Upgrades - Investments to meet regulatory / statutory requirements, environmental / safety standards.

d. Research & Development:

As per Company's Material Accounting Policy;

- i. Research costs are expensed as incurred.
- ii. Development expenditure is recognised as intangible assets and tested for impairment annually during the period of development.
- iii. Expenditure on development of products intended for sale is included in inventory.

(For more details, refer Material Accounting Policy in the Annual Report of the Company).

Major categories under R&D CAPEX are:

- i. Technology Development - Developing new technologies or significantly upgrading existing ones. This includes upgradation of software, automation tools, AI systems, etc.
- ii. Testing & Validation Facilities - Investment in labs, testing equipment and quality validation systems.
- iii. Collaboration & Innovation Investment - Joint ventures, Partnerships with research institutions or Start-ups (Ex: Funding innovation labs or incubators).

R&D proposals should also be vetted by Corporate Tech Planning and Alliance Management (CTP&AM) group.

- e. **Township and Welfare:** All Capital Expenditure for Township and Welfare including creation of a new township, addition of houses in the existing township, construction of boundary walls, other buildings in township like schools, hospitals, shopping centres and other service-related facilities like water supply, sewage disposal etc. This would

also include Capital Expenditure on equipment for (i) Township, Hospital / Dispensary, School and Recreational Facilities etc. and for (ii) Canteen, Occupational Health Centre (OHC), Creche etc.

- f. Office Equipment:** Under CAPEX for Office Equipment, the focus is on acquiring or upgrading assets used for administrative and support functions (not directly production-related).

Major categories under Office Equipment are:

- i. Computers & IT Hardware - Desktops, laptops, servers, tablets and Peripheral devices like keyboards, monitors, storage devices etc.
 - ii. Office Machines - Printers, scanners, photocopiers, shredders etc.
 - iii. Communication Equipment - Telephones, mobile devices, intercom systems, video conferencing systems etc.
 - iv. Furniture - Office desks, chairs, cabinets, workstations, conference tables, partitions etc.
 - v. Air Conditioning & Electrical Equipment - AC units, air coolers, UPS systems, generators, lighting fixtures etc.
 - vi. Networking Equipment - Routers, switches, modems, structured cabling systems etc.
 - vii. Office Automation Systems - Biometric attendance systems, access control systems etc.
 - viii. Security Equipment - CCTV cameras, alarm systems, fire safety equipment etc.
- g. Project Funded by Customers:** In case of customer funded projects, administrative approval to be obtained from competent authority and purchase procedure shall be followed for procurement.

39.3 INITIATION OF CAPITAL EXPENDITURE:

All the departments (SBU / Complex / HQ / Marketing / HR / DT / FPIIC / CRF etc.) shall submit the finalised capex requirement to Corporate Planning for the next financial year by November of current financial year and Corporate Planning shall ensure approval of the capex by the Board during February of current financial year and communicate to the departments for necessary action.

39.4 APPROVAL PROCEDURE FOR CAPITAL ITEM:

Following procedure shall be adopted for approval:

- a. Proposal for the items should be initiated by the user dept through facility planning.
- b. Facility Planning shall consolidate the divisional proposals and put-up to Divisional Technical Committee (DTC).
- c. Further the recommendation of DTC shall be submitted to Head of SBU / Division / Complex for approval and to be forwarded to Corporate Planning.
- d. The proposal should include the following:

- i. Details of the item along with specification and proposed quantity.
- ii. Estimated cost of the item supported by latest Purchase Order / Budgetary Quotations or In-house estimation with finance concurrence.
- iii. Justification covering technical and financial aspects including Payback period and IRR, wherever applicable.
- iv. Tangible and intangible benefits of the item.
- v. Recommendation of Plant Rehabilitation Committee (PRC) as detailed in Stores Manual for replacement cases.

Note:

- i. Complex Head should ensure formation of the following committees related to Capex procurement:
 - Divisional Technical Committee (DTC)
 - Plant Rehabilitation Committee (PRC)
- ii. Proposal should be submitted along with DPR for all projects (Greenfield, other major projects, e.g., setting up new manufacturing facility for Marine Cranes, Tunnel Boring Machine etc.) with investment value above Rs.100.0 Crs. approved by CFD.
- iii. Proposal should be submitted along with IRR and Pay Back period for projects valuing above Rs.10 Crs with the concurrence of finance.
- iv. In case of Civil works, proposed value should be inclusive of GST.
- e. After the justification is established as at 4.4, Head of Facility planning of SBU / Division / Complex shall initiate note for approval of competent authority i.e., Head SBU / Division / Complex not lower than the level of CGM.
- f. The consolidated approved capex items shall be forwarded to Corporate Planning Department for approval of Management as stated at para 39.1 above.

Note:

- i. If there is any change in scope / specification of the approved capex item, fresh approval needs to be obtained from Board as fresh case by surrendering the existing capex budget of that item.
- ii. If there is increase in quantity and exceeding the approved value, re-appropriation approval for the increased value to be obtained.
- iii. In case of decrease in quantity, any increase in unit price should be put-up for re-appropriation approval, even though the overall procurement value may be less than the approved budget.

39.5 RE-APPROPRIATION OF CAPEX:

When the budget of a particular proposal exceeds the approved budget, the user shall seek re-appropriation approval for the increased value with justification of change in value and obtain approval of competent authority i.e., CMD before release of PO. The proposal shall be routed through Corporate Planning for re-allocation of additional funds.

Addition of any new item will also be treated as fresh proposal and approval to be obtained from Board. Proposal with increased value will be re-appropriated within the total approved budget.

Note: Corporate Planning shall maintain the records for re-appropriation and consolidated re-appropriation list will be submitted to Board for information.

39.6 CARRY FORWARD BUDGET:

The item for which commitment (PO released) has been made during the base year or as on cut-off date, but item not received / partially received, actual value / balance actual value (for partial supplied items) of that item will be considered as carry forward budget for the next year proposal.

The item for which PO has not been released during the base year or as on cut-off date, to be surrendered and will be proposed as fresh item with justifications during next year, if required. However, procurement process established for that till date can be utilised during next year, if proposal is approved.

39.7 PROGRESS REPORT AND MONITORING:

Once the Capital Budget has been approved, it has to be ensured that targets laid down regarding physical and financial progress are adhered to. Any shortfall in this regard is likely to delay the completion of the project which would ultimately affect the production programme adversely. It is therefore, essential that each project / scheme is continuously monitored at SBU / Division / Complex level both physically and financially. Similarly, periodic physical & financial reviews are essential at Corporate Office for keeping the Ministry / Management informed about status and progress of the project and take timely actions. The progress reporting to Corporate Office is to be done periodically.

APPENDIX A

CONSTRUCTION TENDER COMMITTEE (I)

CONSTITUTION:

CHAIRMAN:

The second senior most executive of the Division in the technical discipline / the second senior most executive of Corporate HR in respect of Corporate Office, in respect of Zonal/ Regional/ District Offices, the respective Zonal/ Regional/ District Manager.

MEMBERS:

Representative Head of Finance (Grade III or above at Divisions/ Corporate Office and Officer Grade II or above at Zonal/ Regional/ District Offices.)

Chief Engineer in respect of Divisions/ Corporate Office, Officer in-charge of Civil Engineering works in respect of Zonal, Regional and District offices, who will also be the member- secretary of the committee.

Representative of Head-Materials (Grade III or above at Divisions/ Corporate Office)

Representative of Head-HR Department (Grade III or above at Divisions/ Corporate Office and Officer Grade II or above at Zonal/ Regional/ District Offices).

The Chairman will have the power to co-opt a member from the user department in the respective division, wherever considered necessary.

TERMS OF REFERENCE:

1. Screening of the contractors if any, who are not in the 'Empaneled list of contractors', in response to public tender.
2. Evaluation and recommendation of acceptable tender for the approval of Competent Authority as per SDoP, where the lowest tender is to be accepted.
3. Recommendation for further discussion on Techno-commercial issues, especially when the lowest offer is felt to be unreasonable. With reference to the estimated cost or resort to re-tender.
4. Recommendation of acceptance of contract on single tender basis in emergent cases as per SDoP.
5. Specific cases that may be referred to this Committee by the Complex / Divisional Head in the matter of Civil Works.
6. Holding Techno-commercial discussion with the L1 bidder as approved by Competent Authority.

Note:

1. The minutes of meeting of this Committee, will form the basis for further action by Purchase Department.
2. If this committee is unable to take a decision in a specific case, such case shall be referred to CTC (II).

APPENDIX B

CONSTRUCTION TENDER COMMITTEE (II)

CONSTITUTION:

CHAIRMAN:

The Complex/ Divisional Head in respect of Divisions and in respect of Corporate Office, Head-HR (In-charge of Civil Engineering Department) and in respect of Zonal, Regional and District Offices –respective Zonal / Regional Manager.

MEMBERS:

Chairman of CTC-I, who shall also be the member-secretary

Head-Finance of Divisions/Corporate Office.

Head-HR Department of Divisions /Corporate Office.

Head-Construction Department of the respective Divisions/Corporate office.

The Chairman will have the powers to co-opt a member from the User Department in the respective division, wherever considered necessary.

TERMS OF REFERENCE:

1. Evaluation of tenders, including holding the techno-commercial discussion with the approval of the Competent Authority.
2. Recommendation of the tender for acceptance by CMD as per SDoP.
3. Cases as may be specifically referred to this committee by CTC (I).
4. Specific cases that may be referred to this Committee by the respective Functional Director.
5. The minutes of meeting of this Committee, will form the basis for further action by Purchase Department.

APPENDIX C

To be executed in a Non
Judicial Stamp Paper of
requisite value

CONTRACT AGREEMENT

WORK ORDER NO: _____

CONTRACT FOR: _____.

THIS AGREEMENT is made and executed on this ____ day of TWO THOUSAND _____

BETWEEN

M/s BEML Limited, a Government Company coming within the meaning of Sec 617 of Companies Act, 1956 having its Corporate Office at "BEML SOUDHA", 4th Main Road, S.R. Nagar, Bengaluru-560 027 through its _____ (*Designation of the authorised Official) at _____ (here incorporate the address) represented by _____ (Name of the Authorised Official) (Hereinafter referred to as 'BEML' which expression shall, unless repugnant to context means and includes its successors and permitted assigns) of the First Part.

AND

M/s. _____ (Name of the Contractor) a _____ (Constitution of the Contractor i.e. Firm/Company/LLP, etc) incorporated/registered (delete whichever not applicable) under the provisions of _____ Act, having its Registered Office/Principal place of business (delete whichever not applicable) at _____ (*Designation of the authorised Official) at _____ (here incorporate the address) represented by _____ (Name of the Authorised Official) (hereinafter referred to as 'Contractor', which expression shall unless repugnant to the context means and includes its successors and permitted assigns) of the Second Part

Hereinafter, "BEML" and the "Contractor" shall individually be referred to as 'Party' and collectively as 'Parties'.

WHEREAS BEML is a multi technology heavy engineering company having four manufacturing divisions at Bengaluru, KGF, Mysore and Palakkad and marketing/ regional/district offices across the Country.

Whereas Contractor is a _____ (incorporate brief profile of the Contractor)

WHEREAS BEML, floated tender Ref: _____ dated _____ (Hereinafter referred to as the Tender) for _____ at _____ hereinafter called the "WORK")

WHEREAS the Contractor submitted his offer in response to the Tender floated by BEML as above and become the successful tenderer and has agreed to execute the Work as per the terms and conditions of the Tender. Consequently BEML issued Work Order No. _____ dated _____ (hereinafter the Work Order) to the Contractor.

WHEREAS the Contractor has duly accepted the Work Order and agreed to execute the Work strictly in accordance with the work order and on the terms and conditions herein for a total sum of Rs _____/- (Rupees _____ only) as consideration for the Work being carried out.

In consideration of the above, 'BEML' and the 'Contractor' agreed to reduce the terms and conditions in to writing as hereinafter mentioned.

SCOPE OF WORK:

The Scope of Work to be executed by the Contractor is as mentioned at Clause _____ to the Tender Document.

CONTRACT PERIOD:

The contract period shall be the period mentioned in the Work Order at Para _____

Time is the essence of the contract. The Contractor shall strictly adhere to the Time Schedule for commencement and completion as stipulated in the Work Order and shall complete the Work in all respect to the complete satisfaction of BEML on or before the Completion date.

PENALTY

In case the work is not completed in the manner mentioned above to the complete satisfaction of BEML in every respect within the time limit stipulated in the Work Order, then the Contractor shall become liable for payment of compensation/penalty for delay in completion of work, in accordance with Clause _____ of the Tender Document /Work Order irrespective of whether extension of time granted or not unless otherwise specifically stated.

The said Penalty payable by the Contractor shall be without prejudice to any other right or remedy available to BEML on account of such delay in completion of work. The amount of compensation might be adjusted or set-off against any sum payable to the Contractor under this or any other contract with BEML. The Chief Engineer, BEML Limited, _____ shall be the authorized person to certify whether the Work has been completed within stipulated time and his certification shall be final and binding on the parties.

PAYMENT

BEML shall make the payment to the contractor in the sums, proportions and manner from time to time in accordance with the Clause(s) _____ of the Tender Document. The payment shall be made after all the statutory deductions as may be applicable.

SECURITY DEPOSIT/BANK GUARANTEE:

The Contractor has furnished non-interest bearing Security Deposit in accordance with Clause _____ by way of _____ (incorporate the mode). The Contractor agrees to extend the validity of the Security Deposit, wherever required like extension of period of contract or as may be required by the Company. The Company shall have the full power to enforce the Security Deposit in case of non-performance or violation or breach of any of the terms of this Agreement by the Contractor.

COMPLIANCE OF STATUTORY PROVISIONS:

The contractor shall comply with all requirements under various administrative orders and statutes including but not limited to Contract Labour (Regulation and Abolition) Act, 1970 and Rules 1971, Minimum Wages Act, 1948, Payment of Wages Act, 1936, Employers' Liability Act 1938, Shops & Establishments Act (relevant to the State), Factories Act, 1948, Employees' State Insurance Act, 1948, Employees Provident Fund and Misc. Provisions Act, 1952, Payment of Bonus Act, 1965, Payment of Gratuity Act, 1972, Employees Compensation Act, 1923, Industrial Disputes Act, 1947, Child Labour (Prohibition & Regulation) Act, 1986, Sexual Harassment of Woman at Workplace (Prevention, Prohibition and Redressal) Act, 2013 or any other relevant Acts or enactments relating thereto and its amendments (State/Central) and rules framed there under from time to time as may be relevant while executing the Work and performing the obligations under this Agreement. The Contractor agrees to indemnify BEML for any loss or

damage caused to it due to violation/non-compliance of any administrative orders or statutory provisions in respect of/in connection with the Execution of the Work.

All claims arising at the instance or on account of the persons employed by the contractor including but not limited to on account of wages, allowances, PF, ESI, Gratuity or Compensation under the Employee Compensation Act, or otherwise shall be met by the contractor on his own account and the Company shall be kept fully indemnified. BEML shall have no liability whatsoever in that behalf.

NON COMPLIANCE OF TERMS:

Non-compliance of any of the terms of this Agreement shall amount to breach leading to cancellation of contract, besides other legal actions, including but not limited to recovery of losses to BEML.

FALLS CLAUSE:

If the contractor fails to Execute the Work as per Tender Document, Work Order and the Terms and Conditions herein contained, at any time during the currency of the contract or if the BEML has reasons to believe that the Contractor's work is not satisfactory and that the interest of BEML is thereby affected in any way, BEML shall have the right to Execute the Work by itself or through any other agency, in which case the contractor shall make good the loss to BEML including cost and expenses which arises there from. The extra cost being incurred by BEML in this regard should be to the account of the Contractor, which may be adjusted against security deposit and/or deducted from any pending bills or any payment to be made to the contractor or otherwise.

INDEMNIFICATION:

In the event of the non-fulfilment of any of the covenants, terms, agreements, obligations and conditions mentioned in the Tender Document or Work Order or in this Agreement, the Contractor shall pay to BEML all losses, damages, costs, charges and expenses incurred by BEML Limited as result of the Non fulfilment of the obligations under the contract. The decision of BEML shall be final in this regard and the Contractor shall pay the same without any demur and protest.

The Contractor shall be responsible for all or any kind of losses/damages caused to or suffered by BEML or its employees/officers due to any act or negligence of the labour deployed by the Contractor and the Contractor shall make good the said loss same. BEML shall have the absolute right to recover such losses/damages from any and all amounts payable to the Contractor, including pending Bills. The Contractor will ensure that there are no thefts or loss of property/properties by the labourers deployed by the contractor.

CAR POLICY:

Contractor shall take 'Contractor All Risk Coverage Policy' (CAR Policy) to cover all risks, losses, claims for injuries or damage to any person or any property as per the Tender Document/ Work order more specifically stipulated in clause ____ of the Tender Document. The insurance policy has to be kept valid till the Work is completed in accordance with the Tender Document/ Work Order and to the complete satisfaction of BEML. The contractor has to take policy at his own cost showing BEML as the "Principal" to enable BEML to make the settlement of claims at the earliest.

LICENSES AND PERMISSIONS:

Contractor shall procure all the Licenses, Permissions, Sanctions, etc. as may be required for/in the course of performance of the contract /execution of the Work or as required under statutes. Any lapse in this regard shall be solely attributable to the Contractor and BEML shall in no way responsible for the same. The Contractor undertakes to indemnify BEML in this regard.

SUB-CONTRACT:

The contractor shall not sub-contract, assign or make over the contract to any third party either in full or partially without prior written consent of BEML.

CONFIDENTIALITY:

The Contractor or his employees or agent or anybody engaged by the Contractor to execute the Work shall maintain utmost faith and confidentiality of all information and documents come into their possession or knowledge and shall not divulge such information to any third parties, in any case, without prior written consent of BEML. The Contractor undertakes to indemnify BEML for any loss caused to it by reason of breach of the above obligation by the Contractor or his employees or agent or anybody engaged by the Contractor.

ENTIRE CONTRACT:

Tender Document and Work Order dated ____ shall form part and parcel of this Agreement and in case of inconsistency, the order of precedence will be as follows:

- (a) This Agreement;
- (b) Work Order; and
- (c) Tender document.

TERMINATION:

BEML can terminate the contract by giving thirty days written notice in case of the following reasons and if the Contractor fails to rectify the same within the notice period;

- a) Failure of the contractor to commence the work within a stipulated period.
- b) If the performance of the contractor is found to be unsatisfactory or if he fails to give the desired progress of the work or there is breach of terms of the agreement. In this regard, non-performance in whole or in part by the contractor of any obligation due to the reasons with his control shall be treated as breach of the contract.

However, BEML shall have right to terminate the Agreement at any time by giving ____ months notice in writing, with or without mentioning the reasons.

The Contractor shall have the right to terminate the Agreement in case of breach of the terms and conditions by BEML.

The termination shall not prejudice the rights and obligations accrued on the parties till the effective date of termination.

JURISDICTION& DISPUTE RESOLUTION:

Disputes, if any, between the Parties arising out of or in connection with this Agreement or any matters connected therewith, shall be discussed and amicably settled by the parties through Conciliation by subject experts appointed by BEML.

The unresolved disputes shall be referred to a sole Arbitrator to be appointed by BEML. The arbitration proceedings shall be in accordance with Arbitration and Conciliation Act, 1996 and Rules framed there under, as may be amended from time to time. The courts at Bengaluru alone shall have jurisdiction to try and adjudicate any matter in connection with this Agreement. The language of arbitration shall be English.

(If the Contractor is a Govt. /CPSU, the following Arbitration Clause may be incorporated and above Arbitration Clause may be deleted)

Disputes if any, arising between the Parties, in connection with this Agreement or any other matters connected therewith, the same will be mutually discussed and amicably settled between the parties, failing which, the disputes shall be referred to the sole Arbitrator of Permanent Machinery for Arbitration in Department of Public Enterprises to be nominated by the Secretary to the Government of India, in charge of the Department of Public Enterprises. The Arbitration and Conciliation Act, 1996 shall not be applicable to the arbitration under this clause. The award of the Arbitrator shall be binding upon the parties to the dispute, provided, however, any party aggrieved by such Award may make further reference for setting aside or revision of the Award to the Law Secretary, Department of Legal Affairs, Ministry of Law and Justice, Government of India. Upon such reference, the dispute shall be decided by the Law Secretary or the Special Secretary/Addl. Secretary, when so authorized by the Law Secretary, whose decision shall bind the parties finally and conclusively. The parties to the dispute will share equally the cost of Arbitration as intimated by the Arbitrator.

SEVERABILITY AND WAIVER:

If any provision of this Agreement is held to be invalid or unenforceable for any reason, the remaining provisions shall continue in full force without being impaired or invalidated in any way. The Parties shall replace any invalid provision with a valid provision, which must closely approximate the intent and economic effect of the invalid provision.

NOTICES:

All Notices and communications shall be sent to the following addresses of the Parties or any other address duly notified in writing from time-to-time by the parties:

BEML :

Contractor :

The Notices issued other than as above shall not be considered as effective notice.

ASSIGNMENT:

The obligations under this Agreement shall not be assigned by either Party to any third party without prior written consent of the other Party.

AMENDMENT:

No Amendment or variation of this Agreement shall be valid unless it is in writing and signed by or on behalf of each of the Parties.

MISCELLANEOUS:

This agreement further witnesses that the Contractor is responsible for any accident or other compensation payable to the workers employed by and working under the control of the Contractor and that the Company SHALL HAVE no sort of liability in the matter, and that any

payment would have to be made by BEML, the same shall be reimbursed by the Contractor or otherwise the same shall be recovered from the Bills payable to the Contractor.

The employees/agents of the Contractor in no case will be treated as the employees of BEML and there shall not be any master and servant relationship whatsoever between BEML and labour/employees being deployed by the Contractor for the Work. Further, discharging obligations under the Agreement by labour shall not be construed to believe that they are the employees of BEML and shall at all times be the employees of the contractor only. The contractor will be individually and entirely responsible for all and any liabilities in that regard.

All the agreements, letters, documents exchanged between parties, if any, have been merged with this agreement and shall have no effect from the effective date of this agreement.

IN WITNESS WHEREOF, the parties hereto, have set their hands and seal, on this day, month and year herein above mentioned in the presence of the following witnesses.

For BEML

for CONTRACTOR

Witnesses:

- 1.
- 2.

NOTE to the User Department:

- a. All the Blanks need to be duly filled up
- b. All facts and figures are to be incorporated in tandem with the Tender Document/Work Order
- c. Stamp paper to be of the State where the Agreement is being signed/executed
- d. Signatures of Contractor and BEML need to be affixed on all pages. If the Contractor is a Company and as per their MoA/AA, Common Seal is required to be affixed, the same to be affixed in the last page. To be executed at a stretch and same pen needs to be used throughout.
- e. The Authority of the person signing the Agreement need to be verified and confirmed by obtaining copy of PoA/LoA/Resolution, etc.
- f. Corrections or over writings to be duly authenticated with full signature
- g. Figures to be incorporated in words also
- h. The words/clauses/sentences which are not applicable to the contract need to be deleted.

