

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 12th July 2012 and subsequent instructions issued from time to time.

The Purchase Manual is prepared duly aligning with the CVC guidelines, General Financial Rules 2017 and Delegation of Power w.e.f 01.04.2017 and Public Procurement guidelines.

Regulations and directives issued by various Ministries of Central and State Governments, Chief Vigilance Commission or any other statutory bodies , that have a bearing on Purchase activities, shall be complied with. Any such new regulations and directives that may be issued in future also shall be complied with.

All the major aspects of Procurement have been covered in the current update. Some of the new chapters added in the Purchase Manual include Contract Management, Start up's, Legal aspects of procurement, Grievance Redressal, Requirement of Professional Standards and Training, & Outsourcing and Vendor Development policy. Apart from the above Civil Works manual is also clubbed and form part of Purchase Manual.

The Purchase Manual is intended to serve as a guide to all officers and staff deployed in discharging the Purchase functions. While adhering to the practices and procedure laid down, the officers and staff 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.

I hope the revised manual will facilitate the users in taking the right decision and ensuring that the commercial and financial interests of the Company are taken care.

(Signed)

Deepak Kumar Hota

Chairman & Managing Director

TABLE OF CONTENTS

SLNO	CONTENTS	Page No
1	INTRODUCTION	9
2	DEFINITIONS	13
3	SOURCE SELECTION & VENDOR ENLISTMENT	19
4	PURCHASE REQUISITION (PR)	27
5	TENDER SYSTEM IN GENERAL	34
6	SELECTION OF OFFERS AND ACCEPTANCE OF MANUAL TENDERS	46
7	E-PROCUREMENT	54
8	TECHNO-COMMERCIAL DISCUSSION	64
9	PLACING OF PURCHASE ORDER	66
10	SMALL VALUE ITEMS FOR PRODUCTION	78
11	PROCEDURE FOR SUB-CONTRACTING	81
12	PURCHASE PROGRESSION	91
13	SOURCE / PRODUCT DEVELOPMENT	97
14	TERMS OF PAYMENT	101
15	CONTRACT FOR SERVICES	106
16	BLOCKING / SUSPENSION OF FIRM'S NAME FROM THE APPROVED LIST OF VENDORS	111
17	GENERAL GUIDELINES ON PURCHASE	122
18	PURCHASE BUDGET	124
19	INVENTORY CONTROL	126
20	ETHICS OF PURCHASING	129
21	CONTRACT MANAGEMENT	132
22	START-UP's	136
23	LEGAL ASPECTS OF PROCUREMENT	138
24	GRIEVANCE REDRESSAL	143
25	REQUIREMENT OF PROFESSIONAL STANDARDS AND TRAINING	144

26	GENERAL TERMS AND CONDITIONS. (Applicable to contracts & Purchase Order)	145
27	Outsourcing and Vendor Development Policy	160
28	Civil Works Procedure	178

LIST OF APPENDICES

SLNO	CONTENTS	PAGE NO
1	Appendix A Construction Tender Committee I	209
2	Appendix B Construction Tender Committee II	210
3	Appendix C Agreement	211

LIST OF ANNEXURES

SLNO	CONTENTS	PAGE NO
1	Annexure A - Material Purchase Committee - Production	219
2	Annexure B - Material Purchase Committee - Marketing Division	221
3	Annexure B1 -MaterialPurchaseCommitteeCorporateOffice (Contracts/Purchases by Corporate Materials on matters directly connected with Human Resources Functions/Administration)	223
4	Annexure B2 - Material Purchase Committee- Corporate Office (Contracts/Purchases by Corporate Materials on matters connected with Manufacturing Activities)	225
5	Annexure C - Guidelines For Evaluation of Capital Items	227
6	Annexure D - Important Terms And Conditions of Tender	231
7	Annexure D1 - Bid Security Declaration format	235
8	Annexure E - General Terms & Conditions Forming Part of Indigenous Purchase Orders	236
9	Annexure F - Specimen of Proprietary Certificate	246
10	Annexure G - Specimen of Letter of Intent	247
11	Annexure H – Inco terms	248
12	Annexure I - Confidentiality Agreement	268
13	Annexure J - Integrity Pact	270
14	Annexure J1 -Guidelines for Indian Agents of Foreign Suppliers	276

15	Annexure K - Non-Competition Agreement	278
16	Annexure L - Undertaking of Authenticity For Desktops And Server Supplies	280
17	Annexure M - List of items reserved for Purchase from Small Scale Industrial units including Handicraft Sector.	281
18	Annexure N – Guidelines of protection of exchange rate variation in contracts	290

LIST OF FORMATS

SLNO	CONTENTS	PAGE NO
1	Format F1 – Purchase Proposal	292
2	Format F2 – Check List For Coordination of Purchase Orders	295
3	Format F3 - Types of Bank Guarantees	301
Ammendment to Clause 13.9 -		
1.	(Preference to Make in India), Order 2017.	323

CHAPTER – 1 INTRODUCTION

1.1 ABOUT PURCHASES IN BEML:

The Purchase functions in BEML are decentralized and each division 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 officers and staff for carrying out the purchase functions.

1.2 OBJECTIVES OF PURCHASE DEPARTMENT:

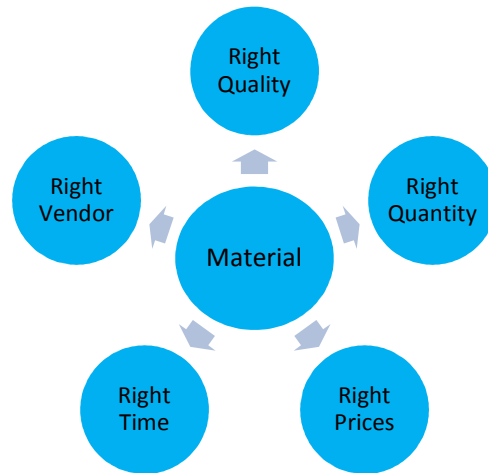
The primary objectives are the procurements of required materials and services at the right price, high inventory turnover, low procurement cost, storage cost, continuity of supply, prevention of stock outs, consistency in quality and good supplier relations.

The materials management encompasses within its sphere the three related functions of purchasing, inventory control and store keeping.

The objectives are listed as under:

- i. To ensure uninterrupted flow of materials/services of required quality and quantity for production/services.
- 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.
- 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.
- vii. To strive for cordial, enduring and beneficial business relationship with the suppliers to ensure fair play and equity.
- viii. To ensure transparency in purchase functioning.

KEY CONSIDERATION IN MATERIAL MANAGEMENT



1.3 FUNCTIONS OF PURCHASE DEPARTMENT:

- i. Identification and selection of suitable sources of supply including promotion and development of potential sources.
- ii. Effectively utilize the input from Cost Estimates and / or analyse purchase history using ERP T-Codes “ME1P – Purchase Order History” and “ZMLPP – Last Purchase Price” before accepting the price.
- iii. Ensuring that the bids and prices are keyed into ERP system and analysing same using ERP T-Code “ME49 – Quotation Comparison”/ E-Procurement, ensuring fair opportunity to Bidders / Suppliers.
- iv. Conducting techno-commercial discussion with L-1 with regard to technical specification, prices, delivery schedule and terms of payment wherever it is absolutely necessary with L1 after obtaining approval of competent Authority.
- v. Comparing the prices, terms of payment etc., at least for high value common items with orders placed received by the other divisions, so as to ensure uniformity in procurement to the advantage of BEML Ltd.
- vi. Issue of Purchase Orders using ERP T-Code “ME21N – Create Purchase Order”, follow-up for supplies and periodical review for closure of Purchase Orders.
- vii. To assist in standardization of material, supplies and equipment.
- viii. To co-ordinate and assist in payment of suppliers bills and recovery of dues from suppliers, if any.
- ix. Market research for improved products and alternate sources.
- x. To keep abreast of Government regulations in regard to purchases and taxes and levies thereon.

1.4 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 Committee are furnished in Annexure "B".

Procurements made at corporate office, Unity building & Regional offices are also covered for MPC.

1.5 FINANCIAL CONCURRENCE:

1.5.1 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 except for the PO's as per Para 1.5.2.1. (It is in line with GFR 3)

1.5.2

1.5.2.1 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. Similarly 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.

The Purchase scrutiny cell will also assist Purchase in all matters of price negotiations with Vendors except as above.

1.5.2.2 The approving Authority for these purchases shall be as per the Delegation of Powers.

1.5.2.3 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 as per DoP.[GFR 194(v)].

1.5.2.4 Finance co-ordination / purchase scrutiny cell shall be under the administrative & functional control of the concerned unit Finance Head.

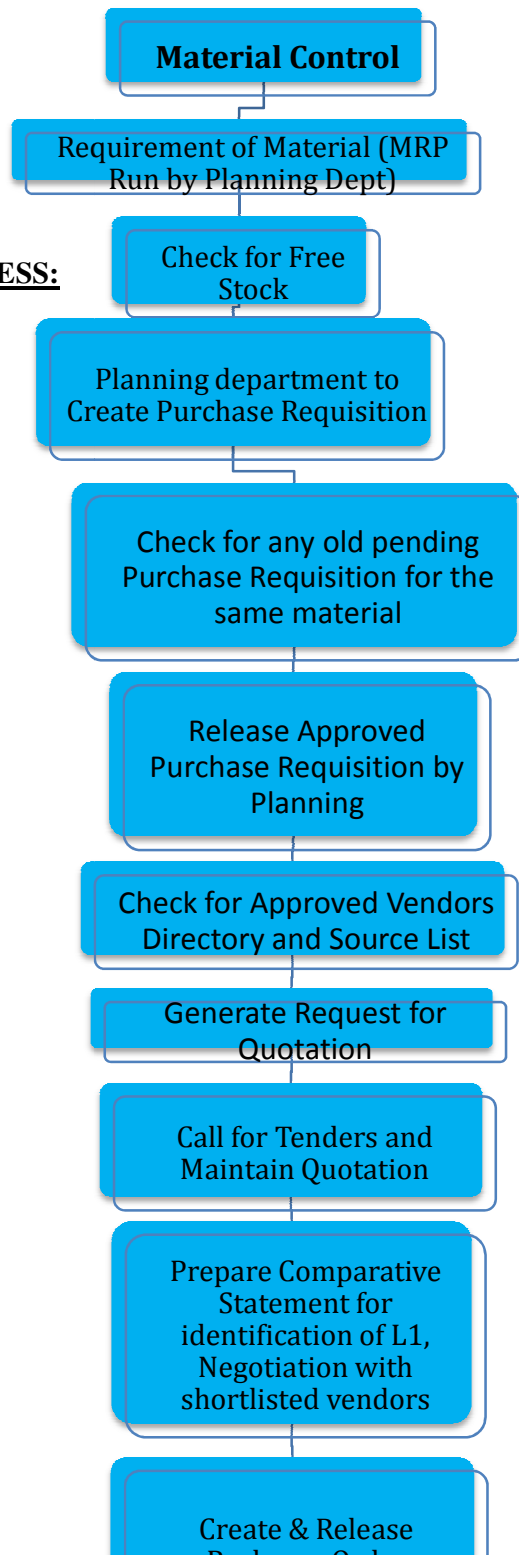
1.5.3 The Purchase Manual is in accordance with the prevailing Delegation of Powers (DoP). Matters not specifically covered in the Purchase Manual and where a doubt arises as to the interpretation of any of the provisions of the Manual, the same shall be referred to the Corporate Audit through Chief of Materials concerned for an examination and approval of CMD. Also suggestion for changes / improvement of Purchase Manual if any shall be forwarded to Corporate Audit. (It is in line with GFR 5 & 6)

1.5.4 The reference to "Competent Authority as per delegation of powers" is in relation to the function and the powers to sanction/approve Purchase Orders are to be exercised by the officers to whom procurement function is assigned. In the case of Regional / District Offices, the Regional / District Manager and the officer to whom this function is assigned by the Regional / District Manager shall exercise the powers in accordance with the delegation of

powers subject to financial concurrence from the Accounts-in-charge of the Regional / District office.

1.5.5 There shall be a close co-ordination and exchange of information between the Divisions to ensure that normally there is no variation in prices and other terms and conditions, especially for castings, electrodes, CO2 wire paints, similar machine tools, tyres, transmissions, Hydraulic aggregates, batteries etc.,

PURCHASE PROCESS:



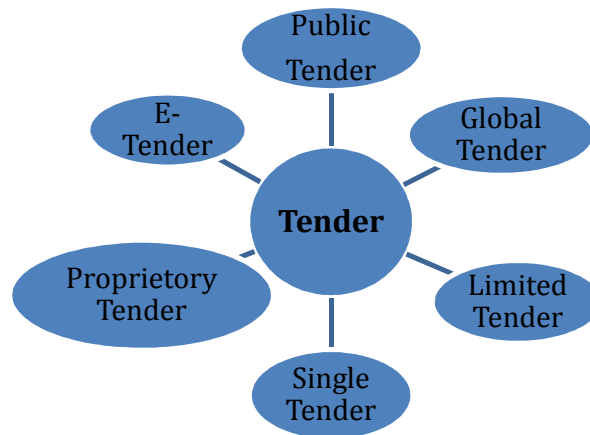
CHAPTER – 2 DEFINITIONS

2.1 PURCHASE REQUISITION: (PR)

- a) PR is the basic document required by Purchase Department for initiating procurement action.
- b) The PR is raised by the Planning Department for project items and user departments for non-project items furnishing interalia, the following details of
 1. Material Number / specification
 2. Quantity
 3. Delivery
 4. Valuation Price
- c) 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.
- d) The PR shall be generated through ERP.

2.2 TENDER:

Tender system is adopted to procure materials/ services at competitive rates with wider participation, conforming to ethics of tendering. Different types of tenders are shown under in the diagram:



i. PUBLIC TENDER:

Public Tender which is also known as Open Tender, shall refer to calling for quotations by advertising Tender Enquiry in Central Public Procurement Portal (CPPP) & BEML website mandatorily (GFR 159), If the tender value exceeds Rs 1.00 crore (one crore) shall be published in Indian Trade Journal or in at least one leading English Newspaper having more than one lakh circulation, and/or local newspaper. Besides advertisement, the attention of all known and established sources is drawn to the enquiry for a quote. The advertisement shall be in abridged form with full details available on the website. (In line with GFR 161)

ii. GLOBAL TENDER:

Global Tender, shall refer to calling for quotations from Indian / foreign suppliers by advertising Tender Enquiry in Central Public Procurement Portal (CPPP) & BEML website mandatorily. Further it is required to advertise in at least one leading English Newspaper of more than one lakh circulation and/or Indian Trade Journal, Foreign Trade Journal.

Notice Inviting Tender (NIT) intimation may be sent directly to establish Indian / foreign suppliers as also to selected countries through foreign Consulates/Embassies as may be decided by the Purchase Manager.

The advertisement shall be in abridged form with full details available on the website.
It will be followed for cases for tenders above Rs.10 Cr. for Capital items.

Publish the notice inviting tenders, in case of open tenders, on their websites and also on main website of CPP portal. This meets the requirement of GoI office
Memo Dated 14th July 2004.

iii. LIMITED TENDER:

Limited Tender shall refer to tender enquiry sent to selected suppliers from Approved Vendors List (AVL).

iv. SINGLE TENDER:

Single Tender shall refer to the cases where tender enquiry is forwarded to only one supplier/vendor. The Single Tender is to be resorted to only following circumstances such as:

- a) Procurement from Collaborator, Licensor, Transfer of technology (ToT) partner or Customer nominated vendor / sources;
- b) Procurement for meeting natural calamities and emergencies;
- c) No bids received against repeated tenders;
- d) Technically there is only one supplier who can meet BEML requirements
- e) The quantity required cannot be shared for more than one source.
- f) Development charges are very high and not economical for development of additional source.
- g) Only one known developed source for the item
Efforts made to develop alternate source to be brought out in the proposal.

v. PROPRIETARY TENDER:

Procurement of items recommended/adopted by R&D / Design Department for project items and Original Equipment Manufacturers (OEM) 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.

vi. E - TENDER:

The above mentioned 5 types of tenders have to be resorted through E-Tender i.e. tendering through ERP-SRM platform.

vii. **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 Division Head.

Viii **Refer Annexure D for terms and conditions of tender**

Refer Annexure J1 for guidelines FOR INDIAN AGENTS OF FOREIGN SUPPLIERS in respect of import tenders.

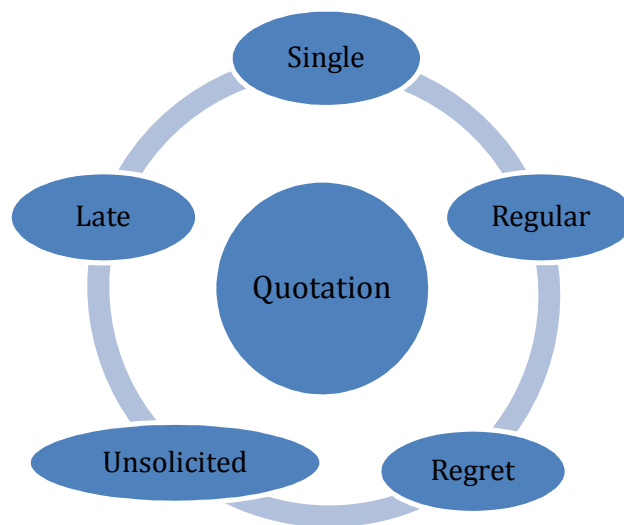
2.3 OFFER:

2.3.1 An offer is the response from a bidder, to a Tender Enquiry.

2.3.2 An offer is considered to be valid if it is not a late / regret / unsolicited offer.

2.3.3 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.

The quotations submitted by Bidders may be classified as under:



1. **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 DoP.

2. **VALID OFFER:**

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

3. **REGRET OFFER:**

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

4. **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.

5. **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.

2.4 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 shall be issued through ERP only.

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

2.5 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 the "Delegation of Powers (DoP)". The landed cost of Purchase Order shall be considered as the value for deciding the Authority competent to approve the proposals including sub-contracting/outsourcing proposals.

2.6 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 DoP.

2.7 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.

2.8 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 CMD is required.*

2.9 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 Delegation of Powers.

2.10 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.2, 000/- will come under this category. However such Local Bazaar purchases not to exceed Rs. 5 Lakhs per annum per Division.

2.11 LONG TERM CONTRACT:

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

The items covered under long term contract are:

- Castings, Forgings
- Cutting Tools
- Electrodes
- Hardware items
- Radiators
- Non-project items etc.,

The advantages of the long term contract are:

- a) Supplier is assured of expected volume of business and hence can offer better prices.
- b) The company is assured of continuous supply as per requirement.
- c) Assurance of sustained quality supplies.
- d) Effective controls on inventory build up.
- e) Purchasing cost is kept low.

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 DoP.

DGS&D shall conclude rate contracts with the registered suppliers for such goods, which are not available on GeM, and are identified as common use items and are needed on recurring basis by various Central Government Ministries or Departments. DGS&D will furnish and update all the relevant details of the rate contracts on its website. The Ministries or Departments shall follow those rate contracts to the maximum extent possible.

[As per GFR 148]

The rates are finalized for a period of not less than one year and not more than 3 years at a time. Under no circumstances it shall be extended beyond 3 years without specific approval of Director / CMD.

2.12 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.

2.13 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 by Divisional Head.

2.14 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”**.

2.15 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**.

2.16 REPEAT ORDER:

Repeat order without calling for fresh tender may be placed against previous order and also for proprietary items within 12 months from the date of original order provided there has been no downward trend in prices and the quantity is not exceeding 50% of the original ordered quantity as per DoP. If the requirement exceeds 50%, approval shall be obtained as per DoP. 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.

2.17 DIVISIONAL TECHNICAL COMMITTEE:

The Committee to be constituted at the division level headed by Planning Chief with representatives from facility planning, manufacturing, maintenance, finance and purchase to finalise the specifications of capital item procurements.

CHAPTER -3 SOURCE SELECTION & VENDOR ENLISTMENT

3.1 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.

- i. 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 19).
- ii. The generally accepted method for procurement by tender system will be followed, viz., Public tender, Global Tender, Limited tender, Single tender, Proprietary tender, & manual tender.
- iii. 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.
- iv. 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 DoP 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 given hereunder is followed.