ANNEXURE-I

INDICATIVE ELIGIBILITY CRITERIA FOR RESPONDING TO EOI

1. Indian vendors satisfying all of the following criteria shall be considered as an eligible 'Indian Vendor' for evaluation of EOI:
 - Public limited company, private limited company, partnership firms, limited liability partnership, one Person Company, sole proprietorship registered as per applicable Indian laws. In addition, such entity shall also possess or be in the process of acquiring a license/development of products if the product under project requires license as per DIPP's licensing policy.
 - The entity has to be owned and controlled by resident Indian citizens; entity with excess of 49% foreign investment will not be eligible to take part in Make-II.
2. **Criteria for Startups:**
 - Startups recognized by Department of Industrial Policy & Promotion (DIPP) under the eligible Domain/Category as per Annexure-II, shall be eligible to participate.
 - For projects with estimated cost of prototype development phase not exceeding Rs.50.0 Lakhs and Procurement Cost not exceeding Rs.30.0 Lakhs no separate technical/financial criteria be defined for both 'Start ups' and 'MSMEs', to encourage their participation.

ANNEXURE-II

CATEGORIES & DOMAINS OF STARTUPS ELIGIBLE FOR PARTICIPATION IN MAKE-II

Sl.No	Category
(i)	Engineering
(ii)	Manufacturing
(iii)	Research
(iv)	Government
Sl. No.	Industry Domain
(i)	Aeronautics /Aerospace & Defence
(ii)	Analytics
(iii)	Augmented / Virtual Reality
(iv)	Automotive
(v)	Computer Vision
(vi)	IT Services
(vii)	Telecommunications and Networking
(viii)	Green Technology
(ix)	Internet of Things
(x)	Nanotechnology
(xi)	Renewable Energy
(xii)	Robotics
(xiii)	Security Solutions
(xiv)	Technology Hardware
(xv)	Mining & Construction
(xvi)	Rail
(xvii)	Metro Cars
(xviii)	Defence Equipment
(xix)	Engine
(xx)	Transmission
(xxi)	Axles

ANNEXURE A

MATERIAL PURCHASE COMMITTEE - PRODUCTION

I. CONSTITUTION

01. Complex/Divisional Head - Chairman
02. Head-SBU
03. Head-Planning / User Dept. of respective SBU
04. Head-Finance of respective SBU
05. Head-Materials of respective SBU
06. Head-Design / R&D of respective SBU
07. Head-Quality of respective SBU
08. Purchase Scrutiny of respective SBU
09. Representative of Materials Department

Head-Materials of respective SBU will be the Convener of this Committee. The Committee will have the powers to co-opt members from indenting/user department in regard to particular cases where advice from such departments would help the Committee in the examination of the cases. All cases requiring approval as indicated in SDoP shall be referred to this Committee as per details given below. Where the views/suggestions of Finance are not acceptable to the Committee, the same shall be referred to Head-Finance, Corporate Finance by Division. Formation of above committee shall be approved by concerned Functional Director.

II. TERMS OF REFERENCE:

The Material Purchase Committee will examine all cases as indicated in SDoP and amendments thereof. However, orders placed at controlled rates or specific ceiling rates approved by the Government (including JPC rates for steel), or by the Board, purchases made from collaborators at rates prescribed in the agreement and purchases of Engines from KCL under tripartite pricing formula need not be referred to this Committee.

All cases which come under the following category and requires the approval as per SDoP:

1. Where only one valid quotation is received against Proprietary/ Buyer Nominated/ Single tender/ Single known developed source/ Single technically accepted offer received against Open /Public/ Limited tender and requires approval as per SDoP for placement of order.
2. Acceptance of offers where specifications are relaxed from those indicated in the tender. This does not include cases where an equivalent specification certified to be such by the design / Indenting Department is proposed to be accepted.
3. Emergent/Express purchases above Rs.4 lakhs or as specified in SDoP (Post facto approval).
4. Amendments to Purchase Order/contracts with firm price involving price increase.
5. Proposals for entering into long-term contracts on cases applicable as per Sl.No.(1) above.

6. Waiving liquidated damages.
7. Any guidelines on procurement within the framework of Purchase Department.
8. Any other case, which may be specifically referred to this Committee by Head-Materials.

NOTE:

- (i) Draft Agenda duly coordinated by finance shall be circulated to all the members of the Committee.
- (ii) Copies of the Minutes of the MPC meetings must be marked to Director (Finance) and concerned Functional Director.
- (iii) The minutes of the MPC meetings on issue, will form the basis for further action by Purchase department and where so indicated, by other department concerned.

ANNEXURE B

MATERIAL PURCHASE COMMITTEE – MARKETING / SUSTENANCE

I. CONSTITUTION

01. Head-SBU-Sustenance – Chairman
02. Head-SBU-Planning
03. Head-SBU-Parts
04. Head-SBU-Service
05. Head-SBU-Finance
06. Head-SBU-Quality
07. Purchase Scrutiny of respective SBU
08. Representative of Materials Department

SBU representative of Materials will be the Convener of this Committee. The Committee will have the powers to co-opt members from indenting/user department in regard to particular cases where advice from such departments would help the Committee in the examination of the cases. All cases requiring approval as indicated in SDoP shall be referred to this Committee as per details given below. Where the views/suggestions of Finance are not acceptable to the Committee, the same shall be referred to Head-Finance of Complex or Head-Marketing Finance (HQ). Formation of above committee shall be approved by concerned Functional Director.

II. TERMS OF REFERENCE:

The Material Purchase Committee will examine all cases as indicated in SDoP and amendments thereof. However, orders placed at controlled rates or specific ceiling rates approved by the Government (including JPC rates for steel), or by the Board, purchases made from collaborators at rates prescribed in the agreement and purchases of Engines from KCL under tripartite pricing formula need not be referred to this Committee.

All cases which fall under the following category and requires the approval as per SDoP:

1. Where only one valid quotation is received against Proprietary/ Buyer Nominated/ Single tender/ Single known developed source/ Single technically accepted offer received against Open /Public/ Limited tender and requires approval as per SDoP for placement of order.
2. Acceptance of offers where specifications are relaxed from those indicated in the tender. This does not include cases where an equivalent specification certified to be such by the design / Indenting Department is proposed to be accepted.
3. Emergent/Express purchases above Rs.4 lakhs or as specified in SDoP (Post facto approval).
4. Amendments to Purchase Order/contracts with firm price involving price increase.
5. Proposals for entering into long-term contracts on cases applicable as per Sl.No.(1) above.

6. Waiving liquidated damages.
7. Any guidelines on procurement within the framework of Purchase Department.
8. Any other case, which may be specifically referred to this Committee by Head-Materials.

NOTE:

- (i) Draft Agenda duly coordinated by finance shall be circulated to all the members of the Committee.
- (ii) Copies of the Minutes of the MPC meetings must be marked to Director (Finance) and concerned Functional Director.
- (iii) The minutes of the MPC meetings on issue, will form the basis for further action by Purchase department and where so indicated, by other department concerned.

ANNEXURE B 1

MATERIAL PURCHASE COMMITTEE – CORPORATE OFFICE

I. CONSTITUTION:

01. Executive Director – Chairman
02. Head-Corporate Materials
03. Head-Corporate Finance
04. Head-Corporate Quality
05. Head-User Department, as applicable
06. Purchase Scrutiny of Corporate Office
07. Representative of Materials Dept.

Head-Corporate Materials will be the Convener of this Committee. The Committee will have the powers to co-opt members from indenting/user department in regard to particular cases where advice from such departments would help the Committee in the examination of the cases. All cases requiring approval as indicated in SDoP shall be referred to this Committee as per details given below. Formation of above committee shall be approved by Director (Finance).

II. TERMS OF REFERENCE:

The Material Purchase Committee will examine all cases as indicated in SDoP and amendments thereof. However, orders placed at controlled rates or specific ceiling rates approved by the Government (including JPC rates for steel), or by the Board, purchases made from collaborators at rates prescribed in the agreement and purchases of Engines from KCL under tripartite pricing formula need not be referred to this Committee.

All cases which fall under the following category and requires the approval as per SDoP:

1. Where only one valid quotation is received against Proprietary/ Buyer Nominated/ Single tender/ Single known developed source/ Single technically accepted offer received against Open /Public/ Limited tender and requires approval as per SDoP for placement of order.
2. Acceptance of offers where specifications are relaxed from those indicated in the tender. This does not include cases where an equivalent specification certified to be such by the design / Indenting Department is proposed to be accepted.
3. Emergent/Express purchases above Rs.4 lakhs or as specified in SDoP (Post facto approval).
4. Amendments to Purchase Order/contracts with firm price involving price increase.
5. Proposals for entering into long-term contracts on cases applicable as per Sl.No.(1) above.
6. Waiving liquidated damages.
7. Any guidelines on procurement within the framework of Purchase Department.

8. Any other case, which may be specifically referred to this Committee by Head-Materials.

NOTE:

- (i) Draft Agenda duly coordinated by finance shall be circulated to all the members of the Committee.
- (ii) Copies of the Minutes of the MPC meetings must be marked to Director (Finance) and concerned Functional Director.
- (iii) The minutes of the MPC meetings on issue, will form the basis for further action by Purchase department and where so indicated, by other department concerned.

ANNEXURE C

GUIDELINES FOR EVALUATION OF CAPITAL ITEMS

In order to ensure satisfactory process capability and maximum availability in the effective working period of the machines, by supplier providing a good and satisfactory after-sales-service, the capital items will be categorised into two categories.

Category A:

All CNC machines, special purpose machines, machining centres and Hydraulic presses.

Category B:

All other general purpose machines costing less than Rs.10.00 Lakhs each.

All necessary precautions as detailed below shall be taken while procuring Category machineries and where required these precautions will be taken for 'Category B' machineries also.

- (a) Facilities Planning department shall study the production requirements based on the load vs. capacity matrix (work centre wise) evolved for assessing sub-contracting assistance and identify the machines in consultation with Methods Planning, User department, IED and Maintenance department. Facilities Planning department will discuss our requirements with the prospective suppliers and obtain all the technical details of their machines for our detailed study.
- (b) Based on detailed study of the drawings and requirements of the machine to perform the given operations, the specification of the machine shall be clearly spelt out in PR. Spares to be procured along with the machine tool shall be limited to one-year consumption. In addition, where there exists more than one machine tool of the same/similar type, procurement of spares along with the new machine may be scrutinized by Maintenance before ordering.
- (c) The PR will indicate the following details for taking appropriate tendering action:
 - i. A clear description & specifications of the machines/equipment to be procured.
 - ii. Scope of supply covering-design, specification, manufacturing and supply to the required geometrical accuracies, erection and commissioning, proving trials of components for which the machine/equipment is tooled up etc.
 - iii. Requirement to supply foundation/erection drawings etc., by the vendor.
 - iv. The capability of the machine/equipment required in terms of respective accuracies, cycle times (floor to floor time) and other requirements to give the required output within the specified time etc.
 - v. Requirement of the Sub-systems of the machine.
 - vi. Requirement of standard and optional accessories for supply along with the machine.
 - vii. Requiring the tenderer to indicate the spares for maintenance during the warranty period and thereafter for proper upkeep of the machine, including insurance spares.

- viii. Training requirements of our personnel for erection and commissioning, operation, maintenance etc., at our works/at suppliers works.
 - ix. After sales service requirements.
 - x. Supply of Technical literatures in sufficient number of copies, such as
 - Operation / Service Manual
 - Trouble Shooting Charts
 - Electronic / Electrical Circuit
 - Hydraulic / Pneumatic Circuit
 - Lubrication Circuits etc.,
 - xi. Tenderers to furnish the requirements, if any, of the special environment for normal functioning of the equipment.
 - xii. Requirement regarding suitability of the machine to the Electrical and other Systems existing in our factory and other optional items required to make it suitable to our system.
 - xiii. BEML Inspection specification including testing of Process capability of the machines.
 - xiv. Packing specifications.
 - xv. Delivery Schedule - Date for despatch, erection and commissioning schedule, handing over the machine to BEML after proving etc., Penalty clauses to be provided for, if these are not maintained.
 - xvi. Any other important points which require merit for incorporation in the PR.
- (d) While issuing the tenders to obtain technical details, the requirements as indicated above in the PR shall be clearly brought out to enable the prospective vendors to send the technical details and to enable BEML to select the correct vendors for consideration.
- (e) Tenders for Capital items shall be called for in two parts through emode: (for value more than Rs.5.0 lakhs including spares)
- i. A technical quote spelling out the scope of supply being made by the tenderer vis-a-vis that tendered out.
 - ii. A commercial quote spelling out the prices and other commercial terms like payability of GST, terms of despatch, payment terms, delivery, rendering of service like erection/commissioning, etc.
- (f) The tenders shall indicate that the supplier shall agree for the following special conditions of contract, in addition to our general terms and conditions of Tender and Contracts.
- i. To prove initially the performance of the machine during the trial period immediately after commissioning.

- ii. Furnishing of performance Bank Guarantee for an amount of 3% to 5% of the total value of the machine including accessories and spares, during the warranty period and the Bank Guarantee shall be kept valid for a period covering the delivery period and 18 months from the date of commissioning. The performance Bank Guarantee shall be furnished by successful tenderer within one month from the date of receipt of letter of intent/Purchase Order as per proforma to be supplied by BEML.
- iii. If during the warranty period the machine is not available for 90% of the time due to break down, penalty to the extent 10% of the total value of the machine including accessories and spares will be recovered from the Bank Guarantee without any legal recourse.

The machine availability time will be calculated as under:

$$= \frac{(\text{Production shift Hours} - \text{Breakdown hours}) \times 100}{\text{Production Shift hours}}$$

- iv. If the percentage of availability of the machine falls by more than 10% of the guaranteed availability, BEML shall have option to reject the machine after levying the penalty as stated above and the supplier will have to replace the machine/part equipment at his cost to meet the guaranteed percentage availability.
 - v. For Late delivery penalty and risk purchase another 5% of the total value of the machines with accessories and spares shall be given as Bank Guarantee, wherever, 100% payment is agreed on proof of despatch etc.
 - vi. To buy back at a mutually agreed price the spares not consumed during the initial period of three years.
 - vii. The supplier shall ensure at least 85% availability of the equipment after the warranty period by providing adequate, after sales service.
- (g) Where procurement is through imports, the facilities planning department shall arrange to obtain in advance budgetary approval before release of PR and CAR for procurement action by Purchase department.
 - (h) Price Justification: Invariably price justification meeting shall be conducted subject to the guidelines discussed under the Chapter – 9, for all capital items to reduce the price as much as possible without affecting the Quality and specifications of the machine. Also, the price justification will cover all other important aspects like delivery schedule, packing inspection details, third party inspection where required, Guarantee/Warranty provisions, payment terms, performance guarantee, LD for delayed deliveries etc., so that various conditions of the Purchase Order are mutually agreed to, before incorporation in the Purchase Order.

The Purchase Order shall be issued within the validity period of the offer for acceptance and all special terms and conditions stipulated in the tender and agreed to in the negotiations shall be incorporated clearly in the Purchase Order. Wherever

price justification meetings are conducted, minutes of the meeting shall be made and signed by BEML and vendor's representative which shall be quoted as a reference in the Purchase Order.

Annexure D

IMPORTANT TERMS AND CONDITIONS OF TENDER

1. Please ensure that offers are submitted against individual enquiries in separate covers duly super scribing correct reference and closing date applicable for manual tender.
2. Offers received after the closing time and date will not be considered.
3. The quotation shall be kept valid for a minimum period of sixty days from the date of closing the tender.
4. Please return the drawings along with the quotation as otherwise the quotation is liable to be ignored.
5. The price quoted shall be both in figures and words. In case of variation, price written in words will be ultimately considered for commercial evaluation.
6. Prices shall be on FOR BEML basis and firm till completion of supplies against the Purchase Order. Under any circumstances, no increase in price during the currency of the contract is admissible unless other-wise agreed specifically in the contract.
 - A) Please indicate the exact Taxes and duties etc., and other levies applicable extra/included in the price.
 - B) In case of GST, all relevant registration and documentation through online to be complied with.
7. If any packing charges are applicable extra, the exact amount shall be indicated in the offer.
8. BEML reserves the right to avail the price offered for full quantity of the tender or part thereof or ignore the offer completely without assigning any reason whatsoever. BEML also reserves the right to increase the order quantity at the same rates and terms and conditions during the pendency of the contract.
9. The suppliers will be responsible for the material to reach destination intact & the transit insurance shall be arranged by them only. Delivery indicated in the tender enquiry is to be adhered to. Delay in delivery will result in levy of LD at the rate of 0.5% per week subject to maximum of 5% purchase value. The extent of LD applicable is only for the undelivered items.
10. The inspection charges will be to the account of the vendors.

11. PAYMENT:

Please note that our term of payment is 100% payment on 30th day for MSEs & for others on 60th day from the date of receipt of material at BEML Stores subject to inspection and acceptance of materials. Bidders not agreeing with above terms, the quotations will be suitably loaded with applicable cash credit interest while evaluation of bids.

12. SECRECY:

- (i) All the information, know-how, technical data, specification and drawing models or specimens furnished by BEML for the purpose of or in connection

with the manufacture and supply of the stores hereby tendered constitute the property of BEML and the supplier shall keep them in strict confidence and he shall not divulge the same to anyone else except under the Authority and for the purpose of BEML. All such documents, data, drawing, models and specimens are the property of BEML and shall be returned when done with or when demanded by BEML.

- (ii) The supplier shall not supply the material ordered by BEML to anyone else other than BEML and shall not disclose any initiations, development or adaptations thereof to anyone.
- (iii) BEML shall be entitled to prevent a breach of the above and claim damages in case of breach.

In case of non-performance in this PO, BEML will have to take procurement action at your risks and cost apart from levy of liquidated damages.

13. WARRANTY:

The items shall be warranted against defects in material, workmanship, dimensions etc., for a period of 12 months from the date they are put to actual use or 18 months from the date of delivery whichever is earlier. Defective items shall be replaced free of cost at our works.

- 14. Samples shall be got approved before effecting bulk supplies wherever applicable.

15. FOR FORGINGS ONLY:

The forgings shall be free from cracks, seams and laps, flash and scale to be removed by vendor before despatch.

- (i) The forgings shall be supplied in shot blasted, normalised condition to the hardness and one coat of red oxide zinc chromate primer.
- (ii) The supplier shall forward the material test certificate with details as given below with each delivery challan.
- (iii) Raw material size (b) Quantity forged (c) Heat number (d) Chemical composition (e) Grain size (f) inclusion rate (g) Heat treatment (h) Results of heat treatment i.e. Hardness, microstructure etc., (i) Internal soundness.

16. FOR CASTINGS ONLY:

The castings shall be free from internal flaw such as blow holes, sand intrusions, chilling effect hard spots, hot tears etc. the castings shall be coated with one coat of red oxide zinc chromate primer. A test certificate indicating the physical and chemical properties in comparison with specification in the Purchase Order to be included.

17. TEST BAR:

One test piece for tensile test of size 30mm x 250 long, representing each heat of the forgings/castings shall be sent along with each supply free of cost to evaluate mechanical properties.

- 18. Supplier shall emboss their vendor code numbers on the forgings/castings in a place to identify the sources of supply.

19. **APPLICABILITY OF ENTRY TAX:** (Purchase Department to score off whichever is not applicable)

- (i) It is not payable for the item(s) ordered, either by BEML or by the supplier,
- (ii) It is payable and the same will be paid by BEML directly to the entry tax authorities.
- (iii) It is payable and where the local dealer pays the entry tax and includes the amount in the bills, the vendor shall separately indicate in the invoice the entry tax amount paid (or) certify to the effect that an amount of Rs..... representing entry tax is included in the bill. Also, the vendor shall give a declaration in Form 30 of the Entry Tax Act.
- (iv) On implementation of GST w.e.f. 01-07-2015 the entry tax will be subsumed and not payable.

20. SI.No are not applicable against this tender.

21. **PRICE FALL CLAUSE:**

- i) The prices charged for the materials supplied under this PO by the tender shall in no event exceed the lowest price by which vendor sells the materials of identical description to any other buyer inclusive BEML office / division during the pendency of this PO.
- ii) If at any time, during the said period, the vendor reduces the sale price of such materials or sells such materials to any other buyer including BEML office / division at a price lower than the price chargeable under this PO, the vendor shall forthwith notify such reduction or sale to the Authority which has placed the PO and the price payable under this PO for the materials supplied after the date of coming into force of such reduction, shall stand correspondingly reduced.
- iii) The vendor shall furnish to the consignee / paying Authority concerned of this PO the following certificate along with the invoice for the supplies effected under this PO.

I / we certify that the materials of description identical to the stores supplied to the consignee concerned under this PO have not been sold by me/us to any other vendor inclusive BEML office / division from the commencement of the contract up to the period of completion of delivery at a price lower than the price charged to the consignee concerned of this PO.

- iv) Failure in submission of this aforesaid certificate by the vendor will result in withholding of the payment of their bills against supply, if any.

Annexure E

GENERAL TERMS & CONDITIONS FORMING PART OF INDIGENOUS PURCHASE ORDERS

The following terms and conditions form part of the Purchase Orders placed on the suppliers by BEML Limited, for supply of raw materials, components, plant and machinery, tools etc. These terms and conditions, unless they are repugnant to the special terms and conditions indicated in each of such Purchase Orders, shall be binding on the Suppliers irrespective of their express communication of acceptance.

1. DEFINITIONS & INTERPRETATIONS

Unless the context otherwise requires,

- a) "Tender" means and includes Offer / Quotation
- b) "Acceptance of Tender" means the letter of memorandum communicating to the supplier, the acceptance of the Tender / officer / quote and includes an advance acceptance of tender.
- c) "Purchase Order" means and includes the invitation to tender, instructions to Tenders, tender, minutes of discussions / negotiations acceptance of tender, general terms and conditions of Purchase Order, Special conditions of Purchase Order, particulars, descriptions, specifications and other conditions specified in the acceptance of tender and includes a repeat order which has been accepted or acted upon by the / for the supplier for supply of stores and includes an order for performance of service and a formal agreement, if executed.
- d) "Supplier" means and include a Contractor and also means a person, firm or company with whom the order for supply is placed and shall be deemed to include the Supplier's Successors, representatives, heirs, executors and administrators as the case may be unless excluded by the terms of Purchase Order.
- e) "Stores" means the goods and services specified in the Purchase Order.
- f) Words in singular include the plural and vice versa.
- g) Words importing the masculine gender shall be taken to include the feminine gender and words importing persons shall include any firm, company or association or body of individuals whether incorporated or not.
- h) The wording of these conditions shall not affect the interpretation or construction thereof.
- i) BEML / Company means "BEML LIMITED", a company registered under the Companies Act, 1956 and amended Companies Act 2013.

2. AUTHORITY OF PERSONS SIGNING DOCUMENT:

A person signing the tender or any other document in respect of the Purchase Order shall be deemed to have power to do so on behalf of the Supplier.

(i) FIRM PRICE

The prices remain firm for the entire supplies of the Purchase Order and no escalation shall be entertained under any circumstances.

3. ACCEPTANCE & ACKNOWLEDGEMENT:

Within 15 days of receipt of the Order, the Supplier shall forward an acknowledgement in acceptance or otherwise of the same failing which it shall be deemed that the Purchase Order has been accepted in toto.

4. SECURITY DEPOSIT / PERFORMANCE GUARANTEE:

1.1 **3% to 5%** of PO value has to be deposited as interest free security deposit/Performance Guarantee at the time of acceptance of offer in respect of all service contracts and major Capital goods like Plant and machinery, etc., as follows:

- (i) Bank guarantee for performance covering delivery obligation and warranty clause for **3% to 5%** of the total order value shall be applicable where the order value exceeds Rs.50.00 Lakhs. Bank guarantee for performance covering both contract performance and warranty, Advance Payment guarantee etc., shall be indicated wherever applicable.
- (ii) A period of 60 days time from the date of Purchase Order or the delivery schedule, whichever is earlier shall be stipulated for submission of Bank Guarantee so that contractual remedies could be enforced, if required.
- (iii) A bank guarantee for a nominal amount of Rs.5000/- must be obtained from each Sub-contractor valid for a year, on yearly basis.