- i. **Market Survey:**
The Purchase Department shall organize registration of suppliers with a planned market survey for source selection.
For this purpose:
 - a. The firms coming in contact with BEML and firms registered with DGS&D and other Government Organizations like RDSO would be considered
 - b. The Purchase department may also resort to conducting exhibition/displaying intricate components for attracting new sources
 - c. Advertisement in leading newspapers for registration of suppliers will be resorted to for a broad based approach to develop alternate potential sources

New sources are tried out for performance with trial/educational orders placed and proven sources included in the list of approved sources, it is imperative to ensure that more than one source is established for each item.

ii. List of approved sources for supply

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

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 and Forgings, Hardware, Electrical, Hydraulic Cylinders, Rubber items, Hoses, Sub-contract etc., and to send enquiries to all eligible approved vendors.

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.

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.

(b) 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.

(c) 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.

(d) Vendors registered in other Defence PSUs will be considered as Deemed Registered. 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.

iii. Vendor Evaluation for Vendor Rating:

- Vendor Evaluation supports in procuring both materials and external services, by making use of data from ERP system and from quality management.
- Benefits of Vendor Evaluation:
 - Choose most appropriate vendor depending on the requirement

- Useful for effective negotiations with vendors
- Continuous monitoring of existing supply relationships
- Ranking of vendors and blocking of vendors

➤ Vendor evaluation is always done for:

- Purchase Organisation and
- Vendor

➤ Vendor Evaluation

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

- 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.
- The quality department of the Division will carry out vendor evaluation once in a year to record the score of the vendor performance and feedback is forwarded to Purchase for onward communication to vendor.
- Vendor who is performing poorly (score < 70) for consecutively two periods, for the respective items procurement action for such vendors shall be suspended.

iv. Number of Vendors to be contacted:

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.

Limited Tender enquiries are to be sent to all approved vendors as already notified. Enquiries to all the approved RDSO sources shall be sent in respect of Rail / Metro Business. The Design Department concerned shall update once in a quarter ceremoniously and forward the list of RDSO sources against each item to Purchase Department. It is the responsibility of Design Department to obtain RDSO sources for each identified items on quarterly basis from the concerned authorities and Chief of Materials shall also follow up for updation and maintain the list and the same can be updated in the ‘e’ mode / online system also, wherever possible. Such list of RDSO sources is filed in each file of purchase, when purchase is made from RDSO approved sources. Feedback on the RDSO sources in terms of quality, reliability and adherence to schedule etc., shall be given to RDSO periodically, wherever applicable. Purchase shall update the RDSO approved sources every month and any addition / deletion shall be with the approval of competent Authority. For any deviation from approved sources, all the concerned shall be personally accountable.

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 of purchase Enquiry	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
(1)	(2)	(3)	(4)
Above Rs 10 Lakhs	12 sources	Chief of Materials	Chief of Division
Above Rs.2 lakh and upto Rs.10 lakhs	10 sources	Grade VI & VII	Chief of Material
Above Rs. 1 Lakhs and upto Rs. 2 Lakhs	8 sources	Grade V	Chief of Material
Upto Rs. 1 lakh	6 sources	Grade IV	Chief of Material

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 DoP.

v. **Vendor Registration:**

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 www.bemlindia.com/indexfr.php as well.

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

(I)VENDOR REGISTRATION PROCEDURE FOR PROJECT ITEMS:

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 Equipments) :

a. 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; Fax - 080-22963391 Email:
cqoffice@beml.co.in

OR

Any one of the following BEML manufacturing divisions /corporate purchase / Vendor Development, offices as applicable.

General Manager (Materials) BEML Limited, EM Division, KGF Complex, BEML Nagar, KGF – 563 115 Ph. - (08153) - 263878 / 265176, Fax - (08153) – 263274
Email – em@beml.co.in

Dy. General Manager (Materials) BEML Limited, H&P Division, KGF Complex, BEML Nagar, KGF – 563 115. Ph. - (08153) - 263164 / 263686, Fax - (08153) – 262610 Email – hm@beml.co.in

Dy. General Manager (Materials) BEML Limited, Equipment Division, Mysore Complex, Belawadi Post, Mysore – 571 186. Ph. - (0821) - 2402422 / 2402458, Fax - (0821) – 2402434 Email – ym@beml.co.in

Dy. General Manager (Materials) BEML Limited, Engine Division, Mysore Complex, Belawadi Post, Mysore – 571 186. Ph. - (0821) - 2402422 / 2402755, Fax - (0821) – 2402429 Email – zm@beml.co.in

General Manager (Materials) BEML Limited, Bangalore Complex, Post Box 7501, New Thippasandra, Bangalore – 560 075 Ph.- 25242414 / 25022631, Fax - (080)– 25241230 Email – rm@beml.co.in

Asst. General Manager (Materials) BEML Limited, Palakkad Complex, Defence & Rail Product Division., KINFRA Park, Menon Para Road, Kanjikode East, Palakkad – 678 621. Ph. –(0491)–2568178, Fax – (0491)– 2567488 Email – pm@beml.co.in

Dy. General Manager (Materials) BEML Limited, Corporate Purchase, 23/1, 4th Main, SR Nagar, Bangalore – 560 027. Phone – (080)-22963179 Fax - (080)– 22963283 Email – dgmcp@beml.co.in

Dy. General Manager (Materials) BEML Limited, Vendor Development cell, 23/1, 4th Main, SR Nagar, Bangalore – 560 027. Phone – (080)-22963253 Fax - (080)– 22963260 Email – vdsoffice@beml.co.in

[Note - Prior appointment needs to be taken, before visit]

b. 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 WEB site - Vendor Registration (Application form), which can be downloaded.

c. The Corporate Quality will allocate temporary vendor code based on communication from any ‘BEML’ manufacturing Division depending upon the requirement of the Items and Preliminary Assessment report.

d. 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.

II) Procedure for Customer certified Vendors (Government certified Organisation RDSO, CQA, DMRC, etc..)

On the requests along with relevant documents received from the Divisional material departments, 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.

III) Procedure for Traders / Stockists / Dealers of Indigenous and Import Items Suppliers:

On the requests along with relevant documents received from the Divisional Material Departments, 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.

IV) Procedure for Overseas Suppliers / Collaborators and REPUTED / PROPRIETARY Firms:

The Vendor codes for the above category of Suppliers are allocated by Corporate Quality based on communications from the Divisions / Marketing Head Quarters / R & D / Corporate office with relevant profile documents.

V) 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.

VI) Following Formats, as given in the WEB site - 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.

1) Vendor Quality Assurance Format (General and Technical details)

2) MSME Status declaration and submission of relevant government issued certificates

3) Sister Concern Details for Allocation of Multiple Vendor codes Format

4) Terms and Conditions

Vii) Registration of suppliers for Non Project items maintained by Central Purchase Organisation (e.g. DGS&D)

(I) With a view to establishing reliable Sources for procurement of goods commonly required for Government use, the Central Purchase Organisation (e.g. DGS&D) 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. A 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.

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

(iii) 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 fulfil all the required conditions.

(iv) 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.

(v) 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 GFR 150)

Viii) 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 Indian Penal Code 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 Commerce (DGS&D)

will maintain such list which will also be displayed on the website of DGS&D as well as 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. (As per GFR 151)

CHAPTER 4 – PURCHASE REQUISITION (PR)

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

- Material Number/services/ specification
- Description
- Quantity
- Delivery address
- LPP / Estimated price

The procurement process shall start with Purchase Requisitions (PR) created in ERP system either through Material Requisition Planning (MRP), System generated PR using ERP programme by the concerned section/ department/unit.

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.

The Planning Department shall take the following precautions at the time of creating the production or project based Purchase Requisition:

- a) 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.
- b) 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.
- c) 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.
- d) Exceptional cases shall be approved by Chief of Complex / Chief of Division 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)
- e) Planning department to issue PRs approved by Competent Authority for production items and by the User Department for Non-Project items to Purchase Department.
- f) 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.
-(GFR 177)

In respect of system generated non project PRs the quantity shall be verified by the Finance Department at the time of scrutinizing the proposal before placement of order. For this purpose, the activity of Finance concurrence will be carried out together (activity clubbed as the file need not pass through twice in Finance) and the proposal will be routed as per normal procedure through Head of Finance of Unit / Division / Complex / Corporate office.

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.

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 DoP. Any deviation will tantamount to violation of rules

[In line with GFR 157]

4.2 PRODUCTION ITEMS:

Approved production programme circulated by corporate office 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.

Controls in ERP:

- The ERP system will automatically raise an alarm for placing purchase requisition once the material quantity dips below the re-order level.
- 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.
- 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.

b) **Non-Standard Stock Items:**

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

4.5 CAPITAL ITEMS:

Sanction for procurement is accorded by the Competent Authority as per Delegation of Powers with finance coordination in Capital Appropriation Request (CAR) against approved capital budget.

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.,

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.

The standardization of capital equipment shall be done for BEML as a whole and procurement done wherever advantageous for the requirements of all the 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 Divisions. This will help in minimizing the capital investments.

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 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 DoP.

- 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:

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 DoP.

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.

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:

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 Corporate Office.

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.

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:

- (i) 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.

(ii) The agencies competent to initiate PRs for procurement are:

- Production planning department for production items, duly linking up with approved production/ provisioning schedule.
- Facilities Planning Department for capital items duly linking up with approved Capital Budget /Divisional Technical Committee approval.
- 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.

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.

- CBP is followed for Stock Control Items and specified indents for non-stock control items by User Departments.
- 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. 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 / Regional offices 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.
- 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.
- Construction department for Civil Works items, based on provisions made in Capital budget.
- 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.
- Tool Planning Department for tools, jigs & Fixtures based on budget provision.

(iii) 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.

(iv) PRs for express/emergent purchases shall be accompanied by approval of the competent Authority as per Delegation of Powers.

(v) 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.

(vi) 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 **ERP T-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.
MEMASS RQ	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	
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	The transaction MD04 is used to produce

	Stock/Requirement Situation	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 2.2 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) --GFR 144

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.

- a) These cases do not require to be referred to MPC and it will suffice if the delegation of powers (DoP) for acceptance of single tender is followed.
- b) 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 DoP.

5.3 Tendering Process:

- a) In a Limited Tender, tender notices are sent to the suppliers/contractors as enumerated in Para 2.2.3 of Chapter 2 of this document. 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 in BEML website and CPP portal. 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.

5.4 Tender Fee:

5.4.1 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)

5.4.2 Earnest Money Deposit (EMD)/Bid Guarantee/Bid Security.

(i) Bid Security —

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, 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 Organisation or the concerned Ministry or Department ***or start ups as recognised by Department of Industrial policy & promotion (DIPP)***. 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 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 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.

(As per GFR 170)

(v)Wherever Earnest Money Deposit (EMD) is stipulated in the Bid Invitation(BI), bidder has to necessarily make the Payment by DD/ banker cheque from any commercial bank `digitally/Bid Guarantee 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.

(vi)No interest will be allowed on earnest money deposit.

(vii)Refund of bid security/EMD:

Bid securities of the unsuccessful bidders shall be returned to them at the earliest after expiry of the final bid validity and latest on or before the 30th day after the award of the contract. (As per GFR 170)

(viii)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.

5.4.3 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 finalise 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.

3. 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.

As per CVC No. 011/VGL/014 dt 1.02.2011

5.4.2 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:-

(i) 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;

(a) Description and Specifications of goods including the nature, quantity, time and place or places of delivery;

(b) 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;

(c) 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;

(d) The procedure as well as date, time and place for sending the bids;

(e) Date, time and place of opening of the bid;

(f) Criteria for evaluation of bids

(g) Special terms affecting performance, if any.

(h) Essential terms of the procurement contract;

(i) 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”.

(j) Any other information which the procuring entity considers necessary for the bidders to submit their bids.

(ii) Modification to bidding document:

(a) 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.

(b) 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.

(c) 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

(iii) 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.

(iv) Suitable provision for settlement of disputes, if any, emanating from the resultant contract, shall be kept in the bidding document.

(v) The bidding document shall indicate clearly that the resultant contract will be interpreted under Indian Laws.

(vi) The bidders shall be given reasonable time to prepare and send their bids.

5.5 The bids shall be opened in public and authorised representatives of the bidders shall be permitted to attend the bid opening.

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

(ix) 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 pre-bid 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.

(x) Criteria for determining responsiveness are to be taken into account for evaluating the bids such as:

(a) Time of delivery;

(b) Performance/ efficiency/ environmental characteristics;

(c) The terms of payment and of guarantees in respect of the subject matter of procurement

(d) Price;

(e) Cost of operating, maintaining and repairing etc

(xi) 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.

Determination of a bid's responsiveness shall be based on the contents of the bid itself without recourse to extrinsic evidence.

(xii) Bidders shall not be permitted to alter or modify their bids after expiry of the deadline for receipt of bids.

(xiii) Negotiation with bidders after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation against an adhoc procurement is necessary due to some unavoidable circumstances, the same may be resorted to only with the lowest evaluated responsive bidder.

(xv) 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.

(xvi) 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).

--- As per GFR 173

5.5.1 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

5.5.2 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

5.5.3 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

5.6 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:
 - **Price Negotiation:**
There will be no price negotiations if the competition is adequate, offers are technically acceptable and prices are considered reasonable.
 - **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.
 - **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.

5.6.1 Time Schedule:

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	21	21	28
Global Tender	28	18	45

Limited Tender	15	15	21
Proprietary / Single Tender	10	15	21

In case of e-mode tender, number of days may be reduced by 4 days. However in case of deviation, approval from Competent Authority to be obtained

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.

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.

Extension of Tender Closing time shall be only under exceptional circumstances with the approval of Divisional Head and reasons to be recorded.

Tenders shall be opened on the same day of closing of the tender

The detailed process of opening the tender document is discussed in Chapter 6 of this manual. 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.

In order to speed up the procurement process, following time bound guidelines are to be strictly complied with:

- a) 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, fax or teleconference and the revised offer to be obtained through receipt of email / fax and to be documented properly. The revised price and the terms can also be received through e-mail / fax and techno-commercial discussion is to be held strictly as per procedure discussed in the manual under chapter Techno-Commercial discussion. E-mode can be resorted to for negotiation as far as possible instead of calling parties to BEML premises.
- b) 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 DoP.
(it is in line with GFR 18)
- c) 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 DoP 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.

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.

5.6 .2 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) Policy for providing Preference to Domestically Manufactured Electronic and Telecom Products in Government procurement issued by Ministry of Electronics & Information Technology is to be followed to the extent possible.

(d) 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.

--As per GFR 153

5.6.3 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 20% of procurement of annual requirement of goods and services will be sourced from the micro and small enterprises. Government has also earmarked a sub target of 4% procurement of goods & services, out of the 20%, from MSEs owned by SC/ST 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:

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 20 percent of the total annual purchases of the products or services produced or rendered by MSEs.

Out of 20% target of annual procurement from MSEs, a sub-target of 4% (i.e. 20% out of 20%) 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 entrepreneurs will be met from other MSEs.

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 20% of the total tendered value. In case of more than one such eligible MSE, the supply will be shared equally.

Prior experience and financial status is relaxable for MSE vendors provided firm is meeting the technical and quality requirements.

List of 358 items to be procured from MSE's is furnished in Annexure M.

5.7 Security Deposit/Performance Bank Guarantee:

(1) 10 % 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 :

(2) Bank guarantee for faithful performance (FPBG), Combined Bank Guarantee for contract performance covering delivery obligation and warranty (CBG) clause for 10% of the total order value shall be applicable where the order value exceeds Rs.5.00 lakh. Bank guarantee for faithful performance, combined bank guarantee covering contract performance and warranty, Advance Payment guarantee etc., shall be indicated wherever applicable.

(3) 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.

(4) A bank guarantee for a nominal amount of Rs.5000/- must be obtained from each Sub-contractor valid for a year, on yearly basis

5.8 Performance Security:

(i) 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 five to ten percent 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 Commercial bank, Bank Guarantee from a Commercial bank or online payment in an Acceptable form safeguarding the purchaser's interest in all respects.

(ii) 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)

5.9 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 SELECTIONS OF OFFERS AND ACCEPTANCE OF MANUAL TENDERS

Manual tendering is to be resorted under the exceptional cases only and prior approval of the Division Chief / Complex Chief to be obtained by justifying the reasons.

6.1 Receipt and Opening of Tender:

1. It is the responsibility of Purchase Department to receive the tenders and keep them in safe custody.
2. 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.
3. 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.
4. The tender closing date and time shall be specified in the NIT along with the last date and time for receiving the tender.
5. Tenders shall be opened on the same day of closing of the tender after giving a gap of about one hour on the specified date and time.
6. Public tenders, limited tenders and single tenders to be opened in the presence of representatives one each from Purchase Department and Finance Department.
7. All public tenders for a value exceeding Rs.50 Lakhs may be opened in the presence of Bidders who might choose to be present at the time of opening the tenders and an indication to that effect made in the notice inviting such tenders indicating the date and time.

8. At the time of opening the public tender, representative of vendor shall produce authorization letter from the firm which is required to be checked by representative of purchase department.
9. 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.
10. In case of tenders / enquiry by e-mail / fax, 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.
11. Late tenders or tenders received late are not to be considered and the un-opened late offers have to be returned to the bidder.

6.2 Purchase Tender Committee:

As per the requirements of CVC guidelines, a standing purchase tender Committee needs to be constituted at Divisions and marketing, comprising the members as follows to oversee the tender procedures including evaluation.

At Production division level such a Committee headed by Division Chief, shall consist of:

- a) Representative from Purchase Department
- b) Representative from Finance Department
- c) Representative from Planning Department

At marketing division, such a Committee headed by Marketing Chief shall consist of representatives from Purchase, Finance and Planning Departments.

6.3 Postponement of Tender Closing Date:

- a) In case of public / limited tenders due date for closing the tender shall not normally be postponed except in exceptionally exceptional cases that too with the approval of Head of Division / Complex. However, in case it is decided to extend the prescribed tender closing day for various reasons, the postponement shall be intimated well in advance to all Bidders.
- b) In case tender closing date is postponed due to inadequate response, the same can be done for a maximum of 7 days under intimation to all Bidders including those who have quoted.
- c) Further extension of tender closing date shall not be permitted, however under exceptional situation special approval from Divisional/Complex Head to be obtained for subsequent extension.

6.4 In opening tenders, the following procedure must be followed:

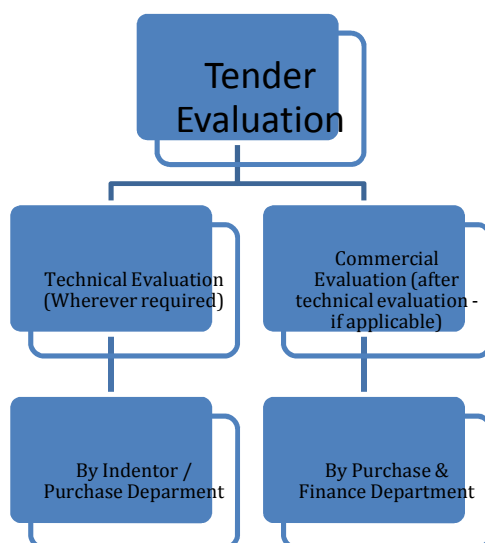
Tenders shall be opened preferably on the same day of closing the tender box after giving a gap of about one hour or so. In case of manual tender following procedure is followed

- 1) Each page of original quotation shall be signed on seal prescribed as below :

Seal shall have details such as opened on, serial no, number of alterations/over writings, space for signatures of purchase and finance representative.

- 2) Alterations or corrections found in the quotation shall be numbered and initialled by members of the tender opening Committee. Blank space if any on key areas of quotation shall be crossed and initialled by the tender opening Committee.
- 3) 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.
- 4) Tenders shall be marked ‘Original’, ‘Duplicate’, ‘Triplicate’, etc.,
- 5) The Postal envelopes, Courier envelopes & slips shall be signed and preserved in the purchase files.
- 6) The details of the tenders received shall be recorded in the proforma prescribed and kept in the respective files (Annexure – X).
- 7) Signature of the representatives of Bidder’s who are present at the time of opening of the tenders shall be obtained.
- 8) Where the representatives of Bidder’s are present at the time of opening tenders, the following information shall be read out:
 - Tender Number and date
 - Name of Bidder
 - Description of materials offered
 - Prices
 - Terms of Delivery
 - Delivery period
 - Terms of payment

6.5 Tender evaluation:



- a) Under two Bid Tender System while evaluating the technical bids by the Technical Evaluation Committee for production items consisting of
 - i) Representative of Production planning, Head of Quality department & Head of user department & shall be headed by Head of Planning if the approving

- Authority is Board / Procurement sub-Committee/ CMD / Director. Approval of Head of Division shall be taken for opening of price bid.
- ii) In case of Approving Authority is Head of Division and Committee headed by Head of Production planning and the members from representatives of Production planning department, Quality department and user department, to be nominated by respective Head of Departments. Approval of Head of Materials to be taken for opening of price bid.
 - iii) In case of Capital items Approving Authority is Head of Division and Committee headed by Head of planning and the members from representatives of facility planning department, Quality department and user department, to be nominated by respective Head of Departments. Approval of Head of Materials to be taken for opening of price bid.
 - iv) 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.
 - v) 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.
 - vi) If the technical bid is finally rejected due to non compliance of tender requirement as recommended and approved, the price bid will be returned back to the bidder.
 - vii) 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.
 - viii) 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.