BEML reserves the right to accept a bank guarantee from any of the Scheduled banks in lieu of cash deposit as security deposit as calculated above at its sole discretion. These bank guarantees shall be valid for the full supply period of the Purchase Order with a claim period of minimum sixty days.

No claim shall lie against BEML Ltd., in respect of interest on cash deposits or Govt. Securities depreciation thereof.

BEML Ltd. shall be entitled and it shall be lawful on its part to forfeit the said security deposit in whole or in part in the event of any default, failure or neglect on the part of the supplier in the fulfilment or performance in all respect of the Purchase Order.

In respect of Bank Guarantee for claiming advance payment, the amount of Guarantee shall be enhanced to include the amount of interest i.e. totaling 110%.

5. VALIDITY PERIOD:

The Purchase Order unless otherwise stated is valid for a maximum period of 24 months from the date of issue within which time the supplier shall complete the supplies failing which the Purchase Order shall be treated as cancelled / short closed unless it is revalidated against specific request for reasons acceptable to BEML.

6. QUALITY & WORKMANSHIP:

The stores supplied shall be of the best quality and workmanship and shall be in strict

conformity with all the drawings and specifications furnished to the supplier either earlier or along with the Purchase Orders and shall answer to the description in all respects. All supplies shall be accompanied by suppliers works inspection / test certificate duly certifying that the stores are in strict conformity with the drawings / specifications / descriptions. However, final acceptance of the stores supplied will be subject to inspection and approval by BEML at their works. Once the materials are rejected and communicated to the supplier, no request shall be entertained for re-inspection or acceptance of the stores. However, BEML reserves the right to re-inspect the stores and consider acceptance at its discretion.

7. WARRANTY:

All the stores supplied shall be warranted against any defect in material, workmanship, design or dimension etc., for a period of twelve calendar months from the date they are actually put to use or eighteen months from the date of receipt of supply in BEML whichever is earlier and the supplier shall remedy such defects at his/ their own cost or replace free of charge such stores when called upon to do so by BEML who shall state in writing in what respect the stores are defective. BEML reserves the right for

- a) Acceptance of the proposal of the supplier to remove the defects by reworking and
- b) Subjecting the reworked / replaced goods to inspection by BEML at their works. Warranty certificate shall be furnished by the supplier in triplicate as under covering the entire supplies to be made against this order within 15 days from the date of order, but before commencement of supplies: "The supplies covered under PO No..... dt.....be warranted against all defects in material, workmanship, design, dimensions etc., for a period of 12 months from the date they are put to actual use or 18 months from the date of receipt of the supply in BEML whichever is earlier and if any defects are found within the above period for any of the reasons stated, they will be replaced at BEML premises free of cost within a reasonable time".

8. SUPPLY OF SAMPLE:

Before effecting the bulk supplies, an acceptable sample shall be submitted without any obligation on the part of BEML as regards acceptance, payment and safe custody thereof and supplier shall obtain necessary clearance for effecting bulk supplies as per schedule of delivery. Samples so supplied shall be clearly labeled with Supplier's name, address and Purchase Order number. In respect of any certified sample sent by BEML, the supplier shall be responsible for the safe custody and return of the certified sample intact without damage, after the purpose for which it was given is served, without delay or when demanded back. Any clarification regarding submission of sample shall be obtained from concerned Head-Quality. If the supplier submits a sample whether with, before or after the tender, the same shall not govern the standard of supply except when it has been so specifically stated in the acceptance of tender.

9. DESPATCH INSTRUCTIONS:

The despatches shall be made only through approved transport contractors as indicated in BEML Purchase Order. Otherwise, any extra freight charges and incidentals incurred by BEML shall be charged to the Supplier's account. In case of any dispute in the matter, the decision of the concerned Head of stores shall be final and binding. The Supplier shall be responsible for proper and sufficient packing of stores for transportation by rail, road, sea or air as per terms of Purchase Order and shall ensure delivery at destination free from loss, damage or injury, due to improper packing and each package shall be distinctly marked as per Purchase Order terms and shall obtain a packing note quoting PO No. and date and details of contents. The supplier is responsible for obtaining a clear receipt from the Transport Contractor specifying the goods despatched. The supplier shall not book any consignment on a "said to contain" and / or "self" basis. If he does so he does it on his own responsibility. BEML will take no responsibility for short deliveries or wrong supply of goods when the same are booked on "said to contain / self" basis and for non-clearance and demurrage incurred on the consignment despatched on "self" basis. In respect of all modes of despatch, BEML shall pay for, only such stores as are actually received by them in accordance with the Purchase Order terms.

10. RAW MATERIALS ARRANGEMENT:

The supplier shall make his own arrangement to procure all raw materials required and BEML shall not be responsible for any assistance in such procurement or whatsoever.

11. IDENTIFICATION OF ITEMS / PIECES:

The supplier shall indicate BEML stock number, supplier code number and BEML PO No. and date in all delivery documents, invoices and correspondence. Also he shall emboss / engrave the supplier code no. on each item / piece at a convenient non-machinable place, failing which the supplies are liable for rejection.

12. DELIVERY:

The time for and the date of delivery of the stores stipulated in the PO shall be deemed to be the essence of the Purchase Order and delivery must be completed not later than the dates specified therein. The supplier shall strictly adhere to the delivery schedule indicated in the PO. Any supplies made ahead of this schedule are liable for rejection at the discretion of BEML. Shall the supplier fail to deliver the stores or any consignment thereon within the period prescribed for such delivery, BEML shall be entitled at their option either:

- a) To accept the delayed supply and to recover from the supplier as agreed liquidated damages, and not by way of penalty, a sum of 0.5% of the price of any stores per week subject to a maximum of 5% of the value of the Purchase Order which the supplier has failed to deliver as aforesaid for each week or part thereof during which the delivery of such stores may be in arrears (or)
- b) To purchase elsewhere, without notice to the supplier on the account and at the risk and cost of the supplier, the stores not delivered or others of a similar

description (where stores exactly complying with the description and readily procurable) without canceling the PO in respect of consignments not due for delivery (or)

c) To cancel the Purchase Order.

In the event of action being taken under (b) or (c) the supplier shall be liable for any loss, which BEML may sustain on that account but the supplier shall not be entitled to any gain or purchases made against default. As soon as it is apparent that the scheduled dates cannot be adhered to, an application shall be sent by the supplier to BEML, well before the expiry of the delivery period specified in the Purchase Order. Without prejudice to the foregoing rights, if such failure to deliver in proper time as aforesaid shall have arisen from any cause which BEML may admit as a reasonable ground for an extension of the time (and their decision shall be final) they may allow such additional time as they may consider justified by circumstances of the case.

Delivery required to be made in lots shall be made in lots only and any extra deliveries involved either on account of repeated rejections or variance in supply of lots shall be liable for service charges of 5% of the Purchase Order value for each extra delivery.

13. PLANT & MACHINERY SUPPLY:

In case of a Purchase Order for supply of plant and machinery and supplies requiring inspection and test after erection at site if the completed plant or any thereof or after it is taken over is found to be defective or fails to fulfill the requirements of the PO, BEML shall give the supplier notice setting forth details of such defects or failure, and the supplier shall forth with make the defective plant good, or after the same to make it comply with the requirements of the PO. Shall he fail to do so within a reasonable time, BEML may reject and replace at the cost of the supplier whole or any portion of the plant, as the case may be which is defective or fails to fulfill the requirements.

14. INSPECTION & CONSEQUENCE OF REJECTION:

Maximum care shall be exercised by the supplier to avoid any rejections. Heavy or frequent rejections shall be a ground for termination of the Purchase Order and BEML shall be entitled for any remedy as provided in clause-13 of these terms and conditions.

In case the stores get rejected either during the initial inspection stage or during further processing stage, the rejected materials shall be arranged to be collected by the supplier at his own cost within thirty days from the date of intimating such rejection failing which the rejected material shall be disposed off at the discretion of BEML at the risk and cost of supplier. The amount paid to the supplier towards the rejected material including freight, sales tax, GST, insurance and any other expenses incurred by BEML in this regard shall be paid by the supplier before collecting the rejected material or the same shall be recovered / recoverable from any of the outstanding / future bills of the supplier. Any amount accrued by disposal or rejected material shall be appropriated towards the cost and expenses incurred in this regard.

15. PAYMENT PROCEDURE:

All bills shall be submitted in triplicate to the concerned Accounts department as per terms of the PO. Whenever the terms of PO stipulate for balance payment, a separate bill in triplicate for the balance amount shall be submitted after the receipt of Goods Receipt Note quoting the GR No, date and advance/part payment details.

Payment shall be recommended / arranged only when supplies are made strictly in line with the supply schedule of the PO. Requests for piece meal payments after making staggered supplies deviating from the supply schedule may not be entertained.

16. In case of GST, GST RN no and other details to be furnished for compliance.

17. LAWS APPLICABLE:

This P.O. shall be governed by the Laws of India for the time being in force or as amended from time to time. The making of all stores supplied must comply with the requirements of Indian Acts relating to trade and merchandise marks and all the rules made under such acts.

18. INDEMNITY:

The supplier shall at all times indemnify BEML against all claims which may be made in respect of the stores for infringement of any right protected by patent, registration of design or trade mark and shall take all risk of accidents or damage which causes a failure of the supply. The supplier shall comply with the provisions of Contract Labour (Regulation and Abolition) Act, 1970 and the Contract Labour (Regulation and Abolition) Central Rules 1971 as modified from time to time wherever applicable and shall also indemnify BEML from and against any claims under the aforesaid Act and the Rules.

19. BRIBES AND GIFTS:

Any bribe, commission, gift or advantage given, promised or offered by or on behalf of the supplier or his partner, agent or servant or anyone on his or their behalf to any officer, servant, representative or agent of BEML or any person on his or their behalf in relation to the obtaining or to the execution of or any other contract with BEML shall in addition to any criminal liability which the supplier may incur, subject the supplier to the cancellation of this and all other contracts with BEML and also to payment of any loss or damage resulting from any such cancellation to like extent as is provided in case of cancellation under Clause-13 hereof. Any question or dispute as to the commission of any offence under the present clause shall be settled by BEML in such manner and on such evidence of information as they may think fit and sufficient and their decision shall be final and conclusive.

20. JURISDICTION:

The court of Karnataka State only shall have jurisdiction to deal with and decide any legal matter of dispute whatsoever arising out of this Purchase Order.

21. ARBITRATION:

All other disputes / differences except as to any matters the decision of which is specially provided for by these conditions or any other special conditions of the P.O. whatsoever arising between the parties out of or relating to the contract meaning and operation or effect of the contract or the breach thereof shall be settled by Arbitration in accordance with the rules of Arbitration of the Indian Council of Arbitration and the award made in pursuance thereof shall be binding on the parties.

22. FORCE MAJEURE CLAUSE:

- a) BEML shall in addition its power under other clauses to determine this Purchase Order have power to terminate its liability there under at any time by giving a notice of reasonable time in writing to the supplier of BEML's desire to do so and upon the expiration of the notice the Purchase Order shall be determined without prejudice to the rights of the parties accrued to the date of determination.
- b) Further in the event of any situation arising out of or caused by any act which is beyond the control of BEML, which results in stoppage of production, or in the event of any policy decision made in the interest of BEML which may necessitate the short closure of the Purchase Order, BEML by giving a notice of reasonable time to the supplier, can terminate the Purchase Order without prejudice to the rights of the parties accrued to the date of termination.

23. SECRECY:

- a) All information, of Proprietary nature whether written or oral delivered by BEML to supplier in connection with or related to potential quotations for supply of components / parts / etc. including, without limitation, technical data, specifications, drawings, models, samples, specimens furnished by BEML for the purpose of or in connection with the manufacture and supply of the stores hereby ordered constitute the property of BEML and that the supplier shall keep them in strict confidence and he shall not divulge the same to anyone else except under the Authority and for the purpose of BEML. All such documents, data and drawings, models and specifications shall be the property of BEML and be returned to it when done with or when demanded by BEML.
- b) The supplier shall not supply the stores hereby ordered by BEML to anyone else other than BEML and shall not disclose, any initiations, developments or adaptations, thereof to anyone else except with the written consent of BEML.
- c) Purchase Order or copy of the same in full or part thereof shall not be produced to anyone else other than to statutory authorities.
- d) BEML shall be entitled to prevent the breach of the above and to damages in case of breach.

24. DURING ARBITRATION:

The supplies under this Purchase Order shall, if reasonably possible, continue by mutual agreement during the arbitration proceedings and no payment due to or payable by BEML be withheld only on account of the pendency of such proceedings.

25. RIGHT TO VARY QUANTITIES:

BEML reserves the right to increase or decrease up to 50% of the quantity specified in the schedule of requirements without any change in the unit price or other terms and conditions within the agreed delivery schedule.

26. Confidentiality Agreement: An agreement designed to protect trade secrets and expertise from being misused by those who have learned of them.

“BEML shall be entitled to prevent breach of the agreement and to claim damages in case of any breach. It is hereby mutually agreed that for breach of this agreement, the vendor shall pay, without actual proof of damages, a liquidated amount of Rs. 1.00 Crore (Rupees One Crore only)”

It is proposed that agreement need to be executed, for any of the following condition.

- a) Revised agreement can be sent to vendors having annual business with BEML for more than Rs.50.00 Lakhs.
- b) Any advance / financial assistance provided by BEML for development.
- c) Any technical support / design provided by BEML.

It will not be applicable in case of:

- a) Proprietary items
- b) Standard items (like fasteners, paint etc.)
- c) Case of suppliers own design.

The agreement

- a) Need to be executed on a Rs. 100/- non judiciary stamp paper.
- b) All the entries in the agreement shall be typed. Hand writing can be permitted for the date of agreement.
- c) All the pages of agreement to be signed.
- d) At vendors / suppliers end, it shall be signed preferable by Director. In no case it shall be below GM Rank.
- e) At BEML, it shall be signed by Material Heads of respective Divisions.

In case where the earlier agreement is signed, clause of Liquidation can be signed separately as an extension to earlier agreement.

Confidentiality Agreement format enclosed at **Annexure-I**.

27. Integrity Pact: The Integrity Pact envisages an agreement between the prospective vendor/bidder and the buyer committing the persons/officials of both the parties not to exercise any corrupt influence on any aspect of the contract. Only those

vendors/bidders who have entered into such an Integrity Pact with the buyer (BEML) would be competent to participate in bidding with BEML wherever the value of each contract is equal to or more than Rs. 1 Crore.

This Pact is a preliminary qualification for entering into any contract with BEML. The Pact will be effective from the stage of Invitation of Bids till the complete execution of the Contract.

The Central Vigilance Commission (CVC) will approve an Independent External Monitors (IEM) to oversee the implementation of the Integrity Pact.

Integrity Pact agreement format enclosed at **Annexure-J**.

Guidelines for Indian Agents of Foreign Suppliers format enclosed at **Annexure-J1**.

28. **Non-Competition Agreement:** It is a term used in contract law under which one party (usually an employee) agrees not to pursue a similar profession or trade in competition against another party (usually the employer).

Non – Competition Agreement format enclosed at **Annexure-K**.

29. **Undertaking from the suppliers of IT Hardware/software, Desktop & Servers as per CVC guidelines:** As per directives of Govt. of India – Central Vigilance Commission, New Delhi it is mandatory to have an undertaking from the supplier of BEML towards the supply of IT hardware, Software, Desktop & Server certifying their authenticity and genuineness of the product.

Undertaking from the suppliers of IT Hardware/software, Desktop & Servers format enclosed at **Annexure-L**.

Annexure F

SPECIMEN OF PROPRIETARY CERTIFICATE

1. Item Nomenclature
2. Part No. / Description / Qty.
3. To be procured from
4. Previous ordering information (If available)
5. Project

(Tick the applicable one and score out ones not applicable)

- i) No equivalent is available from any other source
- ii) An item made or marketed by a firm having the exclusive right to market the product
- iii) Procurement of a product from a vendor when the product is exclusively developed for BEML by that vendor (with or without NRC)
- iv) Procurement of spares from OEM
- v) Requirement of a particular branded product among the class of products available for ensuring standardization.
- vi) _____

(Specify Reasons for resorting to proprietary procurement)

Example: in case of (ii) above, Certificate obtained from the vendor for having such exclusive right may be enclosed. If the requirement is classified under (iii) above, reasons for preference to particular brand among the brands available may be recorded with the concurrence of the indenting department.

(INDENTING DEPT.)

Signature :

Name :

Designation :

Date :

Approving Authority: GM (R&D/Production)

Signature with date & Seal

Annexure G

SPECIMEN OF LETTER OF INTENT

Ref:

Date:

To :

Dear Sir,

Sub : Procurement of item(s)

Ref : i) Our Tender Enquiry No. dtd.

ii) Your Quotation No. dtd.

iii)

Based on your Quotation No. _____ dtd. _____ against our Tender Enquiry No. _____ dtd. _____ and further discussions / negotiations we had with you on _____, we are pleased to place this letter of intent on you for supply of _____ Nos. of _____ at a price indicated against the item(s). You may please take this letter of intent as our firm order on you and to go ahead with the planning for manufacture and supply of the item(s).

A regular Purchase Order bearing No. _____ indicating our terms and conditions of contract will be issued to you shortly, and this letter of intent is issued only to inform you in advance of our intention to place a Purchase Order on you enable you to take necessary action to meet the delivery schedule indicated by us during our discussions.

Please acknowledge receipt of this letter of intent.

Thanking you,

Yours faithfully,

For BEML Limited

Annexure H

INCOTERMS

INTRODUCTION

1. PURPOSE OF INCOTERMS:

The purpose of 'Incoterms' is to provide a set of international rules for the interpretation of the chief terms used in foreign trade contracts, for the optional use of businessmen who prefer the certainty of uniform international rules to the uncertainties of the varied interpretations of the same terms in different countries.

Frequently parties to a contract are unaware of the differences of trading practice in their respective countries. The existing diversity of interpretations is a constant source of friction in international trade, leading to misunderstandings, disputes and references to the courts with all the waste of time and money that those entail. It was the object of making available to traders a means of overcoming the worst causes of this friction that the International Chamber of Commerce first published in 1936 a set of international rules for the interpretation of trade terms. These rules were known as 'Incoterms 1936'. Amendments and additions were later made in 1953, 1967, 1976 and 1980 in order to provide an up-to-date set of rules broadly in line with the current practice of a majority of the businessmen engaged in international trade.

The chief difficulties met with by importers and exporters are of three kinds. First, uncertainty as to the law of what country will be applicable to their contracts, second, difficulties arising from inadequate information and, third, difficulties arising from diversity in interpretation. These handicaps to trade can be much reduced by the use of 'Incoterms'.

2. PROVISION FOR THE CUSTOM OF THE PARTICULAR TRADE OR PORT:

On some points, it has been found impossible to give an absolutely definite ruling. In that case, the rules have left the matter to be decided by the custom of the particular trade or port. Every endeavour has been made to limit such references to custom to the absolute minimum, but it has been impossible to avoid them altogether.

In order to avoid misunderstandings and disputes, the seller and the buyer would be well advised to keep such general and particular customs in mind when negotiating their contract.

3. SPECIAL PROVISIONS IN INDIVIDUAL CONTRACTS:

Special provisions in the individual contract between the parties will override anything provided in the rules.

Parties may adopt 'Incoterms' as the general basis of their contract, but may also specify particular variations of them or additions to them, such as may be suited to the particular trade or the circumstances of the time or their individual convenience. For instance, some merchants require a CIF supplier to provide war risk insurance as well as marine insurance. In that case, the purchaser may specify 'Incoterms CIF plus war risk insurance'. The seller will then quote his price on that basis.

Some abbreviations in common use in domestic trade may not be readily understood in international trade. It is recommended that for the sake of clarity the use of such domestic abbreviations shall be avoided.

4. VARIATIONS OF C & F AND CIF CONTRACTS:

Merchants shall be extremely cautious in using, in their contracts of sale, variations of the terms C&F and CIF such as C&F and CIF Cleared and Customs Duty paid or similar expressions. The addition of a word or even a letter to C & F and CIF may sometimes have an entirely unforeseen result, and the character of the contract may be changed. Merchants may find that a court will refuse to recognize certain variations as being C&F or CIF contracts at all. It is always safer in such cases explicitly to state in the contracts what obligations and charges each party is meant to assume.

5. 'INCOTERMS' AND THE CONTRACT OF CARRIAGE:

Merchants adopting those rules in their contracts shall keep clearly in mind the fact that they refer solely to the relationship between seller and buyer, and that none of the provisions affect, either directly or indirectly, the relations of either party with the carrier as defined in the contract of carriage.

However, the law of carriage of goods will determine how the seller shall fulfill his obligation to deliver the goods 'to the carrier'. The terms FOB, C & F and CIF, which have been retained unchanged in the present version of 'Incoterms', all conform with the practice of delivering the goods on board the vessel. Nowadays goods are usually delivered by the seller to a carrier before shipment on board takes place, in such cases merchants shall use the new and amended terms: Free Carrier (named point), Freight/ Carriage paid to, or Freight/Carriage and Insurance paid to. A definition of 'carrier' has been inserted in a note to the term Free carrier (name point).

6. 'DELIVERED' TERMS:

Unless there is a clear agreement to the contrary expressed in the contract of sale, it is no part of the duties of the seller to procure a policy of insurance available for the benefit of the buyer.

However, in certain circumstances, such as those contemplated in Article A.5 of the rules relating to the sale of goods on 'Delivered at Frontier' terms, the parties might be well advised jointly to consider what duties, if any, the seller or the buyer shall assume in matters pertaining to the insurance of the goods from the point of departure in the country of despatch to the point of final destination chosen by the buyer.

Unless there is a clear agreement to the contrary expressed in the contract of sale, any document of the transport placed by the seller at the disposal of the buyer must be clean.

Unless the context otherwise requires, the following expressions have the meanings hereby assigned to them, that is to say:

“Country of despatch” means the country from which the seller has to despatch the goods to the named place of delivery at the frontier, or in the country of importation, as the case may be, whether by public carrier or by his own means of transport.

“Expenses” means any costs, charges and expenses of or incidental to the performance by the parties of their respective duties and which shall be incurred, borne and paid by the parties in accordance with the rules applicable.

7. DEFINITION OF BILL OF LADING:

As used in these rules the term ‘bill of lading’ is a shipped bill of lading, issued by or on behalf of the carrier, and is evidence of contract of carriage as well as proof of delivery of the goods on board the vessel.

A bill of lading may be either freight prepaid or freight payable at destination. In the former case the document is usually not obtainable until freight has been paid.

8. SIMPLIFIED DOCUMENTARY PRACTICES:

In liner trade, bills of lading are frequently replaced by non-negotiable documents (‘sea waybills’, ‘liner waybills’, ‘freight receipts’, ‘combined or multimodal transport documents’) and the feasibility of transmitting the relevant information by automatic data processing is presently being investigated. When bills of lading are not used in the relevant trade, the parties shall either use the free carrier (named point) or Freight / Carriage paid to terms or alternatively, stipulate in the FOB, C & F and CIF terms that the seller shall provide the buyer with the usual document or other evidence of the delivery of the goods to the carrier.

Merchants wishing to use these rules shall specify that their contracts will be governed by the provisions of ‘Incoterms’. If they wish to refer to a term in a previous version they shall specifically so state.

This term came into force in 1953.

EX-WORKS

(ex-Factory, ex-Mill, ex-Plantation, ex-Warehouse, etc.)