- ix) Following points shall be paid special attention while compiling information on the tender evaluation sheet and suitably add/load the

- x) Charges towards different headings to meet tender conditions such as payment terms, terms of delivery etc.
 - a. 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
 - b. Basic price and the quantities for which it is valid. Also whether the price is firm and / or any escalation formula is offered
 - c. GST and any other imports / taxes that are payable
 - d. Terms of delivery i.e., ex-factory, BEML stores or FOR and other terms and conditions.
 - e. Packing and forwarding charges
 - f. 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
 - g. The terms of payment and request for advance payments / willingness to offer bank guarantee
 - h. Assurance / methods to replace defective supplies
 - i. After-sales-service arrangement and cost of such services, if any
 - j. Samples if required are submitted with the offer or alternatively party agrees to submit samples as required in the enquiry
 - k. Validity period is adequate
 - l. Erection & Commissioning Charges
 - m. Handling Charges
 - n. Performance Bank Guarantee

- xi) 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.

- xii) 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 website Central board of excise and customs notification (CBEC). Refer Annexure N for detailed guidelines.
(Vide MoD ref MoM dated 8th August 2016)

- xiii) 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".

- xiv) Offers may be classified as single, regret and unsolicited as defined in paras 2.3 (i), (iii), (iv) of DEFINITIONS.

- xv) The lowest and technically acceptable offer is availed and Purchase Order is placed duly co-ordinated by finance and where the P.O. value is more than Rs. 2 lakh for production items and Rs. 1 Lakh for non-project items and approved by the competent Authority as per delegation of powers. Where the lowest offer is ignored on technical ground, the concurrence of user department will be obtained.

- xvi) 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 delegation of powers, subject to release of the Purchase Order thereafter without any delay. No financial pre-scrutiny of such intent letters are 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 Corporate Office taken 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.

- xvii) While accepting the tenders, the deviations of following nature shall be referred to the Material Purchase Committee (MPC) where approval of Functional Director or above is required as per DoP.
- xviii) Where only one valid quotation is received against Limited / Open /Global tender where approval of Functional Director or above is required as per DoP.
- xix) Acceptance of offers where specifications are relaxed from those indicated in the tender and the approval of Functional Director or above is required as per DoP.
 - a. Procurement of proprietary items / procurement on single tender basis of where approval of Functional Director and above is required as perDoP.
 - b. Acceptance of excess supply against the ordered quantity in the Purchase Order will not be allowed / permitted without PO amendment and approval by competent Authority. Excess quantity may be quarantined and BOC after PO amendment. Amendment to Purchase Order for admitting excess supplies will be approved by the same Authority, which approved the original Purchase Order, provided the amended value is within the financial power and subject to financial concurrence.
 - c. Standardization of brand / specific make.
 - d. Emergency / express purchase exceeding Rs.2 lakh (Post facto approval)
 - e. Amendment to Purchase Order/contracts with firm price involving price increase. However, any change in statutory levies to be admitted with approval of competent Authority.
 - f. Proposal for entering into Long Term Contract.
 - g. Recommendation for waiver of Liquidated Damages Clause as per DoP

h. Any other matter, which the purchase chief desires to refer from time to time.

xx) 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 the 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:

- a. Estimated operation cost, maintenance cost, and the total cost over the portable life of equipment.
- b. Availability of service at the initial stage and regular after-sales-service
- c. Availability of spares on ex-stock basis or delivery at short notice
- d. The existence of similar-make machines in service
- e. Training of operators in case of special-purpose machine.

The detailed guideline to ensure process capability and maximum availability of capital equipment(s) is placed at Annexure “C”.

xxi) Division of Patronage:

- (i) 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.
- (ii) 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. 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.
- (iii) 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.
- (iv) It may be ensured that normally higher share of the quantity is given to the firm who have quoted the lower price and accepted. 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.

xxii) 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 from the Chief of the Division/Complex.

6.6 CVC Guidelines on Transparency in Tender Process:

1. As per CVC guidelines, in case of procurement of technical items, the 2 stage tendering shall be followed.
 - (a) Calling for Expression of Interest for supply of technical item
 - (b) Financial Bid after selection of technically eligible vendors
2. 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.
3. A proper record of minutes of such meeting shall be maintained by the purchase cell.
4. 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.

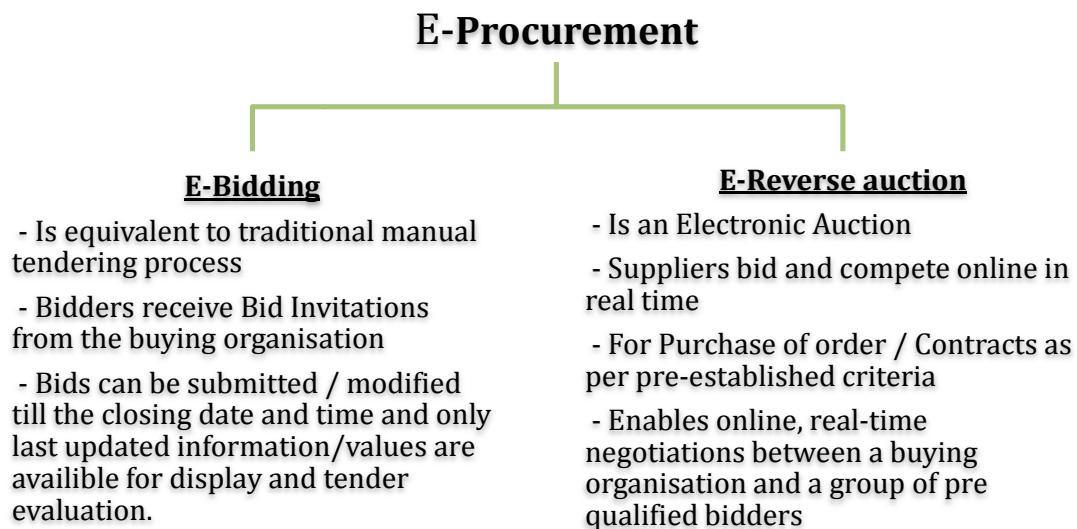
CHAPTER – 7 E-PROCUREMENT

--- In line with GFR 160

7.1 Introduction:

E-Procurement is the business-to-business purchase of supplies and services over the internet. E-Procurement makes use of a system utilizing internet technology to streamline the purchase of goods, works and services in order to reduce costs. E-Procurement can also be extended to cover various functions of the purchase department like supplier sourcing, purchase data analysis, online buyer driven commodity exchanges etc.

E-Procurement consists of two main processes – E-Bidding and E-Reverse Auction.



The bids submitted by the bidders will be available for display to the authorised Purchase persons only after the closing date and time of the tender are reached for further processing.

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) Enhanced transparency in purchase process
- c) Cost rationalization
- d) Digitization of purchase documentation

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

- Complete ownership of the process
- Approval of purchase norms
- Approval / empanelment of bidders
- Preparation of RFQ document and circulation of the RFQ document amongst empanelled vendors and ensuring conformity
- Resolving bidder queries related to product specifications and purchase terms
- Selection of suitable e-procurement process (whether e-bidding or e-auction) method

b) Bidder

- Unambiguous interpretation and understanding of RFQ terms
- Adherence to process deadlines defined in RFQ
- Take proper training for participation in e-Bidding/e-Auction events

- Make proper infrastructure arrangement for participation in e-Bidding/e-Auction events
- Quote a realistic and sustainable price

c) Service Provider

- Coordination with BEML purchase team for product selection for e-Procurement
- Setting up e-Procurement “DEMO” and training of bidders
- Training of the end users in BEML for e-Bidding and e-Reverse Auction related activities
- Clarify queries of the bidders with respect to bidding on SRM platform
- Live run-up of final e-Reverse Auction event
- Compilation and post bid analysis of e-Reverse Auction event result
- Ensure complete documentation within legal framework

7.6 Operating System of e-procurement:

Considering organizational requirement and to avail full advantages of e-procurement, ERP SRM module with all the security features has been installed for easy access to purchasers and bidders. Customizations have been carried out in the SRM module to suit organizational needs wherever possible and change management processes are addressed wherever organizational requirement could not be met by customization.

7.7 RFQ (Request for Quotation) creation guideline:

RFQ shall be a comprehensive document comprising of product specifications, Purchase terms and e-procurement procedure for both e-bidding and e-Reverse Auction. In SRM, BI (Bid Invitation) denotes RFQ.

Based on PR projected, RFQ has to be prepared accommodating various standard points as below:

- a) Overview of the intended procurement
- b) Specifications / scope of work
- c) Indication of whether or not deviations from the technical specifications will be considered
- d) Estimated quantity to be purchased
- e) Terms and conditions
- f) Supplier selection criteria (in the event of new item / supplier)
- g) Summary of supplier information required
- h) Address to which documents / proposals shall be delivered

RFQ can also include a disclaimer so that BEML do not risk being legally bound by anything stated in the RFQ. Disclaimer may address these points –

- The RFQ is not an offer or a contract
- Proposals become BEML's property
- Bidders will not be compensated or reimbursed for costs incurred in preparing proposals
- BEML is not obligated to contract for any of the products / services described in the RFQ.

BEML reserves the rights to:

- Accept or reject any or all proposals
- Waive any anomalies in proposals through an addendum
- Modify or cancel the RFQ

7.8 Digital Signature Certificate:

- a) A Digital Signature is an electronic signature that will be used to authenticate the identity of the sender of a message or the signer of a document, and to ensure that the original content of the message or the document that has been sent is unchanged.
- b) Digital Signature provides authenticity, integrity and non-repudiation to electronic documents. Digital Signature is mandatory for e-Procurement as per the Indian IT Act 2000.

- c) Digital Certificate is used to sign with Digital Signature. A Digital Certificate establishes the credentials of a person when doing business or other transactions on the web. It is issued by a Certification Authority.
- d) To participate in the e-procurement processes of BEML, every vendor is required to use class III digital signature certificate from a Certifying Authority (CA) in India licensed by the Controller of Certifying Authorities (CCA) under the Indian IT Act 2000.
- e) Authorized Purchaser Officers of BEML also shall have valid class III Digital Certificates issued by a Certifying Authority for signing documents attached to Bid Invitations and for publishing the Bid Invitations.

7.9 User ID and Password:

In SRM, each user (both internal and external) will have a specific User ID and password.

Once a vendor's data is maintained in SRM, communication goes to the vendor by e-mail indicating his User ID and the initial password is sent. The vendor will have to change the password to his choice on first login to the SRM system. The same User ID and changed password will be used by the vendor for logging into SRM and submitting bids against e-bidding and e-Reverse auction events meant for the vendor.

7.10 E-Bidding Process:

A. Process flow for creation of RFQ (called as Bid Invitation – BI in SRM) for E - bidding:

- (i) In the case of Tenders including Public/Global Tenders, Purchaser may add the vendors in the BI.
- (ii) Collaboration Folder (C-Folder): Purchaser can attach soft copy files (Specification, drawings, standards, terms & conditions, etc.) for the reference of the bidders in the Collaboration Folder (also called as C-Folder). The files attached are to be signed digitally using digital certificate. The files attached in the C-Folder can be accessed only by the authorized vendors and authorized personnel of BEML.
- (iii) Purchaser can specify the price conditions fields (like Basic Price, GST, Education Cess, Secondary Education Cess, etc.) in the BI for which the bidders will be entering the values while submitting the bids.
- (iv) Once all the fields have been entered in BI, system will generate approval work-flow matrix depending on the pre- defined hierarchy as per the procedure.
- (v) Purchaser can add additional approvers and reviewers in addition to the approvers in the system generated matrix but deletion of the approvers is not possible. Intermittent approver cannot add approver.
- (vi) Purchaser has to sign the documents uploaded as attachments to the BI with Digital Certificate.
- (vii) After entering all the requisite data, purchaser has to sign the BI using digital certificate. After signing, the BI will follow online approval process as per the approval matrix.

- (viii) Only after approval is given by the final approving Authority, system will publish the BI to bidders. In case of rejection of BI by any intermittent approver, BI will come back to purchaser for correction and resubmission for further approval.

B. Submission of Bids by Bidders and Opening of Bids:

The vendors selected for that BI will receive an email communication for submission of bid indicating broad details of BI such as BI number, Start time, Submission deadline, Opening time, etc. Based on this information, bidder has to logon to BEML SRM server to offer their bid.

In the case of Public/Global tenders, information about the tenders will be published in BEML website/ CPP portal. In the case of publication in Trade Journals /newspapers for the tenders value exceeding Rs 1.00 Crore (one crore) New Vendors who are interested in participating against the Public/Global Tender have to get User ID and Password from SRM Cell. Once a vendor gets the User ID and Password, he can login to SRM to get the details of the Tender.

Following are the salient points of Bid Invitation related to a Bidder:

- Bidder can view the Bid Invitation details and submit bid immediately after the BI is published.
- Bidder will not be allowed to bid after the end time is over.
- Bidders are allowed to change the submitted bid any number of times till the end time is reached and the last changed bid is considered as the final bid.
- Collaboration Folder (C-Folder) for Bidders: System will create a separate C-Folder for each bidder. Bidder can upload documents as attachments in the C-Folder. Bidder has to sign the documents uploaded in the C-Folder as attachments to the bid with his digital signature. The documents attached by any bidder in his C-Folder will not be seen by any other bidder and only the authorized purchaser and other authorized personnel of BEML will be able to see the documents uploaded by the bidders in the C-Folder.
- Bidder has to sign the bid also with his digital signature for submission.

In case of e-bidding in SRM, bidders can submit bids against the relevant Bid Invitation only and the bids submitted by the bidders will be opened to authorized persons only after the opening date & time are reached. There will not be any overwriting/corrections by the bidders. There will not be any delayed and late offers. Hence the existing system of opening tenders in presence of purchase, Finance and User shall be dispensed with.

C. Two-Bid Tendering:

In the case of two-bid tendering, the following procedure is to be followed:

- i) Purchaser has to select the suitable document type related to 2 Bid tendering while creating the BI (Bid Invitation).
- ii) Purchaser has to necessarily upload at least one document in the C-Folder as otherwise system will not allow publishing of the BI.
- iii) Purchaser needs to fill the Technical Bid Opening Date and Time.
- iv) The Price Bid Opening Date can be left blank which will be entered after the technical evaluation of the offers received is over.

- v) Bidders will upload the technical documents in the C-Folder and submit the price details in SRM. Without uploading any document in the C-Folder, system will not allow submission of the Bid by the bidder.
- vi) After the Technical Bid Opening Date and Time are reached, Purchaser will be able to see the documents uploaded by the bidders in the C-Folder. Purchaser will not be able to see the price details unless the Price Bid Opening Date and time is entered and the same is over.

Under two Bid Tender System while evaluating the technical bids by the Technical Evaluation Committee consisting of:

- i) Representative of Production planning, Head of Quality department & Head of user department & shall be headed by Head of Planning if the approving Authority is Board / Procurement Committee/ CMD / Director. Approval of Head of Division shall be taken for opening of price bid.
- ii) In case of Approving Authority is Head of Division and Committee headed by Head of Production planning and the members from representatives of Production planning department, Quality department and user department, to be nominated by respective Head of Departments. Approval of Head of Materials to be taken for opening of price bid.
- iii) While evaluating technical bids before commercial bid opening if there are any deviations 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.
- iv) 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.
- v) If the technical bid is finally rejected due to non compliance of tender requirement as recommended and approved, the price bid will be returned back to the bidder.
- vi) 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.
- vii) On completion of technical evaluation of the offers received, approval for proposal on the offers to be considered to be taken for price-bid opening is to be taken outside SRM.
- viii) For getting approval for the technical evaluation, purchaser has to select in the system the bidders whose offers are to be considered for price-bid opening and then change the BI by entering the Price Bid Opening Date and Time.
- ix) After the Price Bid Opening Date and Time is over, Purchaser will be able to see only the price details of the bidders whose offers were technically found suitable.

Comparative Statement also will be generated by the system only for the technically acceptable bids.

x) Further processing for bid approval will be the same as applicable for other types of tenders.

D. Earnest Money Deposit (EMD)/Bid Guarantee/Bid Security:

Details in respect of EMD – Please refer to Para 5.4 of chapter 5.

E. Special Approvals:

Special approvals like approvals from MPC and approvals from specific Committees formed, etc. are to be taken outside SRM system.

F. 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 basic ERP since all financial entries, valuation and payment will take place in ERP.

G. Import Procurement:

All the procedure mentioned above is applicable for indigenous procurement. Due to the complexities involved in import procurement like multiple currencies, custom duties, port charges, varying price conditions and payment terms from bidder to bidder, etc, Comparative Statement of bids from foreign vendors is not possible at present in SRM. However activity up to submission of bids by the bidders can be done in SRM for imports procurement. Comparative Statement and taking approval for placement of Purchase Orders is to be done outside SRM.

H. E-Reverse Auction Process:

1. Creation of RFQ document for E-Auction:

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

- (a) Contact information of “Buyer – BEML Unit / Division” and “E-Procurement Service Provider”.
- (b) Activity schedule - clearly earmarking clear deadlines for each scheduled activity.
- (c) General Terms and Conditions of Purchase.
- (d) Product/Service specific information and Supply Location.
- (e) Bidding process to carry information on :
 - Price Basis for the E-Reverse Auction_event
 - Event Logic (Bidding Type)
 - Start Bid Price (optional)
 - Bid decrement
 - Bidding duration and time extension norms
 - Availability of bidding manual / tutorials
 - Event URL details
 - Unit of Bidding
 - Currency of Bidding

- (f) Pre-Bid Confirmation Format - informing intent of the bidder for participating in the auction event.
- (g) RFQ Acceptance Format – informing bidder’s acceptance to RFQ terms & conditions.
- (h) Training Confirmation Format – Bidder’s confirmation on understanding of the bidding system and the bidding process.
- (i) Post-Bid Confirmation Format - written confirmation from bidder confirming the bids placed during the online bidding event.
- (j) Service Provider’s General Terms & Conditions Format –For getting bidder’s agreement with service provider clearly stating obligations of both parties and indemnifying BEML from technology failure related issues.

I. Electronic Reverse Auction:

(1) 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 favorable bids during a scheduled period of time and automatic evaluation of bids;

(2) A procuring entity may choose to procure a subject matter of procurement by the electronic reverse auction method, if:

- (a) It is feasible for the procuring entity to formulate a detailed description of the subject matter of the procurement;
- (b) There is a competitive market of bidders anticipated to be qualified to participate in the electronic reverse auction, so that effective competition is ensured;
- (c) The criteria to be used by the procuring entity in determining the successful bid are quantifiable and can be expressed in monetary terms; and

(3) The procedure for electronic reverse auction shall include the following, namely:

- (a) The procuring entity 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
- (b) 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

2. Sending RFQ to selected vendors:

RFQ is sent to the selected vendors through e-mail to suppliers’ official e-mail IDs. In case soft copies of drawing, specification, etc. are not available, hard copies of the same are to be made available to the vendors sufficiently in advance by sending the same through post/courier. Addendum to RFQ (if applicable) from time to time is to be e-mailed to all the vendors.

3. Receive accepted documents from Bidders:

Vendors are required to submit various pre-requisite documents stated in the RFQ as under wherever NIT has specific clause

- (a) RFQ receipt confirmation by e-mail
- (b) Pre-Bid confirmation in prescribed format confirming initial intent of participation – by fax/e-mail
- (c) Original copy of RFQ/Addendum (if any) carrying vendor's seal & sign on each page of RFQ document as final intent of participation and acceptance of the terms and conditions finalized by BEML for the event.

4. Set-up E-Reverse Auction Event:

BEML SRM team will set up auction platform defining following parameters which are in line with the terms and conditions of the RFQ document agreed by the bidders.