“Ex-Works” means that the seller’s only responsibility is to make the goods available at his premises (i.e., works or factory). In particular he is not responsible for loading the goods on the vehicle provided by the buyer, unless otherwise agreed. The buyer bears the full cost and risk involved in bringing the goods from there to the desired destination. The term thus represents the minimum obligation for the seller.

A. THE SELLER MUST:

1. Supply the goods in conformity with the contract of sale, together with such evidence of conformity as may be required by the contract.
2. Place the goods at the disposal of the buyer at the time as provided in the contract, at the point of delivery named or which is usual for the delivery of such goods and for their loading on the conveyance to be provided by the buyer.
3. Provide at his own expense the packing, if any that is necessary to enable the buyer to take delivery of the goods.
4. Give the buyer reasonable notice as to when the goods will be at his disposal.
5. Bear the cost of checking operations (such as checking quality, measuring, weighing, counting), which are necessary for the purpose of placing the goods at the disposal of the buyer.
6. Bear all risks and expenses of the goods until they have been placed at the disposal of the buyer at the time as provided in the contract, provided that the goods have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
7. Render the buyer, at the latter’s request, risk and expense, every assistance in obtaining any documents which are issued in the country of delivery and / or of origin and which the buyer may require for the purposes of exportation and / or importation (and, where necessary, for their passage in transit through another country).

B. THE BUYER MUST:

1. Take delivery of the goods as soon as they are placed at his disposal at the place and at the time, as provided in the contract, and pay the prices as provided in the contract.
2. Bear all charges and risks of the goods from the time when they have been so placed at his disposal, provided that the goods have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
3. Bear any customs duties and taxes that may be levied by reason of exportation.
4. Where he shall have reserved to himself a period within which to take delivery of the goods and/or the right to choose the place of delivery, and shall he fail to give instructions in time, bear the additional costs thereby incurred and all risks of the goods

from the date of the expiration of the period fixed, provided that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.

5. Pay all costs and charges incurred in obtaining the documents mentioned in Article A.7, including the cost of certificates of origin, export license and consular fees.

This term came into force in 1953.

FOR / FOT

FREE ON RAIL / FREE ON TRUCK

(Named departure point)

FOR and FOT mean “Free on Rail” and “Free on Truck”. These terms are synonymous, since the word “Truck” relates to the railway wagons. They shall only be used when the goods are to be carried by rail. According to the International Chamber of Commerce (ICC) Incoterms rules, FOR (Free on Rail) and FOT (Free on Truck) have been replaced by FCA (Free Carrier), which is current, standardized rule.

A. THE SELLER MUST:

1. Supply the goods in conformity with the contract of sale, together with such evidence of conformity as may be required by the contract.
2. In the case of goods constituting either a wagon load (carload, truckload) lot or a sufficient weight to obtain quantity rates for wagon loading, order in due time a wagon (car, truck) of suitable type and dimensions, equipped, where necessary, with tarpaulins, and load it as his own expense at the date or within the period fixed, the ordering of the wagon (car, truck) and the loading being carried out in accordance with the regulations of the despatching station.
3. In case of a load less than either a wagon load (carload, truckload) or a sufficient weight to obtain quantity rates for wagon loading, deliver the goods into the custody of the railway either at the despatching station or, where such facilities are included in the rate of freight, into a vehicle provided by the railway, at the date or within the period fixed, unless the regulations of the despatching station shall require the seller to load the goods on the wagon (car, truck).

Nevertheless, it shall be understood that if there are several stations at the point of departure, the seller may select the station which best suits his purpose, provided it customarily accepts goods for the destination nominated by the buyer, unless the buyer shall have reserved to himself the right to choose the despatching station.

4. Subject to the provisions of Article B.5 below, bear all costs and risks of the goods until such time as the wagon (car, truck) on which they are loaded shall have been delivered into the custody of the railway or, in the case provided for in Article A.3, until such time as the goods shall have been delivered into the custody of the railway.
5. Provide at his own expense the customary packing of the goods, unless it is the custom of the trade to despatch the goods unpacked.
6. Pay the costs of any checking operations (such as checking quality, measuring, weighing, counting), which shall be necessary for the purpose of loading the goods, or of delivering them into the custody of the railway.
7. Give notice, without delay, to the buyer that the goods have been loaded or delivered into the custody of the railway.
8. At his own expense, provide the buyer, if customary, with the usual transport document.

9. Provide the buyer, at the latter's request and expense (see B.6) with the certificate of origin.
10. Render the buyer, at the latter's request, risk and expense, every assistance in obtaining the documents issued in the country of despatch and / or of origin which the buyer may require for purposes of exportation and / or importation (and, where necessary, for their passage in transit through another country).

B. THE BUYER MUST:

1. Give the seller in time the necessary instructions for despatch.
2. Take delivery of the goods from the time when they have been delivered into the custody of the railway and pay the price as provided in the contract.
3. Bear all costs and risks of the goods (including the cost, if any, of hiring tarpaulins) from the time when the wagon (car, truck) on which the goods are loaded shall have been delivered into the custody of the railway or, in the case provided for in Article A.3, from the time when the goods shall have been delivered into the custody of the railway.
4. Bear any customs duties and taxes that may be levied by reason of exportation.
5. Where he shall have reserved to himself a period within which to give the seller instructions in time, bear the additional costs thereby incurred and all risks of the goods from the time of expiration of the period fixed, provided, however, that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
6. Pay all costs and charges incurred in obtaining the documents mentioned in Articles A.9 & 10 above, including the cost of certificates of origin and consular fees.

This term came into force 1953.

FCA FREE CARRIER

Under FCA conditions, the selling company must deliver the goods cleared for export (i.e., it will take care of this clearance when it is due) to the carrier (trucking company, freight forwarder, international logistics operator, etc.) that will perform the main transportation and that has been hired by the buyer. Risk and cost transfer to the buyer the moment the goods are handed to the carrier.

When applying this rule, it is essential to determine the exact place of delivery, which can be agreed in two ways:

1. FCA seller's premises: Delivery takes place when the seller loads the goods onto the vehicle of the carrier chosen by the buyer, at which time the risk passes to the buyer.
2. FCA another Location: Delivery takes place when the seller places the goods at the disposal of the carrier on a vehicle, ready for unloading, at the place indicated. This implies that the seller, by contract or by his own means, must provide initial transportation to that place.

A. THE SELLER MUST - FCA SELLER'S PREMISES:

1. Export Packaging.
2. Other export costs: documents, certificates, etc.
3. Loading of goods on the initial transport vehicle.
4. Export Clearance.

B. THE SELLER MUST - FCA ANOTHER LOCATION:

1. Export Packaging.
2. Other export costs: documents, certificates, etc.
3. Loading of goods on the initial transport vehicle.
4. Export Clearance.
5. Initial transportation.
6. Transportation to terminal

C. THE BUYER MUST - FCA SELLER'S PREMISES:

1. Initial transportation.
2. Transportation to terminal.
3. Costs at origin terminal: THC, Fees & others.
4. Cargo on board.
5. Main Transport.

6. Transport Insurance (Negotiable - Seller or Buyer).
7. Terminal unload.
8. Costs at destination terminal: THC, fees & others.
9. Import Clearance.
10. Transportation from Terminal to destination.
11. Unloading of goods from the final transport vehicle.

D. THE BUYER MUST - FCA ANOTHER LOCATION:

1. Costs at origin terminal: THC, Fees & others.
2. Cargo on board.
3. Main Transport.
4. Transport Insurance (Negotiable - Seller or Buyer).
5. Terminal unload.
6. Costs at destination terminal: THC, fees & others.
7. Import Clearance.
8. Transportation from Terminal to destination.
9. Unloading of goods from the final transport vehicle.

FAS

FREE ALONGSIDE SHIP

(Named port of shipment)

FAS means “Free Alongside Ship”. Under this term the seller’s obligations are fulfilled when the goods have been placed alongside the ship on the quay or in lighters. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. It shall be noted that, unlike FOB, the present term requires the buyer to clear the goods for export.

A. THE SELLER MUST:

1. Supply the goods in conformity with contract of sale, together with such evidence of conformity as may be required by the contract.
2. Deliver the goods alongside the vessel at the loading berth named by the buyer, at the named port of shipment, in the manner customary at the port, at the date or within the period stipulated, and notify the buyer, without delay, that the goods have been delivered alongside the vessel.
3. Render the buyer at the latter’s request, risk and expense, every assistance in obtaining any export license or other government authorization necessary for the export of the goods.
4. Subject to the provisions of Article B.3 and B.4 below, bear all costs and risks of the goods until such time as they shall have been effectively delivered alongside the vessel at the named port of shipment, including the costs of any formalities, which he shall have to fulfill in order to deliver the goods alongside the vessel.
5. Provide at his own expense the customary packing of the goods unless it is the custom of the trade to ship the goods unpacked.
6. Pay the costs of any checking operations (such as checking quality, measuring, weighing, counting), which shall be necessary for the purpose of delivering the goods alongside the vessel.
7. Provide at his own expense the customary clean document in proof of delivery of the goods alongside the named vessel.
8. Provide the buyer, at the latter’s request and expense (see B.5) with the certificate of origin.
9. Render the buyer, at the latter’s request, risk and expense, every assistance in obtaining any documents other than that mentioned in Article A.8, issued in the country of shipment and / or of origin (excluding a bill of lading and/or consular documents) and which the buyer may require for the importation of the goods into the country of destination (and, where necessary, for their passage in transit through another country).

B. THE BUYER MUST:

1. Give the seller due notice of the name, loading berth of and delivery dates to the vessel.

2. Bear all the charges and risks of the goods from the time when they shall have been effectively delivered alongside the vessel at the named port of shipment, at the date or within the period stipulated, and pay the price as provided in the contract.
3. Bear any additional costs incurred because the vessel named by him shall have failed to arrive on time, or shall be unable to take the goods, or shall close for cargo earlier than the stipulated date, and all the risks of the goods from the time when the seller shall place them at the buyer's disposal provided, however, that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
4. Shall he fail to name the vessel in time or, if he shall have reserved to himself a period within which to take delivery of the goods and / or the right to choose the port of shipment, shall he fail to give detailed instructions in time, bear any additional costs incurred because of such failure and all the risks of the goods from the date of expiration of the period stipulated for delivery, provided, however, that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
5. Pay all costs and charges incurred in obtaining the documents mentioned in Articles A.3, A.8 and A.9 above.

This term came into force 1953.

FOB FREE ON BOARD (Named port of shipment)

FOB means, “Free on Board”. The goods are placed on board a ship by the seller at a port of shipment named in the sales contract. The risk of loss of or damage to the goods is transferred from the seller to the buyer when the goods pass the ship’s rail.

A. THE SELLER MUST:

1. Supply the goods in conformity with the contract of sale, together with such evidence of conformity as may be required by the contract.
2. Deliver the goods on board the vessel named by the buyer, at the named port of shipment, in the manner customary at the port, at the date or within the period stipulated, and notify the buyer, without delay, that the goods have been delivered on board.
3. At his own risk and expense obtain any export license or other Government authorization necessary for the export of the goods.
4. Subject to the provisions of Articles B.3 and B.4 below, bear all costs and risks of the goods until such time as they shall have effectively passed the ship’s rail at the named port of shipment, including any taxes, fees or charges levied because of exportation, as well as the costs of any formalities which he shall have to fulfill in order to load the goods on board.
5. Provide at his own expense the customary packing of the goods, unless it is the custom of the trade to ship the goods unpacked.
6. Pay the costs of any checking operations (such as checking quality, measuring, weighing, counting), which shall be necessary for the purpose of delivering the goods.
7. Provide at his own expense the customary clean document in proof of delivery of the goods on board the named vessel.
8. Provide the buyer, at the latter’s request and expense (see B.6), with the certificate of origin.
9. Render the buyer, at the latter’s request, risk and expense, every assistance in obtaining a bill of lading and any documents, other than that mentioned in the previous article, issued in the country of shipment and / or of origin and which the buyer may require for the importation of the goods into the country of destination (and, where necessary, for their passage in transit through another country)

B. THE BUYER MUST:

1. At his own expense, charter a vessel or reserve the necessary space on board a vessel and give the seller due notice of the name, loading berth of and delivery dates to the vessel.

2. Bear all costs and risks of the goods from the time when they shall have effectively passed the ship's rail at the named port of shipment, and pay the price as provided in the contract.
3. Bear any additional costs incurred because the vessel named by him shall have failed to arrive on the stipulated date or by the end of the period specified, or shall be unable to take the goods or shall close for cargo earlier than the stipulated date or the end of the period specified and all the risks of the goods from the date of expiration of the period stipulated, provided, however, that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
4. Shall he fail to name the vessel in time or, if he shall have reserved to himself a period within which to take delivery of the goods and / or the right to choose the port of shipment, shall he fail to give detailed instructions in time, bear any additional costs incurred because of such failure, and all the risks of the goods from the date of expiration of the period stipulated for delivery, provide, however, that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
5. Pay any costs and charges for obtaining a bill of lading if incurred under Article A.9 above.
6. Pay all costs and charges incurred in obtaining the documents mentioned in Articles A.8 and A.9 above.

C & F

COST AND FREIGHT

(Named port of shipment)

C & F means “Cost and Freight”. The seller must pay the costs and freight necessary to bring the goods to the named destination but the risk of loss of or damage to the goods, as well as of any cost increases, is transferred from the seller to the buyer when the goods pass the ship’s rail in the port of shipment.

A. THE SELLER MUST:

1. Supply the goods in conformity with the contract of sale, together with such evidence of conformity as may be required by the contract.
2. Contract on usual terms at his own expense for the carriage of the goods to the agreed port of destination by the usual route, in a seagoing vessel (not being a sailing vessel) of the type normally used for transport of goods of the contract description, and pay freight charges and any charges for unloading at the port of discharge which may be levied by regular shipping lines at the time and port of shipment.
3. At his own risk and expense obtain any expert license or other governmental authorization necessary for the export of the goods.
4. Load the goods at his own expense on board the vessel at the port of shipment and at the date or within the period fixed or, if neither date nor time has been stipulated, within a reasonable time, and notify the buyer, without delay, that the goods have been loaded on board the vessel.
5. Subject to the provisions of Article B.4 below, bear all risks of the goods until such time as they shall have effectively passed the ship’s rail at the port of shipment.
6. At his own expense furnish to the buyer without delay a clean negotiable bill of lading for the agreed port of destination, as well as the invoice of the goods shipped. The bill of lading must cover the contract goods, be dated within the period agreed for shipment, and provide by endorsement or otherwise for delivery to the order of the buyer or buyer’s agreed representative. Such bill of lading must be a full set of ‘on board’ or ‘shipped’ bills of lading, or a ‘received for shipment’ bill of lading duly endorsed by the shipping company to the effect that the goods are on board, such endorsement to be dated within the period agreed for shipment. If the bill of lading contains a reference to the charter-party, the seller must also provide a copy of this latter document.

Note: A clean bill of lading is one, which bears no superimposed clauses expressly declaring a defective condition of the goods or packaging.

The following clauses do not convert a clean into an unclean bill of lading:

- a. Clauses which do not expressly state that the goods or packaging are unsatisfactory, e.g., ‘second-hand cases’, ‘used drum’, etc.,
- b. Clauses which emphasize carrier’s non-liability for risks arising through the nature of the goods or the packaging
- c. Clauses, which disclaim on the part of the carrier knowledge of contents, weight, measurement, quality, or technical specification of the goods.
7. Provide at his own expense the customary packaging of the goods, unless it is the custom of the trade to ship the goods unpacked.

8. Pay the costs of any checking operations (such as checking quality, measuring, weighing, counting), which shall be necessary for the purpose of loading the goods.
9. Pay any dues and taxes incurred in respect of the goods, up to the time of their loading, including any taxes, fees or charges levied because of exportation, as well as the costs of any formalities which he shall have to fulfill in order to load the goods on board.
10. Provide the buyer, at the latter's request and expense (see B.5), with the certificate of origin and the consular invoice.
11. Render the buyer, at the latter's request, risk and expense, every assistance in obtaining any documents, other than those mentioned in the previous article, issued in the country of shipment and /or of origin and which the buyer may require for the importation of the goods into the country of destination (and, where necessary, for their passage in transit through another country).

B. THE BUYER MUST:

1. Accept the documents when tendered by the seller, if they are in conformity with the contract of sale, and pay the price as provided in the contract.
2. Receive the goods at the agreed port of destination and bear, with the exception of the freight, all costs and charges incurred in respect of the goods in the course of their transit by sea until their arrival at the port of destination, as well as unloading costs, including lighterage and wharfage charges, unless such costs and charges shall have been included in the freight or collected by the steamship company at the time freight was paid.

Note: If the goods are sold "C & F landed", unloading costs, including lighterage and wharfage charges, are borne by the seller.

3. Bear all risks of the goods from the time when they shall have effectively passed the ship's rail at the port of shipment.
4. In case he may have reserved to himself a period within which to have the goods shipped and/or the right to choose the port of destination, and he fails to give instructions in time, bear the additional costs thereby incurred and all risks of the goods from the date of the expiration of the period fixed for shipment, provided always that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
5. Pay the cost and charges incurred in obtaining the certificate of origin and consular documents.
6. Pay all costs and charges incurred in obtaining the documents mentioned in Article A.11 above.
7. Pay all customs duties as well as any other duties and taxes payable at the time of or by reason of the importation.
8. Procure and provide at his own risk and expense any import license or permit or the like which he may require for the importation of the goods at the destination.

This term came into force in 1953.

CIF

COST, INSURANCE & FREIGHT

(Named port of destination)

CIF means “Cost, Insurance and Freight”. This term is the same as C & F but with the addition that the seller has to procure marine insurance against the risk of loss of or damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium. The buyer shall note that under the present term, unlike the term “Freight / Carriage and Insurance paid to”, the seller is only required to cover insurance on minimum conditions (so-called FPA conditions).

A. THE SELLER MUST:

1. Supply the goods in conformity with the contract of sale, together with such evidence of conformity as may be required by the contract.
2. Contract on usual terms at his own expense for the carriage of the goods to the agreed port of destination by the usual route, in a seagoing vessel (not being a sailing vessel) of the type normally used for the transport of goods of the contract description, and pay freight charges and any charges for unloading at the port of discharge which may be levied by regular shipping lines at the time and port of shipment.
3. At his own risk and expense obtain any export licence or other Governmental Authorization necessary for the export of the goods.
4. Load the goods at his expense on board the vessel at the port of shipment and the date or within the period fixed or, if neither date nor time has been stipulated, within a reasonable time, and notify the buyer, without delay, that the goods have been loaded on board the vessel.
5. Procure at his own cost and in a transferable form, a policy of marine insurance against the risks of carriage involved in the contract. The insurance shall be contracted with underwriters or insurance companies of good repute on FPA terms, and shall cover the CIF price plus ten percent. The insurances shall be provided in the currency of the contract, if procurable (1).

Unless otherwise agreed, the risks of carriage shall not include special risks that are covered in specific trades or against which the buyer may wish individual protection. Among the special risks that shall be considered and agreed upon between seller and buyer are theft, pilferage, leakage, breakage, chipping, sweat, contact with other cargoes and others peculiar to any particular trade.

When required by the buyer, the seller shall provide, at the buyer’s expense, war risk insurance in the currency of the contract, if procurable.

CIF A.5 provides for the minimum terms (FPA) and period of insurance (warehouse to warehouse). Whenever the buyer wishes more than the minimum liability to be included in the contract, then he shall take care to specify that the basis of the contract is to be “Incoterms” with whatever addition he requires.

6. Subject to the provisions of Article B.4 below, bear all risks of the goods until such time as they shall have effectively passed the ship's rail at the port of shipment.
7. At his own expense furnish to the buyer without delay a clean negotiable bill of lading for the agreed port of destination, as well as the invoice of the goods shipped and the insurance policy or, shall the insurance policy not be available at the time the documents are tendered, a certificate of insurance issued under the Authority of the underwriters and conveying to the bearer the same rights as if he were in possession of the policy and reproducing the essential provisions thereof. The bill of lading must cover the contract goods, be dated within the period agreed for shipment, and provide by endorsement or otherwise for delivery to the order of the buyer or buyer's agreed representative. Such bill of lading must be a full set of "on board" or "shipped" bills of lading, or a "received for shipment" bill of lading duly endorsed by the shipping company to the effect that the goods are on board, such endorsement to be dated within the period agreed for shipment. If the bill of lading contains a reference to the charter party, the seller must also provide a copy of this latter document.

Note: A clean bill of lading is one which bears no superimposed clauses expressly declaring a defective condition of the goods or packaging.

- a. Clauses which do not expressly state that the goods or packaging are unsatisfactory, e.g., "second-hand cases", "used drums", etc;
- b. Clauses which emphasize the carrier's non-liability for risks arising through the nature of the goods or the packaging;
- c. Clauses which disclaim on the part of the carrier knowledge of contents, weight, measurement, quality, or technical specification of the goods.
8. Provide at his expense the customary packing of the goods, unless it is the custom of the trade to ship the goods unpacked.
9. Pay the costs of any checking operations (such as checking quality, measuring, weighing, and counting) which shall be necessary for the purpose of loading the goods.
10. Pay any dues and taxes incurred in respect of the goods up to the time of their loading, including any taxes, fees or charges levied because of exportation, as well as the costs of any formalities which he shall have to fulfil in order to load the goods on board.
11. Provide the buyer, at the latter's request, risk and expense, every assistance in obtaining any documents, other than those mentioned in the previous article, issued in the country of shipment and / or of origin and which the buyer may require for the importation of the goods into the country of destination (and, where necessary, for their passage in transit through another country).

B. THE BUYER MUST:

1. Accept the documents when tendered by the seller, if they are in conformity with the contract of sale, and pay the price as provide in the contract.
2. Receive the goods at the agreed port of destination and bear, with the exception of the

freight and marine insurance, all costs and charges incurred in respect of the goods in the course of their transit by sea until their arrival at the port of destination, as well as unloading costs, including lighterage and wharfage charges, unless such costs and charges shall have been included in the freight or collected by the steamship company at the time freight was paid.

If war insurance is provided, it shall be at the expense of the buyer (see A.5)

Note: If the goods are sold "CIF landed", unloading costs, including lighter age and wharfage charges, are borne by the seller.

3. Bear all risks of the goods from the time when they shall have effectively passed the ship's rail at the port of shipment.
4. In case he may have reserved to himself a period within which to have the goods shipped and / or the right to choose the port of destination, and he fails to give instructions in time, bear the additional cost thereby incurred and all risks of the goods from the date of the expiration of the period fixed for shipment, provided always that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
5. Pay the costs and charges incurred in obtaining the certificate of origin and consular documents.
6. Pay all costs and charges incurred in obtaining the documents mentioned in Article A.12 above.
7. Procure and provide at his own risk and expense any import licence or permit or the like which he may require for the importation of the goods at destination.

This term came into force in 1976.

FOB AIRPORT

(Named airport of departure)

The rules set forth hereunder for delivery on FOB terms for carriage of the goods by air have been carefully drafted to reflect the usages usually observed in trade. It will be noted that the expression "FOB" – properly meaning "FREE ON BOARD" – is not, in relation to air transportation, to be taken literally but rather as announcing that the next word constitutes the point where the seller's responsibility is to terminate.