- (a) Start Date & Time and End Date & Time for the event
- (b) Price Basis for the e-Auction event
- (c) E-Reverse Auction event logic
- (d) Start Bid Price
- (e) Bid decrement as issued in RFQ
- (f) Rules pertaining to Extension and closure of the event
- (g) Setting the fields to be displayed to the Bidders
- (h) Adding the suppliers selected by the purchaser for the event

5. Training the bidders with Demo Event:

BEML SRM team is responsible for imparting necessary training to bidders for their participation in the e-Auction event. It is required to be executed as under:

- (a) Communicate on setting up of Demo event to the participating bidders
- (b) Set-up a Demo event ensuring compliance to parameters of real e-Auction event.
- (c) Price components (like Start Prices) shall remain fake
- (d) Suppliers need to be appraised on errors committed by them during Demo events and method of avoiding the same during the real event.
- (e) Explaining various parameters i.e., Unit, Lot, Pricing parameters, Extension, Reverse Clock, Rank, Start Price, etc. to the participating bidders.
- (f) Securing training confirmation from each bidder about satisfactory understanding of bidding process.
- (g) The Demo event will be carried out in test client 400.

6. Auction Administration:

Selected Bidders will receive communication about the main event details. Once an auction event is published, bidders will be able to see the details of the auction. However, bidders will be able to submit their bids only after the Start Date and Time are reached. The bidders will not be able to submit any bid beyond the auction event end date and time.

BEML's SRM Team shall be responsible for making the e-Auction event go live. Authorized Administrator shall view the e-Auction event and shall monitor the following during an ongoing event:

- (a) Attendance of each bidder

- (b) Enquire 'Offline' with bidders who have not logged-in about reasons and offer possible solutions for logging in.
 - (c) Send auction event related communication messages to the bidders through Chat facility available in SRM.
 - (d) Though Chat facility is available for the bidders also in SRM, the same is blocked.
7. Generate Post Event Reports:
BEML's SRM Team shall provide following reports to BEML team after the Auction event:
- (a) Vendor details showing the list of the vendors who were considered for the event.
 - (b) Auction Details containing the following:
Auction number, Start Date & Time, End Date & Time, Items details, Start Prices, bids submitted by the bidders throughout the auction duration with the time of submission shown against each bid, etc.
 - (c) Auction Overview showing the L1, L2, L3 etc. positions of the bidders and the corresponding bid values.
8. Receive Bid Confirmation from bidders / participants:
Each participant bidder needs to reconfirm his bid placed during the on-line event in the form of Post-Bid Confirmation as per the format specified in the RFQ document. The Post-Bid Confirmation document with proper signature and seal is to be submitted to BEML by each participant.
9. Award Purchase Order / Contract based on Event Result:
After receipt of post-bid confirmations from Bidders, awarding of Purchase Order/Contract will be done as per the laid down purchase procedure. All approvals required as per the DoP will be taken outside SRM system. All follow-on documents will be created in ERP.

CHAPTER – 8 TECHNO-COMMERCIALS DISCUSSION

8.1 Introduction:

The purchase or the Finance Department may recommend negotiation in cases it is considered that there is scope for reduction of rates or quantity and it shall be done after obtaining approval from competent Authority. Negotiations 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.

8.2 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 negotiate. Tenders whose offers are technically acceptable and L1 Bidder must be through in persons / Email / Teleconferencing only.
- 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 for 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 negotiations will be addressed advising them that their rates have been considered high and requesting them to come for negotiations on the specific date, time and place.
- f) Those attending negotiation 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 negotiations. 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 Para 6.6(m) of Chapter-6, 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:
 - In case of Limited Tender, 45 days from the date of tender;
 - 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 negotiation Committee along with bidders.

8.3 ERP T-Codes relevant under this chapter:

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

T – Code	Particulars	Function 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 – 9 – PLACING OF PURCHASE ORDER

9.1 Introduction:

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

9.1.1 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 clause 1.5.2 & 1.5.3.
- (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.

9.2 Vetting / Co-ordination by Finance Department:

As stated above, all the Purchase Orders are vetted by Finance as per clause 1.5.3. The finance team shall be guided by high standards of propriety. It is the duty of finance team to enforce financial order and strict economy at every step. This involves the following checks:

Revenue Items:

- (a) Whether the purchase procedure has been followed correctly.
- (b) Whether the purchase amount is within the approved budget.
- (c) Whether all the commercial aspects have been properly complied with.

Capital Items:

- (a) Whether the proposal has been included in the capital budget approved by the Board.
- (b) Whether the amount / quantity is within the approved limit.
- (c) Whether all the commercial aspects have been examined by purchase.

9.3 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 DoP.

9.4 Purchase Orders for Additional Requirement:

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 with Finance coordination against approved authorities 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.

- (a) If the order already exists on one supplier (which was ordered against open/limited tender) and supplies are not yet completed then the existing Purchase Order may be amended with the additional quantity to the extent of 50% of original order quantity. If the requirement exceeds 50%, approval shall be obtained as per DoP
- (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 original order up to 50% quantity on the original existing order. If the requirement exceeds 50%, approval shall be obtained as per DoP.
- (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 DoP.
- (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) Repeat order shall be approved by the Competent Authority upto 50% of the original order quantity by the respective Authority beyond which upto 100% one level above such Approving Authority as per DoP.
- (h) The repeat orders shall not be placed to split the requirement to avoid sanction of next higher competent Authority thus leading to violation of DoP
- (i) When repeat orders are resorted to efforts to be made to reduce the price for additional quantity.

9.5 Single Tender & Proprietary Item:

1. Single Tender Purchases are to be resorted for items defined in Chapter 2.2, para 4 of this manual. Whenever a Single Tender Enquiry is resorted to, Due Diligence on the reasonableness on the prices quoted and proposed to be ordered need to be evolved. Some such criteria could be as under:
 - (a) Checking the prices in the international market for the same item.
 - (b) Checking the prices with other end-users.
 - (c) Checking the prices of similar items from other vendors.
 - (d) Web-auction of items.
 - (e) Studying the trend in the movement of prices of the items.
 - (f) Correlating the prices of items vis-à-vis the price for assembled/semi assembled component.
 - (g) Examining the financial statements of Single Vendor and drawing inferences there from.
 - (h) 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.
 - (i) Getting Quotations from Single Vendor having multiple locations and Marketing outlets.

2. In a Single Tender and for a proprietary item, the Purchase Order shall be approved by the competent Authority as per DoP.
3. In each Division, a team to be constituted by senior level officer headed by R&D, and members from Quality, Planning and Purchase shall continuously establish second source with regard to imports, indigenization and long standing single source items. This team will report quarterly to Divisional Head. Purchase Department will feed a list of single source items and import items to this team with a copy to Divisional Head mentioning priorities.
4. In November every year, two different lists i.e. one list containing single source items where second source is not feasible and the other list containing single source above Rs. 50 Lakhs where second source is possible in the current year, shall be projected through Divisional Head to concerned Director for approval.
5. 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.
6. For Production items GM, R&D and for Maintenance items GM-Production/Maintenance are authorised for issue of Proprietary certificate

9.6 Long Term Contract: (LTC / MoU)

1. 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 three years at a time. Under no circumstances it shall be extended beyond 3 years without specific approval of Director / CMD. This shall cover items like Castings, Forgings, Cutting Tools, Electrodes, Hard-ware items, Radiators etc.,
2. 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 contract are to be finalized by following the Purchase Procedure as per manual.
3. 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 delegation of powers based on the recommendations of MPC, setting out the terms and conditions including commercial aspects very clearly.
4. 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.
5. Approval of the Division Head 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, 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.

6. 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 / indices Economic Advisory (EA). However the initial agreed price shall be firm for first year supplies. If the LTC exceeds one year then suitable price variation formula based on RBI / EA indices as indicated above shall be arrived at based on the requirement on case to case basis by the concerned Material / Finance group of the respective Division.
7. 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.

9.7 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 pre-determined 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.

9.7.1 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. 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.

- (b) 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. 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-avis 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.
- (c) 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.

9.8 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.
- (a) 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.
- (b) Since, the divisions are authorized to open letter of Credit, they shall ensure to avail following facilities/concession before opening the Letter of Credit.
- Interest Free Credit
 - Usance Bill
 - 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.
- (c) 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.

- (d) 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.
- (e) The divisions shall ensure that the fine-tuned rate is obtained from the bank at the time of retiring the Letter of Credit.
- (f) 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.
- (g) 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.
- (h) 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.

9.8.1 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 DOP shall be obtained before placement of order.

9.8.2 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 DOP.
- (b) Where customs duty is not payable on the imports because of the Govt. Exemption notification or availability of special imprest, advanced license etc., the same must be indicated in the Purchase Order (for internal use) 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) The specification and description of the items shall be properly indicated in the Purchase Orders to link to the correct classification code and 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.

9.9 Purchase of Spare Parts for Sale:

- (a) The procurement of spare parts Prices of imports and indigenous purchases.

- (b) The imports are covered by individual Purchase Orders placed on our collaborators/foreign suppliers after getting clearance by the competent Authority as per delegation of powers.
- (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. 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.
- (d) The indigenous purchases are made after planned deletion of such of those items/components identified for in-house manufacture by manufacturing divisions or for indigenous purchase. As for the items to be procured from the trade on deletion, the 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. In 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.
- (e) The procurement action can be taken by the Marketing Division. The tender system will apply for balance of the items coming under the preview of indigenous procurement. The 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 and other matters connected with Excise Duty Payments, availing CENVAT, etc.
- (f) The Parts Department of Marketing Division at KGF will get the long term contract, wherever required, duly approved by competent Authority as per Delegation of powers, based on the recommendations of MPC of Marketing division. 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:
- Customer orders received direct at the zonal / regional office.
 - Sale orders issued by Parts department at KGF covering customer orders.
 - Requests from Zonal / Regional/District offices for stock transfer of specific items against customer orders.
 - Warranty obligation
- (g) The 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 delegation of powers. The purchase indents will be coordinated by

the finance representative concerned not below the rank of Grade III officer. In respect of fast moving spares, where buffer stock is considered necessary, specific approval of Functional Director has to be obtained by the Parts department at KGF and communicated to Regional / District Office concerned, where necessary.

9.10 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 from a minimum of three vendors 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. 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.

9.11 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 Complex Head to procure the material from traders duly enclosing the relevant documents for approval. Quarterly report for such procurement in respect of both to be forwarded to the concerned Director and Corporate Purchase.
- (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.

9.12 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 DOP).
- (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.

9.13 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 delegation of powers. Such emergent purchases may be resorted to without calling for tender.