A. THE SELLER MUST:

1. Supply the goods in conformity with the contract of sale, together with such evidence of conformity as may be required by the contract.
2. Deliver the goods into the charge of the air carrier or his agent or any other person named by the buyer, or, if no air carrier, agent or other person has been so named, of an air carrier or his agent chosen by the seller. Delivery shall be made on the date or within the period agreed for delivery, and at the named airport of departure in the manner customary at the airport or at such other places as may be designated by the buyer in the contract.
3. Contract at the buyer's expense for the carriage of the goods, unless the buyer or the seller gives prompt notice to the contrary to the other party. When contracting for the carriage as aforesaid, the seller shall do so, subject to the buyer's instructions as provided for under Article B.1, on usual terms to the airport of destination named by the buyer, or, if no such airport has been named, to the nearest airport available for such carriage to the buyer's place of business, by a usual route in an aircraft of a type normally used for the transport of goods of the contract description.
4. At his own risk and expense obtain any export licence or other official authorization necessary for the export of the goods.
5. Subject to the provisions of Article B.6 and B.7 below, pay any taxes, fees and charges levied in respect of the goods because of exportation.
6. Subject to the provisions of Articles B.6 and B.7 below, bear any further costs payable in respect of the goods until such time as they will have been delivered, in accordance with the provisions of Article A.2 above.
7. Subject to the provisions of Articles B.6 and B.7 below, bear all risks of the goods until such time as they will have been delivered, in accordance with the provisions of Article A.2 above.
8. Provide at his own expense adequate protective packing suitable to despatch of the goods by air unless it is custom of the trade to despatch the goods unpacked.
9. Pay the costs of any checking operations (such as checking quality, measuring, weighing, counting), which shall be necessary for the purpose of delivering the goods.
10. Give the buyer notice of the delivery of the goods without delay by telecommunication channels at his own expense.
11. In the circumstances referred to in Articles B.6 and B.7 below, give the buyer prompt notice by telecommunication channels of the occurrence of said circumstances.

12. Provide the buyer with the commercial invoice in proper form so far as to facilitate compliance with applicable regulations and, at the buyer's request and expense, with the certificate of origin.
13. Render the buyer, at his request, risk and expense, every assistance in obtaining any document other than those mentioned in Article A.12 above issued in the country of departure and / or of origin and which the buyer may require for the importation of the goods into the country of destination (and, where necessary, for their passage in transit through another country).
14. Render the buyer, at his request, risk and expense and subject to the provisions of Article B.9 below, every assistance in bringing any claim against the air carrier or his agent in respect of the carriage of the goods.

B. THE BUYER MUST:

1. Give the seller due notice of the airport of destination and give him proper instructions (where required) for the carriage of the goods by air from the named airport of departure.
2. If the seller will not contract for the carriage of the goods, arrange at his own expense for said carriage from the named airport of departure and give the seller due notice of said arrangements, stating the name of the air carrier or his agent or any other person into whose charge delivery is to be made.
3. Bear all costs payable in respect of the goods from the time when they have been delivered in accordance with the provisions of Article A.2 above, except as provided in Article A.5 above.
4. Pay the price invoiced as provided in the contract as well as the cost of air freight if paid by or on behalf of the seller.
5. Bear all risks of the goods from the time when they have been delivered, in accordance with the provisions of Article A.2 above.
6. Bear any additional costs incurred because the air carrier, his agent or any other person named by the buyer fails to take the goods into his charge when tendered by the seller, and bear all risks of the goods from the time of such tender, provided, however, that the goods will have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
7. Shall he fail to provide proper instructions (where required) to the seller for the carriage of the goods, bear any additional costs incurred because of said failure and all risks of the goods from the date agreed for delivery or from the end of the period agreed for delivery, provided, however, that the goods will have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
8. Bear all costs, fees and charges incurred in obtaining the documents in Article A.13 above, including the costs of consular documents, as well as the costs of certificates of origin.
9. Bear all costs, fees and charges incurred by the seller in bringing and pursuing any claim against the air carrier or his agency in respect of the carriage of the goods.

CPT

CARRIAGE PAID TO

The CPT provides for the delivery of the goods at the place of origin, with the peculiarity that the selling company, despite having contracted and paid for the transportation to the agreed place of destination, delivers the goods and transfers the risks to the purchasing company at the place of origin by placing the goods at the disposal of the carrier it has contracted. This contract is related to the widespread use of the Bill of Lading (BL) as a title document, which is why the CPT is particularly useful in multimodal transportation in containers with a maritime phase, although it can also be applied to other modes of transportation.

For all these reasons, both the place of delivery and the place of destination must be clearly defined in the contract of sale, since, in the absence of a specific place of delivery, it is understood that, in cases where several carriers are involved, the place of delivery and the transfer of risk occur when the seller delivers the goods to the first of them (similar to a delivery under FCA Conditions at the seller's premises).

Any loss or damage in transit is the responsibility of the buyer, who, unless otherwise agreed in the contract of sale, must pay the seller and, if necessary, claim from the carrier or from any insurance that may have been taken out. If delivery is not to be determined this way, the contract of sale must clearly state the agreed place of delivery, which may be the terminal of the port of shipment or even the port of destination.

As for customs clearance the general rule applies: the selling company clears for export and the purchasing company clears for import.

A. THE SELLER MUST:

1. Export Packaging.
2. Other export costs: documents, certificates, etc.
3. Loading of goods on the initial transport vehicle.
4. Export Clearance.
5. Initial transportation.
6. Transportation to terminal.
7. Costs at origin terminal: THC, Fees & others.
8. Cargo on board.
9. Main Transport.

B. THE BUYER MUST:

1. Transport Insurance (Negotiable - Seller or Buyer).
2. Terminal unload.
3. Costs at destination terminal: THC, fees & others.
4. Import Clearance.
5. Transportation from Terminal to destination.
6. Unloading of goods from the final transport vehicle.

CIP CARRIAGE AND INSURANCE PAID TO

The CIP rule differs only from CPT in that the selling company is obliged to take out insurance to cover the risks of the goods in transport that the buyer will bear from the time of delivery.

Export customs clearance (if required by the operation) and related formalities and costs: licenses, security clearance and inspections (red channel after the customs declaration has been filed, specific inspections based on the goods, such as phytosanitary, sanitary, pharmacological, safety, etc.). The Seller must also provide the buyer with the necessary assistance to obtain the information and documents (at the Buyer's expense) that may be required to manage the import clearance (and, where applicable, in transit countries), such as licenses, certifications or inspections.

If the seller bears the cost of unloading at the agreed place of destination, they cannot claim them from the buyer (this is the case in container shipping where the contract of carriage includes the unloading of the container at the destination terminal).

Buyer pay the price of the goods as agreed in the contract of sale (it should be noted that the means of payment is not regulated by the Incoterms). Buyer accept the goods, i.e., receive them from the carrier designated by the seller at the place of destination specified in the Incoterms.

Organize, manage and pay for the rest of the operations in the logistics chain after the delivery of the goods: at the terminal or at the designated place of destination (including unloading of the arriving vehicle, be it truck, ship or any other), import clearance in the country of destination (and, if applicable, in transit countries), final transport and unloading.

A. THE SELLER MUST:

1. Export Packaging.
2. Other export costs: documents, certificates, etc.
3. Loading of goods on the initial transport vehicle.
4. Export Clearance.
5. Initial transportation.
6. Transportation to terminal.
7. Costs at origin terminal: THC, Fees & others.
8. Cargo on board.
9. Main Transport.
10. Transport Insurance

B. THE BUYER MUST:

1. Terminal unload.
2. Costs at destination terminal: THC, fees & others.
3. Import Clearance.
4. Transportation from Terminal to destination.
5. Unloading of goods from the final transport vehicle.

DAP

DELIVERY AT PLACE

The DAP rule (together with the discontinued DAT) was one of the new features introduced in the 2010 version of the incoterms to replace the discontinued DDU (delivery duty unpaid). Under these conditions, delivery and transfer of risk by the seller occurs when the goods are placed at the disposal of the buyer on the means of transport without unloading at the named place of destination, so that the seller assumes all costs and risks of transportation to that point.

DAP is most commonly used in operations where the designated place is located beyond the terminal of entry in to the country of destination place is located beyond the terminal of entry into the country of destination (more typical in combinations with CPT and CIP or their variants CFR a CIF) and usually arranged with buyer's warehouse at destination or elsewhere.

As for customs clearance, the general criterion is followed: the seller clears for export and the buyer clears for import. In this sense, the management of import clearance by the buyer under DAP conditions is essential for the seller's compliance with the Incoterms rule.

A. THE SELLER MUST:

1. Export Packaging.
2. Other export costs: documents, certificates, etc.
3. Loading of goods on the initial transport vehicle.
4. Export Clearance.
5. Initial transportation.
6. Transportation to terminal.
7. Costs at origin terminal: THC, Fees & others.
8. Cargo on board.
9. Main Transport.
10. Transport Insurance
11. Terminal unload.
12. Costs at destination terminal: THC, fees & others.
13. Transportation from Terminal to destination.

B. THE BUYER MUST:

1. Import Clearance.
2. Unloading of goods from the final transport vehicle.

DPU DELIVERY AT PLACE UNLOADED

The Seller assumes an additional cost and risk consisting of unloading of goods at the designated place of destination.

In all other respects, DPU is the same as DAP, so difference with DPU, the seller delivers the goods are placed at the buyer's disposal, unloaded from the arriving means of transport at the place of destination. Up to this point, the costs are borne by seller. Therefore, the seller bears all costs and risks of transportation until the goods are unloaded from the means of transport at the place of destination (at which point the risk passes to the buyer, usually at the buyer's warehouse).

It is also possible that the selling company manages the transportation to the destination with its own (own fleet of trucks) and unloads the goods there.

In operations with customs clearance, the use of DPU presents the same potential problems (costs and risks) discussed in DAP.

In the case of DPU, the buyer manages the import clearance, but if it does not do it properly. It generates additional costs (delay, occupations, etc.), Which can be charged to the seller (according to the terms of its transportation contract), although the Incoterms rule indicates that the costs and risks of non-compliance with the buyer's import clearance obligation are ultimately borne by the buyer.

Unlike DAP, DPU requires the seller to deliver the goods unloaded at the place of destination, which has some implications that may have to do with the means of transportation used for final delivery.

A. THE SELLER MUST:

1. Export Packaging.
2. Other export costs: documents, certificates, etc.
3. Loading of goods on the initial transport vehicle.
4. Export Clearance.
5. Initial transportation.
6. Transportation to terminal.
7. Costs at origin terminal: THC, Fees & others.
8. Cargo on board.
9. Main Transport.
10. Transport Insurance
11. Terminal unload.
12. Costs at destination terminal: THC, fees & others.
13. Transportation from Terminal to destination.
14. Unloading of goods from the final transport vehicle.

B. THE BUYER MUST:

1. Import Clearance

DDP DELIVERY DUTY PAID

The DDP regime differs from the DAP only in that the selling company must handle and bear the import clearance and the resulting taxes. DDP imposes the maximum obligations on the seller, in contrast to EXW, where the seller bears the minimum obligations, although it includes one obligation less than DPU, namely unloading.

Under DDP, the seller delivers when the goods, cleared for import, are placed at the disposal of the buyer on the means of transport, without unloading, at the named place of destination. The seller bears all costs and risks of transportation until the goods are placed on the means of transportation at that place and upon arrival (at which time the risks are transferred). Therefore, the buyer only has to unload the goods from the arriving vehicle.

Under DDP conditions, the selling company is required to handle the import customs clearance, which includes both the management and documentation of the import and the payment of the corresponding taxes.

Import duties and taxes are borne by the selling company.

A. THE SELLER MUST:

1. Export Packaging.
2. Other export costs: documents, certificates, etc.
3. Loading of goods on the initial transport vehicle.
4. Export Clearance.
5. Initial transportation.
6. Transportation to terminal.
7. Costs at origin terminal: THC, Fees & others.
8. Cargo on board.
9. Main Transport.
10. Transport Insurance
11. Terminal unload.
12. Costs at destination terminal: THC, fees & others.
13. Transportation from Terminal to destination.
14. Import Clearance.

B. THE BUYER MUST:

1. Unloading of goods from the final transport vehicle.

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement is made and entered into between M/s BEML Limited, (hereinafter referred to as BEML), a Govt. of India Undertaking under Ministry of Defence, having its Registered Office at BEML Soudha, No.23/1, 4th Main, Sampangirama Nagar, Bangalore – 560027 and M/s ----- (hereinafter referred as XXXX) having its Registered Office at..... M/s. BEML, has been patronizing XXXX for components / spares listed in Annexure hereto. A need has been felt to revitalize the business relationship for mutual advantage.

1. It is mutually, therefore, agreed that the following shall form part of the terms and conditions for continued business:
 - a. The supplier shall not divulge to anyone else except under the Authority and for the purposed of BEML, all information such as technical data, specifications, drawings, models of specimens furnished / supplied by BEML for the purpose of manufacture or in connection with developmental activities, constitute the property of BEML and the supplier shall keep them in strict confidence. This has been explicitly stated in all the details to the supplier through Purchase Order / Drawings etc., released.
 - b. The supplier shall not supply the components / spares exclusively manufactured for BEML Limited with the Technical Data / Specifications / assistance furnished by BEML and shall not disclose my initiations, development of adaptations thereof to anyone else except with the written consent of BEML.
 - c. BEML shall be entitled to prevent breach of the above and to claim damages in case of any breach. It is hereby mutually agreed that for breach of this agreement the Vendor shall pay, without actual proof of damages, a liquidated amount of Rs.1.00 Crore (Rupees One Crore only).
 - d. ARBITRATION: In the event of any question or disputes arising under these conditions or any other terms and conditions of contract or in connection with this contract (except as to any matters the decision of which is specially provided for by these conditions) the same shall be referred to an award of a Sole to be appointed by BEML with the consent of the Contractor / Vendor Supplier and the Arbitration proceedings of Arbitration and Conciliation Act 1996. The Courts in Bangalore alone shall have jurisdiction to deal and decide any legal matter or dispute whatsoever arising out of this Contract.
2. BEML shall be entitled to prevent breach of the above and to claim damages in case of any breach.
3. The Signatories hereto declare that they have the sanction and power to execute and deliver this binding agreement.

IN WITNESS WHEREOF, the parties hereto have set their respective hands to this Confidentiality Agreement on written in the presence of

Witness.

For BEML Limited

For M/s. XXXX

WITNESS:

WITNESS:

1.

1.

2.

2.

List of Items:

Annexure J

(To be executed on plain paper and applicable for all tenders of value :2 Rs 1 Crore)

INTEGRITY PACT

Pre contract INTEGRITY PACT is reproduced as below:

Between

BEML Limited (BEML) hereinafter referred to as “The Principal”

and

..... hereinafter referred to as “The Bidder/Contractor”

Preamble

The Principal intends to award, under laid down organizational procedures, contract/s for The Principal values full compliance with all relevant laws of the land, rules, regulations, economic use of resources and of fairness / transparency in its relations with its Bidder(s) and / or Contractor(s).

In order to achieve these goals, the Principal will appoint an independent External Monitor (IEM), who will monitor the tender process and the execution of the contract for compliance with the principles mentioned above.

Section 1 – Commitments of the Principal :

- (1) The Principal commits itself to take all measures necessary to prevent corruption and to observe the following principles:
 - a. No employee of the Principal, personally or through family members, will in connection with the tender for, or the execution of a contract, demand, take a promise for or accept, for self or third person, any material or immaterial benefit which the person is not legally entitled to.
 - b. The Principal will, during the tender process treat all Bidder(s) with equity and reason. The Principal will in particular, before and during the tender process, provide to all Bidder(s) the same information and will not provide to any Bidder(s) confidential/ additional information through which the Bidder(s) could obtain an advantage in relation to the tender process or the contract execution.
 - c. The Principal will exclude from the process all known prejudiced persons.

- (2) If the principal obtains information on the conduct of any of its employees which is a criminal offence under the IPC/PC Act, or if there is a substantive suspicion in this regard, the Principal will inform the Chief Vigilance Officer and in addition can initiate disciplinary actions.

Section 2 – Commitment of the Bidder(s)/ contractor(s):

- (1) The Bidder(s)/ Contractor(s) commit themselves to take all measures necessary to prevent corruption. He commits himself to observe the following principles during his participation in the tender process and during the contract execution.
- The Bidder(s)/ Contractor(s) will not, directly or through any other person or firm, offer, promise or give to any of the Principal's employees involved in the tender process or the execution of the contract or to any third person any material or other benefit which he/she is not legally entitled to, in order to obtain in exchange any advantage of any kind whatsoever during the tender process or during the execution of the contract.
 - The Bidder(s)/ Contractor(s) will not enter with other Bidders into any undisclosed agreement or understanding, whether formal or informal. This applies in particular to prices, specifications, certifications, subsidiary contracts, submission or non-submission of bids or any other actions to restrict competitiveness or to introduce cartelization in the bidding process.
 - The Bidder(s)/ Contractor(s) will not commit any offence under the relevant IPC/PC Act; further, the Bidder(s) / Contractor(s) will not use improperly, for purposes of competition or personal gain, or pass on to others, any information or documents provided by the Principal as part of the business relationship, regarding plans, technical proposals and business details, including information contained or transmitted electronically.
 - The Bidder(s)/ Contractor(s) of foreign origin shall disclose the name and address of the Agents/ Representatives in India, if any. Similarly, the Bidder(s)/ Contractor(s) of Indian Nationality shall furnish the name and address of the foreign Principals, if any. Further, as mentioned in the "Guidelines on Indian Agents of Foreign Suppliers" shall be disclosed by the Bidder(s)/Contractor(s). Further, as mentioned in the Guidelines all the payments made to the Indian agent/representative have to be in Indian Rupees only. Copy of the "Guidelines on Indian Agents of Foreign Suppliers" is placed at Annexure J-1.
 - The Bidder(s) / Contractor(s) will, when presenting his bid, disclose any and all payments he has made, is committed to or intends to make to agents, brokers or any other intermediaries in connection with the award of the contract.
- (2) The Bidder(s)/Contractor(s) will not instigate third persons to commit offences outlined above or be an accessory to such offences.

Section 3 – Disqualification from tender process and exclusion from future contracts:

If the Bidder(s)/Contractor(s), before award or during execution has committed a transgression through a violation of Section 2, above or any other form such as to put his reliability or

creditability in question, the Principal is entitled to disqualify the Bidder(s)/Contractor(s) from the tender process or take action as per the procedure mentioned in the “Guidelines on Banning of business dealings”.

Section 4 – Compensation for Damages:

- i. If the Principal has disqualified the Bidder(s) from the tender process prior to the award according to Section 3, the Principal is entitled to demand and recover the damages equivalent to Earnest Money Deposit/ Bid Security.
- ii. If the Principal has terminated the contract according to Section 3, or if the Principal is entitled to terminate the contract according to Section 3, the Principal shall be entitled to demand and recover from the Contractor liquidated damages of the contract value or the amount equivalent to Performance Bank Guarantee.

Section 5 – Previous Transgression:

- i. The Bidders declares that no previous transgressions occurred in the last three years with any other Company in any country conforming to the anti-corruption approach or with any other Public Sector Enterprises in India that could justify his exclusion from the tender process.
- ii. If the Bidder makes incorrect statement on this subject, he can be disqualified from the tender process or action can be taken as per the procedure mentioned in “Guidelines on Banning of business dealings”.

Section 6 – Equal treatment of all Bidders /Contractors /Sub-contractors:

- i. The Bidder(s)/ Contractor(s) undertaker(s) to demand from all sub-contractors a commitment in conformity with this Integrity Pact and to submit it to the Principal before contract signing.
- ii. The Principal will enter into agreement with identical conditions as this one with all Bidders, Contractors and sub-contractors.
- iii. The Principal will disqualify from the tender process all bidders who do not sign this Pact or violate its provisions.

Section 7 – Criminal charges against violating Bidder(s)/Contractor(s)/Sub-contractor(s):

If the Principal obtains knowledge of conduct of a Bidder, Contractor or Sub-contractor, or of an employee or a representative or an associate of a Bidder, Contractor or Sub-contractor which constitutes corruption, or of the Principal has substantive suspicion in this regard, the Principal will inform the same to the Chief Vigilance Officer.

Section 8 – Independent External Monitor / Monitors:

- i. The Principal appoints competent and credible Independent External Monitor for this Pact. The task of the Monitor is to review independently and objectively, whether and to what extent the parties comply with the obligations under this agreement.
- ii. The Monitor is not subject to instructions by the representatives of the parties and performs his functions neutrally and independently. It will be obligatory for him to treat the

information and documents of the Bidders/Contractors as confidential. He reports to the CMD, BEML.

- iii. The Bidder(s)/ Contractor(s) accepts that the Monitor has the right to access without restriction to all Project documentation of the Principal including that provided by the Contractor. The Contractor will also grant the Monitor, upon his request and demonstration of a valid interest, unrestricted and unconditional access to his project documentation. The same is applicable to Sub-contractors. The Monitor is under contractual obligation to treat the information and documents of the Bidder(s)/ Contractor(s) / Sub-contractor(s) with confidentiality.
- iv. The Principal will provide to the Monitor sufficient information about all meetings among the parties related to the Project provided such meetings could have an impact on the contractual relations between the Principal and the Contractor. The parties offer to the Monitor the option to participate in such meetings.
- v. As soon as the Monitor notices, or believes to notice, a violation of this agreement, he will so inform the Management of the Principal and request the Management to discontinue or take corrective action, or to take other relevant action. The monitor can in this regard submit non-binding recommendations. Beyond this, the Monitor has no right to demand from the parties that they act in a specific manner, refrain from action or tolerate action.
- vi. The Monitor will submit a written report to the CMD, BEML, within 8 to 10 weeks from the date of reference or intimation to him by the Principal and, shall the occasion arise submit proposals for correcting problematic situations.
- vii. If the Monitor has reported to the CMD, BEML, a substantiated suspicion of an offence under relevant IPC/PC Act, and the CMD, BEML has not, within the reasonable time taken visible action to proceed against such offence or reported it to the Chief Vigilance Officer, the Monitor may also transmit this information directly to the Central Vigilance Commissioner.
- viii. The word 'Monitor' would include both singular and plural.

Section 9 – Pact Duration:

This pact begins when both parties have legally signed it. It expires for the Contractor 12 months after the last payment under the contract, and for all other Bidders 6 months after the contract has been awarded.

If any claim is made/lodged during this time, the same shall be binding and continue to be valid despite the lapse of this pact as specified above, unless it is discharged/ determined by CMD of BEML.

Section 10 – Other Provisions:

- i. This agreement is subject to Indian Law. Place of performance and jurisdiction is the Corporate Office of the Principal, i.e. Bangalore.
- ii. Changes and supplements as well as termination notices need to be made in writing. Side agreements have not been made.
- iii. If the Contractor is a partnership or a consortium, this agreement must be signed by all partners or consortium members.

- iv. Shall one or several provisions of this agreement turn out to be invalid; the reminder of this agreement remains valid. In this case, the parties will strive to come to an agreement to their original intentions.
- v. In the event of any contradiction between the Integrity Pact and its Annexure, the Clause in the integrity pact will prevail.

(For & On behalf of the Principal)

(For & On behalf of Bidder/Contractor)

(Office Seal)

(Office Seal)

Place-----

Place-----

Date -----

Date -----

Witness 1:

(Name & Address) -----

Witness 1:

(Name & Address) -----

Witness 1:

(Name & Address) -----

Witness 1:

(Name & Address) -----

Annexure J 1

GUIDELINES FOR INDIAN AGENTS OF FOREIGN SUPPLIERS

- 1.0 There shall be compulsory registration of agents for all Global (Open) Tender and Limited Tender. An agent who is not registered with BEML LTD shall apply for registration in the prescribed Application-Form available on www.bemlindia.com.
 - 1.1 Registered agents will file an authenticated Photostat copy duly attested by a Notary Public/Original certificate of the principal confirming the agency agreement and giving the status being enjoyed by the agent and the commission/remuneration/salary/ retainer ship being paid by the principal to the agent before the placement of order by BEML LTD.
 - 1.2 Wherever the Indian representatives have communicated on behalf of their principals and the foreign parties have stated that they are not paying any commission to the Indian agents, and the Indian representative is working on the basis of salary or as retainer, a written declaration to this effect shall be submitted by the Principal before finalizing the order.
- 2.0 **DISCLOSURE OF PARTICULARS OF AGENTS/ REPRESENTATIVES IN INDIA, IF ANY:**
 - 2.1 Tenderers of Foreign nationality shall furnish the following details in their offer:
 - 2.1.1 The name and address of the agents/representatives in India, if any and the extent of authorization and Authority given to commit the Principals. In case the agent/representative is a foreign Company, it shall be confirmed whether it is real substantial Company and details of the same shall be furnished.
 - 2.1.2 The amount of commission/remuneration included in the quoted price(s) for such agents/ representatives in India.
 - 2.1.3 Confirmation of the Tenderer that the commission/ remuneration if any, payable to his agents/ representatives in India, may be paid by BEML LTD in Indian Rupees only.
 - 2.2 Tenderers of Indian Nationality shall furnish the following details in their offers:
 - 2.2.1 The name and address of the foreign principals indicating their nationality as well as their status, i.e., whether manufacturer or agents of manufacturer holding the Letter of Authority of the Principal specifically authorizing the agent to make an offer in India in response to tender either directly or through the agents/representatives.
 - 2.2.2 The amount of commission/remuneration included in the price (s) quoted by the Tenderer for himself.
 - 2.2.3 Confirmation of the foreign principals of the Tenderer that the commission/ remuneration, if any, reserved for the Tenderer in the quoted price (s), may be paid by BEML LTD in India in equivalent Indian Rupees on satisfactory completion of the Project or supplies of Stores and Spares in case of operation items.

- 2.3 In either case, in the event of contract materializing, the terms of payment will provide for payment of the commission /remuneration, if any payable to the agents/representatives in India in Indian Rupees on expiry of 90 days after the discharge of the obligations under the contract.
- 2.4 Failure to furnish correct and detailed information as called for in paragraph-2.0 above will render the concerned tender liable to rejection or in the event of a contract materializing, the same liable to termination by BEML LTD. Besides this there would be a penalty of banning business dealings with BEML LTD or damage or payment of a named sum.

2.5 OEM/Authorised Dealer/Agents of Supplier:

Except in case of Commercially-Off-the-Shelf (COTS) items, when a firm sends quotation for an item manufactured by some different company, the firm is also required to attach, in its quotation, the manufacturer's authorisation certificate and also manufacturer's confirmation of extending the required warranty for that product as per formats given in SBD. This is necessary to ensure quotation from a responsible party offering genuine product, also backed by a warranty obligation from the concerned manufacturer. In the tender, either the manufacturer or its authorised dealer can be considered as valid bidders.

In case of large contracts, especially capital equipment, the manufacturer's authorisation must be insisted upon on a tender specific basis, not general authorisation/dealership, by so declaring in the bid documents clearly.

In cases where the manufacturer has submitted the bid, the bids of its authorised dealer will not be considered and EMD will be returned.

And in case of violations, both infringing bids will be rejected.

Annexure K

NON-COMPETITION AGREEMENT

THIS NON COMPETITION AGREEMENT is made and executed on this the.....day of at Bangalore **BETWEEN** M/s. BEML Ltd, a Government of India undertaking, having its Registered office at No.23/1, "BEML SOUDHA", 4th Main Road, Sampangiram Nagar, Bangalore – 560 027 (hereinafter called "BEML") and manufacturing units at Kolar Gold Fields, Mysore and Bangalore, which expression shall unless repugnant to the subject or context thereof mean and include its representatives, administrators, successors and assigns etc of the **FIRST PART.**

AND

M/s.....Company, with its Registered Office at..... and manufacturing unit at.....represented by their Shri..... a lawful Attorney, residing at.....(hereinafter called "VENDOR") which expression shall unless repugnant to the subject or context thereof mean and include its representatives, administrators, successors and assigns etc of the **SECOND PART.**

NOW THIS AGREEMENT WITNESSETH AND IT IS AGREED BY AND BETWEEN THE PARTIES HERETO AS UNDER:

Whereas, BEML will place Purchase Order No.....Dated.....on the VENDOR for supply of which products are exclusively manufactured to the designs and specifications of BEML.

In pursuance of the placement of the above Purchase Order on M/s.....or M/s.....or any other Authorized Dealer / Distributor of or any person authorized by the VENDOR hereby agree and undertake not to quote or supply..... to any other parties in India and as such the VENDOR is prohibited to quote or supply the products specified in the instant Agreement. In contravention of this term, The VENDOR or any other Authorized Dealer / Distributor / Agent of or any person authorized by the VENDOR were to quote and supply to any other parties in India and / or abroad, BEML would, after giving a reasonable opportunity to explain such quote and supply be entitled to levy a penalty to the extent of loss occasioned to BEML.

This Non-Competition Agreement will be valid for a period of five years from the date of placement of Purchase Order by BEML on the VENDOR and for all Government / Quasi-Government companies in India and all non-Government Companies in India and abroad.

Disputes if any, arising between the parties in connection with this Non-Competition Agreement or any other matters connected therewith, the same will be mutually discussed and settled, failing which, the disputes shall be referred to a Sole Arbitrator to be appointed by BEML. The Arbitration proceedings shall be in accordance with the provisions of Arbitration and Conciliation Act, 1996 and Rules framed there under. The place of Arbitration shall be at Bangalore and all Arbitration proceedings shall be conducted in English language and governed by the above said Act and Rules framed there under. Courts at Bangalore shall alone have sole jurisdiction to decide any issue arising out of the Arbitration or this Non-Competition Agreement.

IN WITNESS WHEREOF THE PARTIES HERETO HAVE SET THEIR RESPECTIVE HANDS AND SEALS ON THE DAY, MONTH, AND YEAR FIRST ABOVE WRITTEN.

M/s.BEML LIMITED.

M/s.

WITNESSES:

1)

2)

Annexure L

SUB: UNDERTAKING OF AUTHENTICITY FOR DESKTOPS AND SERVER SUPPLIES:

Sub: Supply of IT Hardware/Software - Desktops and Servers.

Ref: 1. Your Purchase Order No..... Dated

2. Our Invoice No. / Quotation No..... Dated

With reference to the Desktops and Servers being supplied/Quoted to you vide our Invoice No/Quotation No/Order No. cited above.....

We hereby undertake that all the components/Parts/assembly/software used in the Desktops and Servers under the above like Hard Disk, Monitors, Memory etc., shall be original new components/parts/assembly/software only, from respective OEMs of the products, and that no refurbished/duplicate/second hand components/parts/assembly/software are being used or shall be used.

We also undertake that in respect of licensed operating system if asked for by you in the Purchase Order, the same shall be supplied along with the authorized license certificate (e.g. Product, keys on Certification of Authenticity in case of Microsoft Windows Operating System) and also that it shall be sourced from the authorized source (e.g. Authorized Microsoft channel in case of Microsoft Operating System).

Shall you require, we hereby undertake to produce the certificate from our OEM supplier in support of above undertaking at the time of delivery / installation. It will be our responsibility to produce such letters from our OEM supplier's at the time of delivery within a reasonable time.

In case of default and we are unable to comply with above at the time of delivery or during Installation, for the IT Hardware/Software already billed, we agree to take back the Desktops and Servers without demur, if already supplied and return the money if any paid to us by you in this regard.

We (System OEM name) also take full responsibility of both Parts & Service SLA as per the content even if there is any defect by our authorized service Centre/Reseller/SI etc.,

Authorized Signatory

Name :

Designation :

Place :

Date :

Annexure M

LIST OF ITEMS RESERVED FOR PURCHASE FROM SMALL SCALE INDUSTRIAL UNITS INCLUDING HANDICRAFT SECTOR.

Sl. No. Item Description

1. AAC/and ACSR Conductor upto 19 strands
2. Agricultural Implements
 - (a) Hand Operated tools and implements
 - (b) Animal driven implements
3. Air/Room Coolers
4. Aluminium builder's hardware
5. Ambulance stretcher
6. Ammeters/ohm meter/Volt meter (Electro magnetic upto Class I accuracy)
7. Anklets Web Khaki
8. Augur (Carpenters)
9. Automobile Head lights Assembly
10. Badges cloth embroidered and metals
11. Bags of all types i.e. made of leather, cotton, canvas and jute etc. including kit bags, mail bags, sleeping bags and water-proof bag.
12. Bandage cloth
13. Barbed Wire
14. Basket cane (Procurement can also be made from State Forest Corpn. and State Handicrafts Corporation)
15. Bath tubs
16. Battery Charger
17. Battery Eliminator
18. Beam Scales (upto 1.5 tons)
19. Belt leather and straps
20. Bench Vices
21. Bituminous Paints
22. Blotting Paper
23. Bolts and Nuts
24. Bolts Sliding
25. Bone Meal
26. Boot Polish
27. Boots and Shoes of all types including canvas shoes
28. Bowls
29. Boxes Leather

30. Boxes made of metal
31. Braces
32. Brackets other than those used in Railways
33. Brass Wire
34. Brief Cases (other than moulded luggage)
35. Brooms
36. Brushes of all types
37. Buckets of all types
38. Button of all types
39. Candle Wax Carriage
40. Cane Valves/stock valves (for water fittings only)
41. Cans metallic (for milk and measuring)
42. Canvas Products
 - (a) Water Proof Deliver, Bags to spec. No. IS - 1422/70
 - (b) Bonnet Covers and Radiators Muff. to spec. Drg. Lv 7/NSN/IA/130295
43. Capes Cotton and Woollen
44. Capes Waterproof
45. Castor Oil
46. Ceiling roses upto 15 amps
47. Centrifugal steel plate blowers
48. Centrifugal Pumps suction and delivery 150 mm. x 150 mm
49. Chaff Cutter Blade
50. Chains lashing
51. Chappals and sandals
52. Chamois Leather
53. Chokes for light fitting
54. Chrome Tanned leather (Semi-finished Buffalo and Cow)
55. Circlips
56. Claw Bars and Wires
57. Cleaning Powder
58. Clinical Thermometers
59. Cloth Covers
60. Cloth Jaconet
61. Cloth Sponge
62. Coir fibre and Coir yarn
63. Coir mattress cushions and matting
64. Coir Rope hawserlaid
65. Community Radio Receivers
66. Conduit pipes

67. Copper nail
68. Copper Napthenate
69. Copper sulphate
70. Cord Twine Maker
71. Cordage Others
72. Corrugated Paper Board and Boxes
73. Cotton Absorbent
74. Cotton Belts
75. Cotton Carriers
76. Cotton Cases
77. Cotton Cord Twine
78. Cotton Hosiery
79. Cotton Packs
80. Cotton Pouches
81. Cotton Ropes
82. Cotton Singlets
83. Cotton Sling
84. Cotton Straps
85. Cotton tapes and laces
86. Cotton Wool (Non absorbent)
87. Crates Wooden and plastic
88. Crucibles upto No.200(b) Crucibles Graphite upto No.500(c)Other Crucibles upto 30 kgs.
89. Cumblies and blankets
90. Curtains mosquito
91. Cutters
92. Dibutyl phthalate
93. Diesel engines upto 15 H.P
94. Dimethyl Phthalate
95. Disinfectant Fluids
96. Distribution Board upto 15 amps
97. Domestic Electric appliances as per BIS Specifications:- - Toaster Electric, Elect. Iron, Hot Plates, Elect. Mixer, Grinders, Room heaters and convectors and ovens
98. Domestic (House Wiring) P.V.C. Cables and Wires (Aluminium) Conforming to the prescribed BIS Specifications and upto 10.00 mm sq. nominal cross section
99. Drawing and Mathematical Instruments
100. Drums and Barrels
101. Dust Bins
102. Dust Shield leather
103. Dusters Cotton all types except the items required in Khadi

104. Dyes:
 - (a) Azo Dyes (Direct and Acid)
 - (b) Basic Dyes
105. Electric Call bells/buzzers/door bells
106. Electric Soldering Iron
107. Electric Transmission Line Hardware items like steel cross bars, cross arms clamps, arching horn, brackets, etc
108. Electronic door bell
109. Emergency Light (Rechargeable type)
110. Enamel Wares and Enamel Utensils
111. Equipment camouflage Bamboo support
112. Exhaust Muffler
113. Expanded Metal
114. Eyelets
115. Film Polythene - including wide width film
116. Film spools and cans
117. Fire Extinguishers (wall type)
118. Foot Powder
119. French polish
120. Funnels
121. Fuse Cut outs
122. Fuse Unit
123. Garments (excluding supply from Indian Ordnance Factories)
124. Gas mantels
125. Gauze cloth
126. Gauze surgical all types
127. Ghamellas (Tasllas)
128. Glass Ampules
129. Glass and Pressed Wares
130. Glue
131. Grease Nipples and Grease guns
132. Gun cases
133. Gun Metal Bushes
134. Gumtape
135. Hand drawn carts of all types
136. Hand gloves of all types
137. Hand Lamps Railways
138. Hand numbering machine
139. Hand pounded Rice (polished and unpolished)

140. Hand presses
141. Hand Pump
142. Hand Tools of all types
143. Handles wooden and bamboo (Procurement can also be made from State Forest Corpn. and State Handicrafts Corporation)
144. Harness Leather
145. Hasps and Staples
146. Haver Sacks
147. Helmet Non-Metallic
148. Hide and country leather of all types
149. Hinges
150. Hob nails
151. Holdall
152. Honey
153. Horse and Mule Shoes
154. Hydraulic Jacks below 30 ton capacity
155. Insecticides Dust and Sprayers (Manual only)
156. Invalid wheeled chairs.
157. Invertor domestic type upto 5 KVA
158. Iron (dhobi)
159. Key board wooden
160. Kit Boxes
161. Kodali
162. Lace leather
163. Lamp holders
164. Lamp signal
165. Lanterns Posts and bodies
166. Lanyard
167. Latex foam sponge
168. Lathies
169. Letter Boxes
170. Lighting Arresters - upto 22 kv
171. Link Clip
172. Linseed Oil
173. Lint Plain
174. Lockers
175. Lubricators
176. L.T. Porcelain KITKAT and Fuse Grips
177. Machine Screws

178. Magnesium Sulphate
179. Mallet Wooden
180. Manhole covers
181. Measuring Tapes and Sticks
182. Metal clad switches (upto 30 Amps)
183. Metal Polish
184. Metallic containers and drums other than N.E.C. (Not elsewhere classified)
185. Metric weights
186. Microscope for normal medical use
187. Miniature bulbs (for torches only)
188. M.S. Tie Bars
189. Nail Cutters
190. Naphthalene Balls
191. Newar
192. Nickel Sulphate
193. Nylon Stocking
194. Nylon Tapes and Laces
195. Oil Bound Distemper
196. Oil Stoves (Wick stoves only)
197. Pad locks of all types
198. Paint remover
199. Palma Rosa Oil
200. Palmgur
201. Pans Lavatory Flush
202. Paper conversion products- paper bags, envelops, Ice-cream cup, paper cup and saucers and paper Plates
203. Paper Tapes (Gummed)
204. Pappads
205. Pickles and Chutney
206. Piles fabric
207. Pillows
208. Plaster of Paris
209. Plastic Blow Moulded Containers upto 20 litre excluding Poly Ethylene Terphthalate (PET) Containers
210. Plastic cane
211. Playing Cards
212. Plugs and Sockets electric upto 15 Amp
213. Polythene bags
214. Polythene Pipes

215. Post Picket (Wooden)
216. Postal Lead seals
217. Potassium Nitrate
218. Pouches
219. Pressure Die Casting upto 0.75 kg
220. Privy Pans
221. Pulley Wire
222. PVC footwears
223. PVC pipes upto 110 mm
224. PVC Insulated Aluminium Cables (upto 120 sq. mm) (ISS:694)
225. Quilts, Razais
226. Rags
227. Railway Carriage light fittings
228. Rakes Ballast
229. Razors
230. RCC Pipes upto 1200 mm. dia
231. RCC Poles Prestressed
232. Rivets of all types
233. Rolling Shutters
234. Rooflight Fittings
235. Rubber Balloons
236. Rubber Cord
237. Rubber Hoses (Unbranded)
238. Rubber Tubing (Excluding braided tubing)
239. Rubberised Garments Cap and Caps etc
240. Rust/Scale Removing composition
241. Safe meat and milk
242. Safety matches
243. Safety Pins (and other similar products like paper pins, staples pins etc.)
244. Sanitary Plumbing fittings
245. Sanitary Towels
246. Scientific Laboratory glass wares (Barring sophisticated items)
247. Scissors cutting (ordinary)
248. Screws of all types including High Tensile
249. Sheep skin all types
250. Shellac
251. Shoe laces
252. Shovels
253. Sign Boards painted

254. Silk ribbon
255. Silk Webbing
256. Skiboats and shoes
257. Sluice Valves
258. Snapfastner (Excluding 4 pcs. ones)
259. Soap Carbolic
260. Soap Curd
261. Soap Liquid
262. Soap Soft
263. Soap washing or laundry soap
264. Soap Yellow
265. Socket/pipes
266. Sodium Nitrate
267. Sodium Silicate
268. Sole leather
269. Spectacle frames
270. Spiked boot
271. Sports shoes made out of leather (for all Sports games)
272. Squirrel Cage Induction Motors upto and including 100 KW 440 volts 3 phase
273. Stapling machine
274. Steel Almirah
275. Steel beds stead
276. Steel Chair
277. Steel desks
278. Steel racks/shelf
279. Steel stools
280. Steel trunks
281. Steel wool
282. Steel and aluminium windows and ventilators
283. Stockinet
284. Stone and stone quarry rollers
285. Stoneware jars
286. Stranded Wire
287. Street light fittings
288. Student Microscope
289. Studs (excluding high tensile)
290. Surgical Gloves (Except Plastic)
291. Table knives (Excluding Cutlery)
292. Tack Metallic

293. Taps
294. Tarpaulins
295. Teak fabricated round blocks
296. Tent Poles
297. Tentage Civil/Military and Salitah Jute for Tentage
298. Textiles manufactures other than N.E.C. (not elsewhere classified)
299. Tiles
300. Tin Boxes for postage stamp
301. Tin can unprinted upto 4 gallons capacity (other than can O.T.S.)
302. Tin Mess
303. Tip Boots
304. Toggle Switches
305. Toilet Rolls
306. Transformer type welding sets conforming to IS:1291/75 (upto 600 amps)
307. Transistor Radio upto 3 band
308. Transistorised Insulation - Testers
309. Trays
310. Trays for postal use
311. Trolley
312. Trollies - drinking water
313. Tubular Poles
314. Tyres and Tubes (Cycles)
315. Umbrellas
316. Utensils all types
317. Valves Metallic
318. Varnish Black Japan
319. Voltage Stabilisers including C.V.T's
320. Washers all types
321. Water Proof Covers
322. Water Proof paper
323. Water tanks upto 15,000 litres capacity
324. Wax sealing
325. Waxed paper
326. Weighing Scale
327. Welded Wire mash
328. Wheel barrows
329. Whistle
330. Wicks cotton
331. Wing Shield Wipers (Arms and Blades only)

- 332. Wire brushes and Fibre Brushes
- 333. Wire Fencing and Fittings
- 334. Wire nails and Horse shoe nails
- 335. Wire nettings of gauze thicker than 100 mesh size
- 336. Wood Wool
- 337. Wooden ammunition boxes
- 338. Wooden Boards
- 339. Wooden Box for Stamps
- 340. Wooden Boxes and Cases N.E.C. (Not elsewhere classified)
- 341. Wooden Chairs
- 342. Wooden Flush Door Shutters
- 343. Wooden packing cases all sizes
- 344. Wooden pins
- 345. Wooden plugs
- 346. Wooden shelves
- 347. Wooden veneers
- 348. Woollen hosiery
- 349. Zinc Sulphate
- 350. Zip Fasteners

HANDICRAFT ITEMS

Sl.No. Item Description Source of Supply

- 351 Cane furniture North Eastern Handicrafts and Handlooms Development Corporation
Assam Govt. Marketing Corpn. Craft Society of Manipur Nagaland Handicrafts and
Handlooms Development Corpn.
352. Bamboo file tray, -do- Baskets, Pencil stand, side racks etc.
353. Artistic Wooden Furniture Rajasthan Small Industries Corpn., U.P. Export Corporation.
354. Wooden paper weight, racks etc. -do-
355. Glass covers made of wood and grass jute -do-
356. Jute furniture West Bengal Handicrafts Dev. Corpn. Jute Mfg. Development Corporation
Orissa State Handicrafts Dev. Corpn.
357. Jute bags, file cover -do-
358. Woollen and silk carpets U.P. Export Corporation J and K Sale and Export Corporation

Annexure N

GUIDELINES OF PROTECTION OF EXCHANGE RATE VARIATION IN CONTRACTS

1. Parameters to be kept in view while formulation ERV Clause.
 - (a) In contracts with Indian Vendors in all categories of capital acquisitions where there is an import content, ERV clause will be provided. However, ERV clause shall not be applicable to contracts in following conditions:
 - (i) The delivery period is less than one year; or
 - (ii) The rate of exchange variation is within the band of +/- 2.5%.
 - (b) ERV clause will be framed according to the specific requirements of the contract.

While calling for information at the RFP stage/formulation of ERV clauses in the contracts, the following factors are to be taken into consideration depending upon the requirements of the individual contracts:

 - (i) Year wise and major currency wise import break up is to be indicated.
 - (ii) Detailed time schedule for procurement of imported material and their value at the FE rates adopted for the contract is to be furnished by the vendor as per the format given below:

YEAR	TOTAL COST OF IMPORTED MATERIAL (In rupees)	FE CONTENT-OUT FLOW (equivalent in rupees in crore)			
		DOLLAR DENOMINATED	EURO DENOMINATED	POUNDS DENOMINATED	OTHER CURRENCIES DENOMINATED (as applicable)

- (iii) ERV clause will not be applicable in case delivery periods for imported content are subsequently to be refixed / extended unless the reasons for delivery period extension are attributable to the buyer.
- (iv) For purposes of ensuring uniformity, the Base Exchange Rate on the ERV reckoning date will be adopted for each of the major foreign currencies. The Base Exchange Rate will be the BC Selling Rate of the Parliament Street Branch of State Bank of India, New Delhi. The ERV reckoning date will be the last date of submission of commercial bids as per RFP.
- (v) ERV clause in the contract is to clearly indicate that ERV is payable/ refundable depending upon exchange rate as prevalent on the date of transaction with reference to Base Exchange Rate on the ERV reckoning date.
- (vi) Other issues which are peculiar to the contract.

2. Methodology for Claiming ERV:

“The prices finalised in the contract are based on the base exchange rates indicated in the contract.

The year-wise amount of foreign exchange component of the imported items as indicated in the contract shall be adjusted for the impact of exchange Rate Variation of the Rupee based on the exchange rate prevailing on the date of each transaction, as notified by the SBI, Parliament Street Branch, New Delhi. The impact of notified Exchange Rate Variation shall be computed on a yearly basis for the outflow as tabulated in Annexure (The table at Para 1(b) (ii) is to be an Annexure to the contract) and shall be paid/refunded before the end of the financial year based on the certification of Finance Head of the concerned Division.”

3. Documentation for Claiming ERV:

The following documents would need to be submitted in support of the claim on account of ERV:

- (a) A bill of ERV claim enclosing worksheet.
- (b) Banker’s Certificate/ debit advice detailing Foreign Exchange paid and Exchange rate as on date of transaction.
- (c) Copies of import orders placed on the suppliers.
- (d) Invoice of supplier for the relevant import orders.

As per Annexure I of DPP

Annexure O

INDIGENIZATION PLAN

As per the order vide no. P-45021/2/2017-B.E.-II dated 15/06/2017, of Ministry of Commerce and Industry, Department of Industrial Policy and promotion and Govt. of India for Public Procurement (Preference to Make in India), Order 2017.

Considering the Policy of the Government of India to encourage "Make in India" and promote manufacturing and production of goods in India the following order has been issued:

1. Definitions: For the purposes of this Order:

'Local content' means the amount of value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all customs duties) as a proportion of the total value, in percent.

'Local supplier' means a supplier or service provider whose product or service offered for procurement meets the minimum local content as prescribed under this Order or by the competent Ministries / Departments in pursuance of this order.

L 1' means the lowest tender or lowest bid or the lowest quotation received in a tender, bidding process or other procurement solicitation as adjudged in the evaluation process as per the tender or other procurement solicitation.

'Margin of purchase preference' means the maximum extent to which the price quoted by a local supplier may be above the L1 for the purpose of purchase preference.

'Procuring entity' means a Ministry or department or attached or subordinate office of, or autonomous body controlled by, the Government of India and includes Government companies as defined in the Companies Act.

2. Requirement of Purchase Preference:

Subject to the provisions of this Order and to any specific instructions issued by Ministry of Defence (MoD) or in pursuance of this Order, purchase preference shall be given to local suppliers in all procurements undertaken by procuring entities in the manner specified hereunder:

- a. In procurement of goods in respect of which Ministry of Defence (MoD) has communicated that there is sufficient local capacity and local competition, and where the estimated value of procurement is Rs. 50 Lakhs or less, only local suppliers shall be eligible. If the estimated value of procurement of such goods is more than Rs.50.0 Lakhs, the provisions of sub- paragraph b or c, as the case may be, shall apply.
- b. In the procurements of goods which are not covered by paragraph 2a and which are divisible in nature, the following procedure shall be followed.
 - i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is from a local supplier, the contract for full quantity will be awarded to L1
 - ii. If L1 bid is not from a local supplier, 50% of the order quantity shall be awarded to L1.

Thereafter, the lowest bidder among the local suppliers will be invited to match the L1 price for the remaining 50% quantity subject to the local supplier's quoted price falling within the margin of purchase preference, and contract for that quantity shall be awarded to such local supplier subject to matching the L1 price. In case such lowest eligible local supplier fails to match the L1 price or accepts less than the offered quantity, the next higher local supplier within the margin of purchase preference shall be invited to match the L1 price for remaining quantity and so on, and contract shall be awarded accordingly. In case some quantity is still left uncovered on local suppliers, then such balance quantity may also be ordered on the L1 bidder.

- c. In procurements of goods not covered by sub-paragraph 2a and which are not divisible, and in procurement of services where the bid is evaluated on price alone, the following procedure shall be followed:

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

- i. If L1 is not from a local supplier, the lowest bidder among the local suppliers will be invited to match the L1 price subject to local supplier's quoted price falling within the margin of purchase preference, and the contract shall be awarded to such local supplier subject to matching the L1 price.

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

- d. Product Reservation/ Purchase Preference provision shall invariably be part of the Notice Inviting Tender (NIT) and Instructions to Bidders (ITB).

(Amended with ref. to Chapter-1, Clause: 1.10 Note @ Page-22 of DoE Manual For Procurement of Goods)

3. Exemption of small purchases:

Notwithstanding anything contained in paragraph 2, procurements where the estimated value to be procured is less than Rs.5 lakhs shall be exempt from this Order. However, it shall be ensured by procuring entities that procurement is not split for the purpose of avoiding the provisions of this clause.

4. Minimum local content:

The minimum local content shall ordinarily be 50%. Ministry of Defence (MoD) may prescribe a higher or lower percentage in respect of any particular item and may also prescribe the manner of calculation of local content.

MARGIN OF PURCHASE PREFERENCE:

The margin of purchase preference shall be 20%.

5. Requirement for specification in advance:

The minimum local content, the margin of purchase preference and the procedure for preference to Make in India shall be specified in the notice inviting tenders or other form of procurement solicitation and shall not be varied during a particular procurement transaction.

6. Government e-Marketplace:

In respect of procurement through the Government E-marketplace (GeM) shall, as far as possible, specifically mark the items which meet the minimum local content while registering the item for display, and shall, wherever feasible, make provision for automated comparison with purchase preference and without purchase preference and for obtaining consent of the local supplier in those cases where purchase preference is to be exercised.

7. Verification of local content:

- a. The local supplier at the time of tender, bidding or solicitation shall be required to provide self certification that the item offered meets the minimum local content and shall give details of the location(s) at which the local value addition is made.
- b. In cases of procurement for a value in excess of Rs. 10 crores, the local supplier shall be required to provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.
- c. False declarations will be in breach of the Code of Integrity for which a bidder or its successors can be debarred for up to two years.
- d. A supplier who has been debarred by any procuring entity for violation of this Order shall not be eligible for preference under this Order for procurement by any other procuring entity for the duration of the debarment. The debarment for such other procuring entities shall take effect prospectively from the date on which it comes into effect.

8. Specifications in Tenders and other procurement solicitations:

- a. BEML shall ensure that the eligibility conditions in respect of previous experience fixed in any tender or solicitation do not require proof of supply in other countries or proof of exports.
- b. BEML shall endeavor to see that eligibility conditions, including on matters like turnover, production capability and financial strength do not result in unreasonable exclusion of local suppliers who would otherwise be eligible, beyond what is essential for ensuring quality or creditworthiness of the supplier.
- c. Procuring entities shall, within 2 months of the issue of this Order review all existing eligibility norms and conditions with reference to sub-paragraphs 'a' and 'b' above.

- d. For the purpose of sub-paragraph 10d above, a supplier or bidder shall be considered to be from a country if (i) the entity is incorporated in that country, or (ii) a majority of its shareholding or effective control of the entity is exercised from that country; or (iii) more than 50% of the value of the item being supplied has been added in that country. Indian suppliers shall mean those entities which meet any of these tests with respect to India."
9. Powers to grant exemption and to reduce minimum local content: Ministries / Departments of Government of India and the Boards of Directors of Government companies or autonomous bodies may, by written order,
 - a. reduce the minimum local content below the prescribed level;
 - b. reduce the margin of purchase preference below 20%;
 - c. Exempt any particular item or procuring or supplying entities or class or classes of items or procuring or supplying entities from the operation of this Order or any part of the Order.

Annexure-P

SCOPE OF WORK FOR INDEPENDENT EXTERNAL MONITOR(S)

1. The task of the Monitor is to review independently and objectively, whether and to what extent the parties comply with the obligations under Integrity Pact.
2. The Monitor is not subject to instructions by the representatives of the parties and performs his functions neutrally and independently. It will be obligatory for him to treat the information and documents of the Bidders/Contractors as confidential. He reports to the CMD, BEML.
3. BEML will provide to the Monitor sufficient information about all meetings among the parties related to the Project provided such meetings could have an impact on the contractual relations between the BEML and the Contractor. The parties offer to the Monitor the option to participate in such meetings.
4. As soon as the Monitor notices, or believes to notice, a violation of Integrity Pact, he will so inform the Management of the BEML and request the Management to discontinue or take corrective action, or to take other relevant action. The monitor can in this regard submit non-binding recommendations. Beyond this, the Monitor has no right to demand from the parties that they act in a specific manner, refrain from action or tolerate action.
5. The Monitor will submit a written report to the CMD, BEML, within 8 to 10 weeks from the date of meeting and, should the occasion arise submit proposals for correcting problematic situations.
6. If the Monitor has reported to the CMD, BEML, a substantiated suspicion of an offence under relevant IPC/PC Act, and the CMD, BEML has not, within the reasonable time taken visible action to proceed against such offence or reported it to the Chief Vigilance Officer, the Monitor may also transmit this information directly to the Central Vigilance Commissioner.
7. The word 'Monitor' would include both singular and plural.

FORMAT F1

PURCHASE PROPOSAL

PROPOSAL FOR APPROVAL FOR PROCUREMENT OF PROJECT MATERIAL

(GUIDELINES FOR FILLING PROPOSAL)

RefNo.:

Date:

Sl.No	HEADING	DETAILS
1	Proposal	Proposal for placement of order on for supply of for a value of On Ex-works / FOR plus ED..... Tax..... And freight payable by
2	Background	Please specify the following: a) Project: quantity / equipment - total quantity required (justification) – PR No. & date. b) LPP particulars – PO No., date, project; value/unit rate (landed cost)
3	Tendering	• Procedure followed for sourcing / vendor selection. • Mode of tendering. • Analysis of responses – i.e., No. of firms contacted and response received. • To confirm whether tendering was in line with laid down procedures. • Confirm whether approval of competent Authority has been obtained as per SDoP. • In case of single tender, furnish proper justification. • In case of proprietary items, the certificate as per the enclosed format, to be placed in the file.
4	Technical Evaluation	• Indicate summary of Divisional Technical Committee Recommendation. • Provide technical evaluation statement of offer and recommendations duly vetted by Divisional Technical Committee, wherever applicable.
5	Commercial Evaluation	• Comparative statement of prices duly checked by Purchase & Finance Dept. to be enclosed. • Level prices correctly and confirm • Uniform basis to be adopted for comparison • Indicate whether prices are firm & fixed or subject to Escalation. If so indicate details.

Sl.No	HEADING	DETAILS
6	Price Justification	• Provide points / agenda for negotiation w.r.t. comments in technical / commercial evaluation statements. • Provide justification if negotiations are proposed with other than technically acceptable lowest bid. • Indicate the amount of savings obtained on account of negotiation. • Minutes to be enclosed for any negotiation conducted.
7	Price Reasonability	• Justification of price in comparison to past procurement prices or on basis of technical estimates. • Recommendation for accepting proposed prices
8	Delivery / Lead time	• Indicate delivery time and confirm whether it meets production programme requirement. • Confirm staggered delivery. • If LD clause is not provided; indicate reasons for the same and approval of Business Group Director to be taken
9	Payment terms	• Specify clear payment terms as specified by firm in quotation or agreed subsequently.
10	Price Recoverability	• Confirm that the proposed price is within the price projected in the quote to the customer and is recoverable from the customer. • In case of new projects, confirm that the proposal is covered within the approval of Govt. / Board (as the case may be), in respect of material estimates included in the approved project report/ sanction (as applicable) for the relevant phase / production.
11	Validity of Offer	• Validity of offer to be indicated. • Proposal to be sent before 2 to 3 weeks of expiry of offer.
12	Reference to MPC, if applicable	• Reference of MPC to be indicated.
13	Reference to SDoP	• Reference of SDoP to be indicated.
14	Recommendation	• Clear recommendation for which approval is requested. • Reasons to be indicated for approvals sought for other than technically acceptable L1 offer.

FORMAT F2

CHECK LIST

FOR COORDINATION OF PURCHASE ORDERS

Ref No.

Date:

PURCHASE REQUISITION (PR):

1	Whether PR is approved by competent Authority?	Yes / No
2	Ensure correctness of delivery schedule/s taking into account the stocks on hand, materials in pipeline, shop loading already done for production, lead time for procurement and the schedules fixed for production, etc.	Yes / No
3	Whether scope of supply is firmed up including various technical parameters?	Yes / No
4	Whether 2-Bid system is proposed if the item is machinery / equipment / other capital items / as applicable for other materials?	Yes / No
5	Whether competent Authority's approval has been obtained for: a) Contacting lesser number of sources in the Tender than prescribed in the manual based on competency of the suppliers. b) Is it ensured that no supplier yet to be developed / proved or whose supplies are not satisfactory are eliminated from the list to be contacted. c) Relaxing the mode of tendering as per the SDoP.	Yes / No
6	Whether PR is coordinated and approved by competent authorities as specified in the Purchase Manual / SDoP?	Yes / No

TENDERING :

1	Whether tendered once / twice / thrice (indicate reasons for retendering).	1 / 2 / 3
2	Whether all established sources are contacted in the Tender including the previous supplier. If no, whether approval of competent Authority is filed.	Yes / No
3	Whether the Due Date / Time has been specified as per procedure.	Yes / No
4	Whether the tenders are opened by the Tender Team. If no, whether approval of competent Authority for deviation filed.	Yes / No
5	All offers received against the tender are marked 'in time' / 'late' by the team members and all corrections attested and signed on all pages of the offers.	Yes / No
6	In case any deviation is noticed in the above, whether approval of competent authorities as per Procedure has been obtained / filed.	Yes / No
7	Whether Tender summary sheet has been filed, duly signed.	Yes / No
8	Comparative statement to be filed, duly signed.	Yes / No
9	Whether the case requires approval of MPC / Competent Authority and if yes, whether approval is enclosed.	Yes / No

DRAFT PURCHASE ORDER:

1	Check whether the following are indicated correctly: a) Name & address of the firm as per Quotation b) Description of item / specification c) Part No. / Stock No. / Material Code No. d) Scope of supply as per Drawing / Tender Enquiry e) Vendor Code No. f) Quantity and unit of purchase g) Delivery schedules: (This shall tally with the firm's offer, our manufacturing plan taking into account the stocks and WIP) h) Shipping instructions i) Freight& Insurance j) Payment Terms k) Terms & conditions in details as Annexure l) ED & Taxes/ GST	Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No
2	Check the correctness of Comparative statement of offers and ensure that all offers received are considered for comparison as per the Tender Summary Sheet.	Yes / No
3	Whether the Comparison is done on like-to-like basis and at landed cost.	Yes / No
4	Whether the PO is proposed on in time cheapest technically acceptable offer In case cheapest L1 is ignored whether approval of competent authorities has been obtained with proper justification and Finance Coordination.	Yes / No
5	Does this proposal involve availing Later Offer. If yes, has the approval of competent authorities as per Purchase.	Yes / No
6	Whether payment term with 60 days credit are incorporated otherwise, whether approval of competent Authority is obtained for deviation from the above Terms of Payment.	Yes / No

1	Whether the items is procured for the first time.	Yes / No
2	Whether the unit rate indicated is comparable with in-house cost / FOB / LPP (please furnish figures) and justified.	Yes / No
3	If NO, whether price negotiation is conducted as per Corporate directives.	Yes / No
4	Whether the price negotiation completed is with the technically acceptable L1 vendor and Record Note of Discussion duly signed by all concerned is filed.	Yes / No
5	Whether the coverage indicated in the PO is correct in all respects including the PDOs / WSOs / MPRRs.	Yes / No
6	Whether Division of Patronage, if proposed, is approved by Competent authorities as per provisions of Purchase Procedures / SDoP.	Yes / No
7	Whether the price is firm If escalation is involved specify the same (This is to be specified on the PO face sheet)	Yes / No Yes / No
8	Whether approval of MPC is obtained where deviations from normal Purchase Procedures are existing (Note to MPC & Extract of MPC decision to be filed). This reference to be recorded on draft PO.	Yes / No
9	Whether scope of supply, duly certified by Technical Authority / Approving Authority. (In case of new development the scope has to be confirmed by D&D).	Yes / No
10	Any material assistance is involved and approval of Competent Authority obtained.	Yes / No
11	If, YES, specify free or loan / sale.	Yes / No
12	Whether LD stamp is affixed on face sheet of PO.	Yes / No
13	Whether provision is made on the PO for approval of Competent Authority as per SDoP.	Yes / No
14	Whether the PO and Annexures are signed on all pages.	Yes / No
15	In respect of Development Order whether the quantity proposed is within 25 sets.	Yes / No
16	If No, whether approval of Competent Authority is filed.	Yes / No
17	Furnish details of other Development Orders existing on this firm indicating the item and status.	Yes / No
18	Whether any Development Order is existing for this item on any other source (furnish details including current status).	Yes / No

19	In respect of Capital Items i) Whether the Commercial offer of only those technically acceptable tenders have been opened. ii) Whether technical acceptance is un-ambiguous and impartial.	Yes / No Yes / No
20	For Capital items whether the terms of warranty / performance BG/ Buy back guarantee and detailed write-up obligations of suppliers are incorporated.	Yes / No
21	For purchase of ready-to-fit Assemblies whether Secrecy Agreement is obtained from the vendor.	Yes / No
22	In respect of Sub-Contract, whether approval of Competent Authority and also in-house labour estimates are filed.	Yes / No
23	In respect of PO amendment, whether approval of Competent Authority MPC has been obtained / filed.	Yes / No
24	For Repeat Orders, whether the instructions in Procedure is followed.	Yes / No
25	Is it regularization / confirmatory PO. If so, i) Whether approval of Competent Authority obtained on a Note Sheet. ii) Confirmatory PR duly approved is filed. iii) Whether the prices offered are in line with LPP.	Yes / No Yes / No Yes / No
26	In case the proposal is already approved by Corporate Office - please check and confirm.	Yes / No
27	Where all pages including covers in the PO folder are individually page numbered, serially.	Yes / No

PO Initiating Officer

Materials Section Head

FORMAT – F3

TYPES OF BANK GUARANTEES

While obtaining Bank Guarantees from the Vendors/ Contractors, e-Bank Guarantee should be the default mode, until and unless requested by the supplier for physical document based Bank Guarantees.

- a) FORMAT OF BID GUARANTEE FORM
- b) FORMAT OF COMBINED BANK GUARANTEE FOR CONTRACT PERFORMANCE
- c) FORMAT OF BANK GUARANTEE FOR PERFORMANCE OF CONTRACT
- d) FORMAT OF GUARANTEE FOR WARRANTY
- e) FORMAT OF INDEMNITY BOND FOR GUARANTEED PERFORMANCE
- f) FORMAT OF BANK GUARANTEE FOR ADVANCE PAYMENT
- g) FORMAT OF RETENTION MONEY BANK GUARANTEE
- h) FORMAT OF PERFORMANCE BANK GUARANTEE FOR SERVICE CONTRACTS

a) FORMAT OF BID GUARANTEE FORM:

Note:

1. This guarantee shall be furnished by Scheduled Commercial Banks authorised by RBI to issue a Bank Guarantee.
2. This bank guarantee shall be furnished on stamp paper value as per prevailing Stamp Act. (At present not less than Rs. 80/-).
3. The stamp paper shall have been purchased in the Name of the Bank executing the Guarantee.
4. In the case of foreign bidder, the B.G. may be furnished by an international reputed bank acceptable to the PURCHASER countersigned by any Scheduled Commercial Bank in India authorized by Reserve Bank of India.

DATE:

BID GUARANTEE NO:

Ref:

To,

BEML LIMITED

(Address of concerned Division/ Corporate Office)

Dear Sirs,

..... In accordance with your 'Tender Enquiry' under your Tender No: dated M/s herein after called the Bidder, with the following Directors on their Board of Directors / partners of the firm.

1.	2.
3.	4.
5.	6.
7.	8.
9.	10.

Wish to participate in the said tender for
.....
.....
.....

As an irrevocable Bank Guarantee against Bid Guarantee for an amount of Rs..... (In words and figures) valid for days from is required to be submitted by the Bidder as a condition precedent for participation in the said bid, which amount is liable to be forfeited by the BEML Limited

(herein after called PURCHASER) (1) the withdrawal or revision of toe offer by the Bidder as a condition within the validity period. (2) Non-acceptance of the 'Letter of Intent / Purchase Order' by the bidder when issued within the validity period. (3) Failure to furnish the valid contract performance guarantee by the bidder within one month from the receipt of the Purchase Order and (4) on the happening of any contingencies mentioned in the bid documents.

We, the Bank at..... Having our Head office at (Local address) Guarantee and undertake to pay immediately on first demand by BEML LIMITED, the amount of Rs..... (in figure and words) without any reservation, protest, demur and recourse. Any such demand made by the Purchaser shall be conclusive and binding on the Bank irrespective of any dispute or difference raised by the purchaser.

The guarantee shall be irrevocable and shall remain valid up to (This date shall be 60 days after the date for which the bid is valid). If any further extension of this guarantee is required the same shall be extended to such required period (not exceeding one year) on receiving instruction from M/s.....on whose behalf this guarantee is issued.

Claim Period: Upto _____

In witness whereof the Bank, through its authorized officer has set its hand and stamp on this day of.....at

WITNESS

(Signature)

WITNESS

(Signature)

Name in (Block letters)

Designation

(Staff No.)

(Bank's common Seal)

Official address:

Contact Phone No.:

Contact Mail Id:

Attorney as per power of Attorney No

Date:

b) FORMAT OF COMBINED BANK GUARANTEE FOR CONTRACT PERFORMANCE

(Covering Delivery Obligations & Warranty)

Note:

1. This guarantee shall be furnished by Scheduled Commercial Banks authorised by RBI to issue a Bank Guarantee.
2. This bank guarantee shall be furnished on stamp paper value as per prevailing Stamp Act. (At present not less than Rs. 100/-)
3. The stamp paper shall have been purchased in the Name of the Bank executing the Guarantee.
4. In the case of foreign bidder, the B.G. may be furnished by an international reputed bank acceptable to the PURCHASER countersigned by any Scheduled Commercial Bank in India authorized by Reserve bank of India.
5. This bank guarantee shall be furnished within one month from the date of receipt of the supply order.

Date:

Bank Guarantee No:

To,

BEML LIMITED,

(Address of concerned Division/ Corporate Office)

Dear Sirs,

In consideration of BEML Limited, Bangalore herein after referred to the PURCHASER, which expression shall, unless repugnant to the context or meaning, thereof include its successors, representatives and assignees, having awarded in favour of M/s. having registered office at herein after referred to as the CONTRACTOR, which expression shall unless repugnant to the context or meaning thereof include its successors, administrators, representatives and assignees, a Contract, hereinafter "referred as the CONTRACTOR" for the on terms and conditions set out interalia; the PURCHASER'S contract/Letter of Intent No..... Dated as well as "CONTRACT" documents, valued at (in words) and the same having been unequivocally accepted by the CONTRACTOR and the CONTRACTOR having agreed to provide a contract performance guarantee for the faithful performance of the entire "contract" including the warranty obligations/ liabilities under the contract Equivalent to 10% of the said value of contract to the PURCHASER amounting to (In words) as Contract Security in the form of a Bank Guarantee.

2. We, ...(name) address) herein hereinafter referred to as the "Bank which expression shall, unless repugnant to the context or meaning the of ~ include its successors, administrators, representative and assignees do hereby irrevocably guarantee and undertake to pay the PURCHASER merely

on demand without any previous notice and without any demur and without referring to any by other source, any and all monies payable by the CONTRACTOR by reason of any breach by the said CONTRACT including non-execution of the

“CONTRACT AGREEMENT” to the extent of 10% of the contract price at any time up to..... (Day / month / year). Any such demand made by the PURCHASER on the bank shall be conclusive and binding, absolute and unequivocal not withstanding any disputes raised / pending before any court, tribunal, arbitration or any other Authority. The bank agrees that the guarantee herein contained shall continue to be enforceable till this sum due to the PURCHASER is fully paid and claims satisfied or till the PURCHASER discharges this guarantee.

3. The Bank further irrevocably guarantees and undertakes to pay any and all money due and payable by the CONTRACTOR by reasons of non-fulfillment of any of the following obligations.
 - 3.1 For the successful and satisfactory operation of the equipment furnished and erected under the said contract as per the specifications and documents.
 - 3.2 That the material supplied under the said contract shall be new and in accordance with CONTRACT Documents and be free from all defects in design, engineering, material workmanship and performance including modifications, improvements and replacements for a period of calendar months, from the date of commissioning months from the date of receipt of material at site whichever is later. Immediately upon commissioning of the equipments and successful completion of take over test of the equipment and that immediately upon intimation / written notice from the PURCHASER, the CONTRACTOR shall remedy free of expenses to the PURCHASER such defects as notices and developed under the normal use of the said equipment, within the said guarantee period.
4. The PURCHASER shall have the fullest liberty without affecting in any way the liability of the Bank under this guarantee, from time to time, to extend the time of performance by the CONTRACTOR. The bank shall not be released from its liabilities under these presents by any exercise of the PURCHASER of the liberty with reference to the matter aforesaid.
5. The PURCHASER shall have the fullest liberty, without affecting this guarantee to postpone from time to time the exercise of any powers vested in them or of any right which they might have against the CONTRACTOR and to exercise the same at any time in any manner, and either to enforce or to forbear to enforce any covenants, contained or implied in the CONTRACT between the PURCHASER and the CONTRACTOR or any other course or remedy or security available to the PURCHASER and the bank shall not be released of its obligations/ liabilities under these presents by any exercise by the PURCHASER of his liberty with reference to the matters aforesaid or any of them or by reason of any other act or forbearance of other acts of omission or commission on part of the PURCHASER or by any other indulgence shown by the PURCHASER or by any other matter or thing whatsoever which under law would, but for this provision, have the effect of relieving the bank guarantee. The bank further undertakes not to revoke this guarantee during its currency without the previous consent of the PURCHASER.
6. The Bank further agrees that the decision of the PURCHASER as to the failure on the part of the CONTRACTOR to fulfill their obligations as aforesaid and / or as to the amount payable

by the BANK to the PURCHASER hereunder shall be final, conclusive and binding on the bank.

7. The Bank also agrees that the PURCHASER shall be entitled at his option to enforce this guarantee against the BANK as a principal debtor, in the first instance notwithstanding any other Security or guarantee that it may have in relation to the CONTRACTOR's liabilities.
8. This guarantee will not be discharged due to the change in the constitution of the BANK or the CONTRACTOR(S) / SUPPLIER(S).
9. Notwithstanding anything contained herein above, our liability under this guarantee is restricted to and it will remain in force up to and including
.....and shall be extended from time to time for such period as may be desired by M/s..... on whose behalf this guarantee has been given. Dated at.....this..... day of 20

Claim Period: Upto _____

WITNESS:

1

SIGNATURE

(Signature with name in block letters and with designation)

(Printed name Designation
Staff code No. Bank's common Seal)

Official address:

Contact Phone No.:

2

Contact Mail Id:

(Signature with name
Designation in block letters and
with designation)

Attorney as per power of name
Attorney No.
Dated.

c) **FORMAT OF BANK GUARANTEE FOR PERFORMANCE OF CONTRACT** **(Covering Delivery obligations)**

1. This guarantee shall be furnished by Scheduled Commercial Banks authorised by RBI to issue a Bank Guarantee.
2. This bank guarantee shall be furnished on stamp paper value as per prevailing Stamp Act. (At present not less than Rs. 100/-)
3. The stamp paper shall have been purchased in the Name of the Bank executing the Guarantee.

To

BEML LIMITED,
(Address of concerned Division/ Corporate Office)

Pursuant to a delivery contract No.....which
M/s..... concluded with you
on.....the aforementioned firm undertook to deliver the following:-

S.No	Description	Quantity
Value in Rs.		

We, the undersigned (Name of the Bank).....herewith assume the guarantee for the fulfillment of the co contractual obligations, in accordance with the stipulations of the above mentioned contract entered into by and between you as buyer and M/s.....as seller, to the amount of Rs. viz., 10% of the contract value, to the effect that we irrevocably undertake to pay you upon your first demand the above sum or part thereof provided you advise us that M/s.....have failed to fulfill the terms and conditions of contract including the delivery obligations stipulated therein.

In accordance with the stipulation of the clause of the instructions appended to the contract, this guarantee will become invalid after completion of supplies or as soon as this letter of guarantee has been returned to us, at the latest, however, on (here mention the period or due date) unless a claim has been lodged against us under our guarantee until that date.

In any case, our liability under this guarantee of performance does not exceed Rs.

This guarantee deed must be returned to us upon expiration of the period of guarantee.

Claim Period: Upto _____

Seal:

(Countersigned)

Name of the Bank

Official address:

Contact Phone No.:

Contact Mail Id:

d) **FORMAT OF GUARANTEE FOR WARRANTY**

(To be furnished in Stamp paper as per Stamp Act)

(At present not less than Rs.80/- Stamp Paper).

To

BEML LIMITED,

(Address of concerned Division/ Corporate Office)

We the Undersigned.....hereby
guarantee Satisfactory operation
supplied by us to you against
your order No for a period of calendar months from the
date of commissioning or months from the date of receipt of the material at site whichever
is later and shall be responsible for failure of the material to confirm to the standard of
performance, proficiency, production and/ or out-turn stipulated or implicit in the order and for
any defects that may develop under proper use arising from the use of faulty materials, design or
workmanship in the supply made and shall remedy such defects at our cost.

Station: for.....

Dated:

Witness:

1.

(Signature and Designation)

(Company Seal)

Designation & Address.

2.

Designation & Address.

e) **FORMAT OF INDEMNITY BOND FOR GUARANTEED PERFORMANCE**

(To be furnished in Stamp paper as per Stamp Act)

(At present not less than Rs.80/- stamp paper)

This deed of Indemnity executed by..... hereinafter referred to as "Indemnifier" which expression shall, unless repugnant to the context or meaning thereof, include its successors, administrators, representative and assignees in favour of M/s. BEML LIMITED, Bangalore, hereinafter referred to as the "Indemnified" which expression shall unless repugnant to the context of meaning thereof, include its successors and assignees witnesses us to.

Whereas the indemnified herein has awarded to the Indemnifier herein a contract for the supply of.....on terms and conditions set out interalia in the purchaser's contract/ Award no..... As well as the contract valued at Rs.(Rupees.....only)

And Whereas, clause of the above mentioned contract/Award provides far guarantee (i.e.) to be free from defect due to faulty material or workmanship for a period of Calendar months from the date of receipt of item or actual working hours from the date of commissioning whichever is later of the material items supplied by the Indemnifier to the indemnified.

The indemnifier hereby irrevocably agrees to indemnify the indemnified that in the event of the belt item not achieving the life guarantee, the indemnifier shall as may be deemed necessary repair of the defective belt material at site, free of cost, within a reasonable time specified by the indemnified or reimburse the pro-rata cost of the belt material to the extent a life not achieved as per the guarantee, or supply a spare belt item for the defective portion only free of cost at site in respect of his contractual obligations emanated from the contract/Award already referred to the extent of Rs..... (Rupees only).

This indemnity shall be in force upto the date of the item from our end

Name :

Designation

WITNESS:

1.

2.

f) FORMAT OF BANK GUARANTEE FOR ADVANCE PAYMENT

Note:

1. This guarantee shall be furnished by Scheduled Commercial Banks authorised by RBI to issue a Bank Guarantee.
2. The Bank Guarantee shall be furnished on Stamp paper as per Stamp Paper Act (at present not less than Rs.80 Stamp Paper).
3. The stamp paper shall have been purchased in the name of the Bank executing the Guarantee.

Advance Payment Guarantee No:

Place

Date:

To

BEML LIMITED,

(Address of concerned Division/ Corporate Office)

Dear Sir,

1. Pursuant to the contract, hereafter referred to as "The CONTRACT" which M/s. hereafter referred to as the "CONTRACTOR", which expression shall, unless repugnant to the context or meaning thereof, include its successors, administrators, representatives and assignees, have concluded with BEML LIMITED, BANGALORE, herein after referred to as the "PURCHASER", which expression shall, unless repugnant to the context or meaning thereof, include its successors, administrators, representatives and assignees, on 20 vide Letter of Intent No. dated the Contractor have undertaken to
.....manufactured in
and supplied on Ex-Works basis particularly listed in of the contract as per the prices indicated hereunder against each:
 - a.
 - b.
 - c.
2. According to the said contract, the PURCHASER has undertaken to make an advance payment of Rs.....
(Rupees.....only) being the payment of.....% for against issuance of an advance payment guarantee by a Bank.

3. For this advance payment, we, the undersigned(address), hereinafter referred to as Bank, which expression shall unless repugnant to the CONTRACT or meaning thereof, include its successors, administrators, representatives and assignees, hereby guarantee to the effect that we irrevocably undertake to pay upon the PURCHASER mere on demand without any previous notice and without any demur and without recourse to the Contractor and without referring to any other source, any and all money payable by the Contractor towards the advance or part thereof paid by the PURCHASER, but not exceeding Rs.....(Rupees only) provided the PURCHASER advises us that the Contractor has failed to fulfill his contractual obligations stipulated in the said Contract, Any such demand made by the PURCHASER on the Bank shall be conclusive and binding, absolute and unequivocal notwithstanding any difference between the PURCHASER and the CONTRACTOR or any dispute or disputes raised/pending before any court, Tribunal, Arbitrator or any other Authority.
4. This Guarantee will not be discharged due to the change in the constitution of the Bank or the CONTRACTOR(S)/SUPPLIER(S).
5. This guarantee will become invalid months after the completion of the by the contractor of all the parts of the equipment under the contract or as soon as this letter of guarantee has been returned to us, at the latest, however, on 200 unless a claim has been lodged with us under this guarantee before the date.
6. We, the (Bank), further agrees that if the said contractor fails to adhere to the total or individual time schedules stipulated in the said Contract and if there be delay in the ----- to reimburse, to the PURCHASER, INTEREST AT THE PREVAILING BANK RATE APPLICABLE FOR cash/Credit facilities on the amount of advance payment made by the PURCHASER.
7. The PURCHASER shall have the fullest liberty without affecting in any way liability of the Bank under this guarantee from time to time to extend the time of performance by the CONTRACTOR. The Bank shall not be released from its liability under these presents by any exercise of the PURCHASER of the liberty with reference to the matter aforesaid.
8. The Bank also agrees that the PURCHASER shall be entitled at his option to enforce this guarantee against the Bank as a Principal Debtor, in the first instance notwithstanding any other Security or guarantee that it may have in relation to the Contractor's liabilities.
9. This guarantee shall remain in force upto the including..... and shall be extended from time to time for such period as may be desired by M/s. on whose behalf this guarantee has been given.
10. The Bank further agrees that the decision of the PURCHASER as to the failure on the part of the CONTRACTOR to fulfill the contractual obligations stipulated in the said contract and/or to the amount payable by the Bank to the Purchaser shall be final, conclusive and binding.
11. This guarantee is revocable only with the written consent of the PURCHASER.

12. In any case, our liability under this advance payment guarantee does not exceed Rs.....Rupees.....) subject, however, to the application of the interest clause envisaged in para-6 above which will be paid in addition to the said guarantee amount.
13. This guarantee deed must be returned to us upon the expiration, of the guarantee.

Claim Period: Upto _____

Dated this day of 20 ...

Witness:

1.....

SIGNATURE

Signature with name in Block Letters
with designation

2.....

Printed Name

Signature with name in Block Letters
with designation

Designation:

Banker's

Common Seal.....

Official address:

Contact Phone No.:

Contact Mail Id:

g) FORMAT OF RETENTION MONEY BANK GUARANTEE

Note:

1. This Guarantee shall be furnished by Scheduled Commercial Banks authorised by RBI to issue a Bank Guarantee.
2. The Bank Guarantee shall be furnished n Stamp paper as per Stamp Paper Act (at present not less than Rs. 80 – Stamp Paper).
3. The stamp paper shall have been purchased in the name of the Bank executing the Guarantee

To

BEML LIMITED,

(Address of concerned Division/ Corporate Office)

Dear Sirs,

1. Pursuant to the contract hereinafter referred to as “The Contract” which M/s..... hereinafter referred to as “Contractor” have concluded with M/s. BEML LIMITED, Bangalore, hereinafter referred to as the “Purchaser” on the Contractor has undertaken to (Design, manufacture, supply, transport including packing forwarding unloading and handling at site, erection, testing and commissioning of) as per the prices indicated hereunder.
2. According to the said contract, the purchaser has undertaken to make the balance payment of Rs. being the % of the supply portion/Erection Portion/contract value (delete whichever is not applicable) against issuance of Retention Money Guarantee by a Bank for% of the value of the supply portion/erection portion/contract value (Delete whichever is not applicable.
3. We, the undersigned hereby guarantees and irrevocably undertake to pay the Purchaser upon the Purchaser's merely on demand, and without any demur the amount paid by the Purchaser, but not exceeding Rs. (Rupees only) on the purchaser advising us that the suppliers have failed to fulfill their contractual obligations stipulated in the said contract.
4. This Guarantee will become invalid after complete discharge of all obligations by the Contractor in accordance with the terms and conditions of the said Contract or as soon as this letter of Guarantee has been returned to us and at the latest however on (Shall cover three months beyond the due date for completion of supplies) unless a claim has been lodged on us under the guarantee before that date. The validity of the guarantee shall be extended from time to time for such periods as maybe designed by M/s. on whose behalf this guarantee has been given.

5. In any case, our liability under this Retention Money Bank Guarantee does not exceed Rs..... only) and any claim under this guarantee shall be lodged with us on or before.

This guarantee deed must be returned to us upon expiration of the period of the guarantee.

Claim Period: Upto _____

Signature:

(Printed Name):

Designation:

Banker's common seal

Official Address:

Contract Phone No.

Contact e-Mail Id:

Witness:

1)

Signature with name in Block Letters

Block letters with designation

2)

Signature with name in Block Letters

Block letters with designation

h) FORMAT OF PERFORMANCE BANK GUARANTEE FOR SERVICE CONTRACT

Note:

1. This guarantee shall be furnished by Scheduled Commercial Banks authorised by RBI to issue a Bank Guarantee.
2. This bank guarantee shall be furnished on stamp paper value as per prevailing Stamp Act. (At present not less than Rs. 100. /-)
3. The stamp paper shall have been purchased in the Name of the Bank executing the Guarantee.

Bank Guarantee No.....

Dated

Amount

Valid upto

Claim upto

The General Manager (...)

BEML Limited

.....

.....

.....

M/s (Name of the Transport Contractor) having their office at and its Registered office at (hereinafter called the contractor) has entered into an agreement No:..... (hereinafter called the said agreement) with M/s BEML Limited, Bangalore (hereinafter called BEML) for under mentioned transport of Equipment on the terms and conditions in the said agreement.

In terms of the said agreement the Transporter is required to and has agreed to furnish to BEML a Bank Guarantee for a sum of Rs. (Rupees..... only) towards security for the due and faithful performance of the terms of the said agreement and against any loss or damage caused to or would be caused to or suffered by BEML by reason of any breach by the said Transporter of any of the terms or conditions contained in the said agreement.

(Name of the BANK) having its office at has agreed at the request of the contractor to give the guarantee hereinafter contained.

We, (Name of the BANK) do hereby undertake to pay the amounts due and payable under this Guarantee without any demur or protest merely on a demand from BEML in writing stating that the amount due by way of any loss or damage caused to or would be caused to or suffered by BEML by reasons of any breach by the said contractor(s) of any of the terms & conditions contained in the said agreement or by reason of the said contractor's failure to perform the said agreement. Any such demand made on the Bank by BEML shall be conclusive as regards the amount due and payable by the Bank under this Guarantee upto xx/xx/xxxx (date) or the extended period if any. However, our liability under this Guarantee shall be restricted to an amount not exceeding Rs. (Rupees..... only). Any change or variation in the constitution of BEML shall not discharge the Bank from its liability to pay the amount under this Guarantee.

We, (Name of the BANK) further agree that the Guarantee herein contained shall remain in full force and effect during the period that would be taken for the performance of the said agreement and that it shall continue to be enforceable till all the dues of BEML or by virtue of the said agreement have been fully paid and its claims satisfied or discharged or till BEML certifies that the terms and conditions of the said agreement have been fully and properly carried out by the said contractor(s).

Unless a demand or claim under this Guarantee is made on us in writing on or before xx/xx/xxxx (date) or the extended period if any, we shall be discharged from all liability under this Guarantee thereafter.

We, (Name of the BANK) further agree with BEML that BEML shall have the fullest liberty without our consent and without affecting in any manner our obligations hereunder to vary any of the terms and conditions of the said agreement or to extend the time of performance by the said contractor(s) from time to time or to postpone from any time or from time to time any of the powers exercisable by BEML against the said contractor(s) and to for-bear or to enforce any of the terms & conditions relating to the said agreement and we shall not be relieved from our liability by reason of any such variation or extension being granted to the said contractor(s) or by any such matter of thing whatsoever which under the law relating to sureties would but for this provision have effect of so relieving us.

We, (Name of the BANK) lastly undertake not to revoke this Guarantee during its currency except with the previous consent of BEML in writing.

This Guarantee is effective from xx/xx/xxxx (date) to xx/xx/xxxx (date) or the extended period if any, including the claim period of 6 (six) months and the same shall be extended at the instance of BEML.

This Guarantee will remain valid for a period of 30 months from xx/xx/xxxx (date) to xx/xx/xxxx (date) or any extended time and any claim under this Guarantee must be preferred on the Bank in writing within 6 (six) months from the date of expiry i.e. on or before xx/xx/xxxx (date) or the extended period.

Notwithstanding any thing contained herein above our liability under this Guarantee is limited to Rs. (Rupees..... only) in aggregate and it shall remain in full force upto

xx/xx/xxxx (date) unless extended. Any claim under this Guarantee must be received by us on or before xx/xx/xxxx (date) or the extended period and if no such claim is received by us within xx/xx/xxxx (date) or the extended period. Company's right under this Guarantee will cease and we shall be relieved and discharged from all liabilities under this Guarantee thereafter.

Designation

(Staff No.)

(Bank's common Seal)

Official address:

Contact Phone No.:

Contact Mail Id:

Date:

Place:

FORMAT F4

NON-DISCLOSURE AGREEMENT TO IEMs

1. This Non-Disclosure Agreement is made and entered into between M/s BEML Ltd (herein after referred to as BEML), a Government of India Undertaking, having its Registered Office at BEML Soudha, No. 23/1, 4th Main Road, Sampangirama Nagar, Bangalore-560027, and, Independent External Monitor (herein after referred to as IEM), having his office at
2. BEML has appointed the aforesaid IEM for Monitoring the Tendering Process in order to ensure Transparency, Equity and Competitiveness in Public Procurements, in Compliance with the Principles of Integrity Pact as per the guidelines of Central Vigilance Commission (CVC), and as per the scope mentioned in **Annexure -P**.
3. It is therefore mutually agreed that the following shall form part of the Terms and Conditions of this Agreement.
 - a. IEM shall NOT divulge / disclose any information / document such as Technical Data, Specifications and Drawings etc furnished / discussed during Integrity Pact Meetings or during any other interactions with BEML, to any one else, any other third party or to Public, without prior written consent of BEML.
 - b. The Validity of this Non-Disclosure Agreement is till the IEM has completed all his obligations under the Appointment letter placed on him, and even after expiry of this Non-Disclosure Agreement, to the extent of Conflict of Interest.
 - c. If it comes to the Knowledge of BEML at any point of time that the IEM has misused the Information/ Technical Data/ Specifications etc, BEML shall have the Right to take appropriate legal action against the IEM.
 - d. BEML shall be entitled to prevent breach of any clause and to claim damages in case of any breach. It is hereby mutually agreed that after providing a reasonable and sufficient opportunity to explain the breach of this Agreement, BEML is entitled to levy a penalty to the extent of damage / loss occasioned as assessed by BEML.
 - e. IEM shall hereby declare the Absence of Conflict of Interest in matters pertaining to BEML, with any other additional Assignments that he undertakes. In case of any conflict of interest arising at a later date from an entity wherein he has been a consultant, the IEM should inform the CEO and recuse himself from that case.
4. Legality : In the event of any dispute arising under these conditions or any other Terms and Conditions of the contract, the same shall be referred to the Central Vigilance Commission (CVC) or to an Arbitrator appointed by BEML with the consent of IEM. All proceedings in this aspect will be within the Jurisdiction of Bangalore, and shall be governed by the provisions of Arbitration and Conciliation Act 1996. The Courts in Bangalore alone shall have jurisdiction to deal and decide any legal matter or dispute whatsoever arising out of this Agreement.

5. The Signatories hereto declare that they have the sanction and power to execute and deliver this binding Agreement.
6. In Witness whereof, the parties hereto have set their respective hands to this Non-Disclosure Agreement on this Day (Date) written in the presence of witness.

For BEML

For IEM

Witness

Witness

1.

1.

2.

2.

FORMAT F5

MODEL CLAUSE / CERTIFICATE TO BE INSERTED IN TENDERS

1. Model Clauses for Tenders:

- i. Any bidder from a country which shares a land border with India will be eligible to bid in this tender only if the bidder is registered with the Competent Authority.
- ii. "Bidder" (including the term 'tenderer', 'consultant' or 'service provider' in certain contexts) means any person or firm or company, including any member of a consortium or joint venture (that is an association of several persons, or firms or companies), every artificial juridical person not falling in any of the descriptions of bidders stated hereinbefore, including any agency branch or office controlled by such person, participating in a procurement process.
- iii. "Bidder from a country which shares a land border with India" for the purpose of this Order means:
 - a. An entity incorporated, established or registered in such a country; or
 - b. A subsidiary of an entity incorporated, established or registered in such a country; or
 - c. An entity substantially controlled through entities incorporated, established or registered in such a country; or
 - d. An entity whose beneficial owner is situated in such a country; or
 - e. An Indian (or other) agent of such an entity; or
 - f. A natural person who is a citizen of such a country; or
 - g. A consortium or joint venture where any member of the consortium or joint venture falls under any of the above.
- iv. The beneficial owner for the purpose of (iii) above will be as under;
 1. In case of a company or Limited Liability Partnership, the beneficial owner is the natural person (s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.
Explanation-
 - a. "Controlling ownership interest" means ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company;
 - b. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;
 2. In case of a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of entitlement to more than fifteen percent of capital or profits of the partnership;

3. In case of an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;
 4. Where no natural person is identified under (1) or (2) or (3) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
 5. In case of a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with fifteen percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
- v. An agent is a person employed to do any act for another, or to represent another in dealings with third person.

2. Model Certificate for Tenders (for Traditional Cases):

"I have read the clause regarding restrictions on procurement from a bidder of a country which shares a land border with India; I hereby certify that this bidder is not from such a country and eligible to be considered."

3. Model Certificate for Tenders:

"I have read the clause regarding restrictions on procurement from a bidder of a country which shares a land border with India; I certify that this bidder is not from such a country or, if from such a country, has been registered with the Competent Authority I hereby certify that this bidder fulfils all requirements in this regard and is eligible to be considered. [Where applicable, evidence of valid registration by the Competent Authority shall be attached]".

4. Model Certificate for Tenders for works involving possibility of Sub-Contracting:

"I have read the clause regarding restrictions on procurement from a bidder of a country which shares a land border with India; I certify that this bidder is not from such a country or, if from such a country, has been registered with the Competent Authority and will not sub-contract any work to a contractor from such countries unless such contractor is registered with Competent Authority. I hereby certify that this bidder fulfils all requirements in this regard and is eligible to be considered. [Where applicable, evidence of valid registration by the Competent Authority shall be attached]".

5. Model Certificate for GeM:

"I have read the clause regarding restrictions on procurement from a bidder of a country which shares a land border with India; I certify that this vendor/bidder is not from such a country or, if from such a country, has been registered with the Competent Authority. I hereby certify that this vendor / bidder fulfills all requirements in this regard and is eligible to be considered. [Where applicable, evidence of valid registration by the Competent Authority shall be attached]".

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