9.13.1 - Government e-Market place (GeM) — DGS&D will host an online Government e-Marketplace (GeM) for common use Goods and Services. The GeM would be dynamic, self sustaining and user friendly. DGS&D will ensure adequate publicity including periodic advertisements in newspapers, on GeM Portal and the items to be procured through GeM for the benefit of the prospective suppliers. The procuring authorities will satisfy themselves that

the price of the selected offer is reasonable. GeM may be utilized by Government buyers (at their option) for direct on-line purchases as under:—

(i) Up to Rs.50,000/- through any of the available suppliers on the GeM, meeting the requisite quality, specification and delivery period.

(ii) Above Rs.50,000/- and up to Rs.30,00,000/- 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 if decided by the competent authority.

(iii) Above Rs.30,00,000/- 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.

(iv) 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.

(v) The above mentioned monetary ceiling is applicable only for purchases made through GeM. For purchases, if any, outside GeM, relevant GFRs' shall apply.

(vi) 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 days of Budget approval.

(vii) 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.

(viii) 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

– As per GFR 149

9.13.2: Procurement from other commercial websites may also be considered for procurement through online depending on type of item required to be procured.

9.14 Release of Manual Purchase Orders:

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

9.15 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	The transaction code is used to create a

	Order	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.
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.

9.16 High Sea Sales (HSS) Procedure

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.

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.

PURCHASE PROCEDURE

Disclosure of Import Value in HSS: 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.

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.

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.

CENVAT applicability in HSS: The CENVAT credit in respect of CVD paid on import is entitled to HSS buyer. HSS goods are entitled to classification, rates of duty and all notification benefits as would be applicable to similar import goods on normal sale.

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.

9.17. PENALTY / LIQUIDATED DAMAGES (LD):

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.

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.

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.

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. (In line with GFR 18)

CHAPTER – 10 – SMALL VALUE ITEMS FOR PRODUCTION

10.1 Introduction:

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.

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 with bin card system.

10.2 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 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.

10.3 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) No separate PR is required. The sources for procurement will be identified by the Chief of SMV Cell.

Refer ERP T-Code “ME51N– Create PR” as illustrated in Para 4.10 of Chapter 4 of this document and T-Code “ME41 – Create RFQ” as illustrated in Para 5.8 of Chapter 5 of this document.

- (c) SMV cell shall maintain written record of oral/spot quotations obtained for comparison and the reasons for selection of a particular vendor for procurement. This record shall be signed by all members of the SMV Cell.

Refer ERP T-Code “ZMCMP / ME49 – Quotation Comparison” as illustrated in Para 5.8 of Chapter 5 of this document.

- (d) SMV cell will issue the Purchase Orders.

Refer ERP T-Code “ME21N – Create Purchase Order” as illustrated in Para 9.14 of Chapter 9 of this document.

- (e) The documentation for receipt, issue, payment of suppliers’ bills etc., to be attended to by this cell is simplified with standard formats for exclusive use by this cell and easy identification, having regard to the numerous items to be handled and the smallness of the value involved.
- (f) The documentation for receipt, issue, payment of suppliers’ bills etc., to be attended to by this cell is simplified with standard formats for exclusive use by this cell and easy identification, having regard to the numerous items to be handled and the smallness of the value involved.

10.4 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, the draft copy of P.O shall contain stock quantity as on that date and the work sheet for quantity to be procured.

CHAPTER – 11 – PROCEDURE FOR SUB-CONTRACTING

11.1 Introduction:

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;

The sub-contracting work will cover machining, fabrication and further processing like heat treatment, plating, assembly, shot blasting done on BEML materials. Sub-contracting 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 semifinished material to finished component or further processed part / assembly.

The purchase procedure as applicable production items shall apply to sub contract also.

11.2 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 sub-contracting.
3. The Division shall 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.
4. Depending upon the value of each sub-contract proposal, approval of the Competent Authority as per DoP shall be obtained. The required approvals shall be obtained at least two months before the 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 concerned Director 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 sub-contracted 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 sub-contracting 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 delegation of power for sub-contracting. 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 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. 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 Sub-contractors.
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 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 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 DoP.
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 Delegation of Powers. 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 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 Delegation of Powers 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 taken for distribution as under:-
 - Vendor
 - Sub-contract accounts
 - Sub-contract cell

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 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 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.
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.
- 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.,
 - MRs will be made quoting the sub-contract Purchase Order reference for drawal of raw materials/components.
 - MRs shall be co-ordinated by Planning Department.
 - 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.
 - Excise Challans as per Central Excise Act.
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 excise problems and delay in fabrication.
29. The sub-contract cell shall watch for the return of the fabricated parts/finished components and Receiving Reports shall be finalized immediately for proper accounting. Where the fabricated parts/finished components are directly sent to shops for use in Production, the same shall have the co-ordination of the Progress department and both RRs and MRs shall 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 sub-contractor for the sub contract PO's for despatch the relevant sub-contract Purchase Orders for despatch.

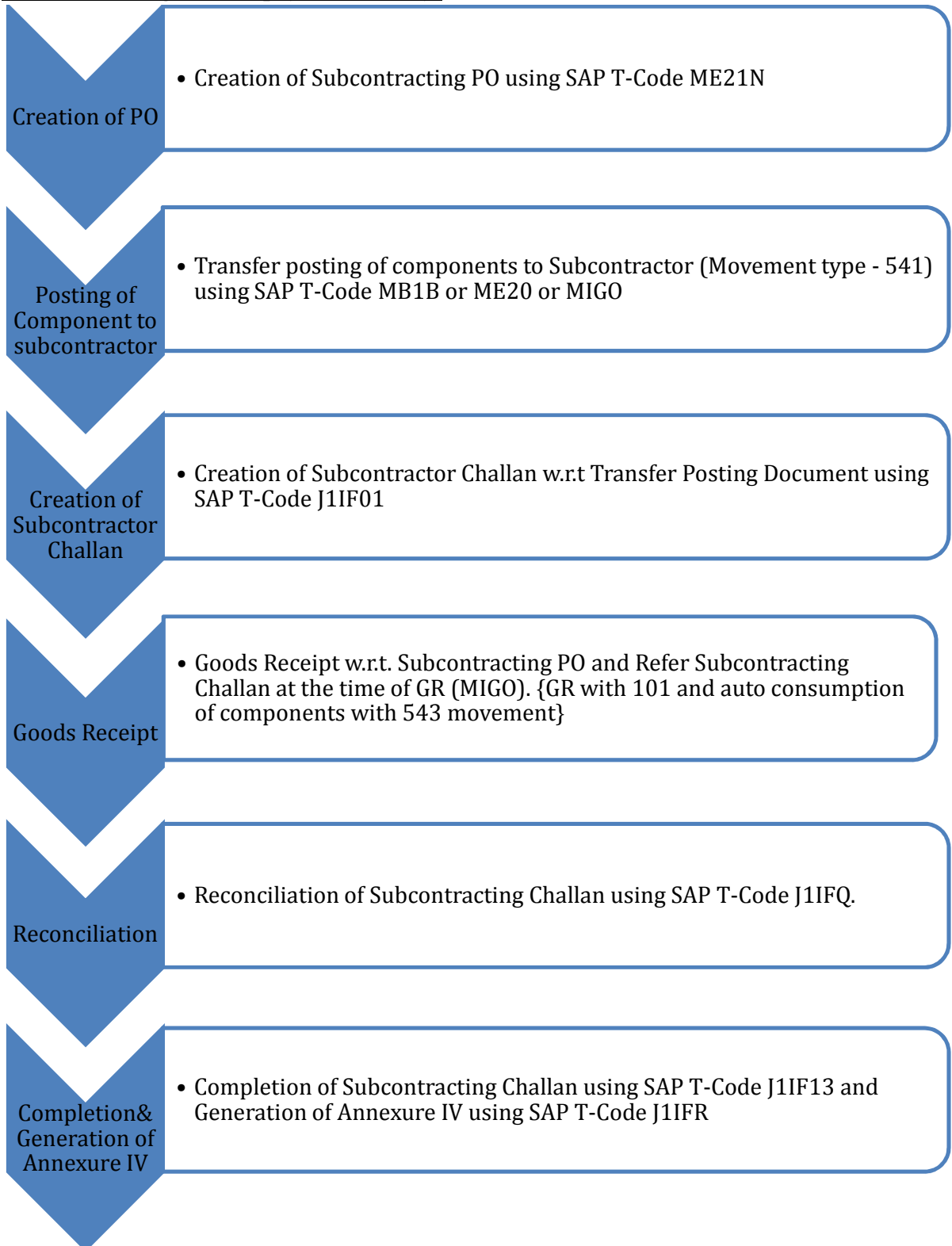
31. Even if the processed items are despatched from the Shop floor the above documents will be prepared to regularize the transactions.
32. Bank guarantee for a nominal amount of Rs.5000/- must be obtained from each Sub-contractor valid for minimum one year.
33. Unless the fabricated/processed items 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/ sub-contractors and/or at their premises due to:
- (a) Whilst in transit (both ways) as per ICC (A) clause
 - (b) Fire and allied perils as per standard fire and special perils policy with earthquake extension.
 - (c) Burglary, theft, holdup, dacoit and robbery
 - (d) Accidental breakage including accident to carrying vehicles
 - (e) 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. 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 shall be maintained by all the concerned sections. The value for the free supply items shall 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.
37. 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 shall 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 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.

38. 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 by putting PPO5 flag in routing of particular production order.
39. 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.
40. The Tools, Jigs, Gauges etc. will be issued to Sub- contractors against separate loan work order by 541 movement with approval of Division 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.
41. 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 Finance Department. The Committee shall submit its recommendations to Business Group 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.
42. 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 Material and sub-contract accounts for necessary recovery and accounting action. A copy of the PDO shall be sent to Purchase department for advising the vendor suitably.

43. All copies of PDOs raised at the Receiving Inspection stage of the items, shall 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 (xxviii) and primary vendors fault as per (xxix), 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.,
44. Once in a quarter and as at the end of the year viz., 31st March of each year, the Sub-contractors 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' time.
45. 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.
46. 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.
47. 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 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.

11.3 Sub-contracting process in ERP:

Sub-contracting without payment of Duty:



Note: In this case, the user will have to maintain the Assessable Value for the Components to be supplied to Vendor in JIID and also GST rates for the Chapter IDs linked with these components. So during J1IF01, system will take the Assessable Value as GST base Value and calculates the GST by taking GST Rates.

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

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

11.4ERP T-Codes Relevant under this chapter:

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

T – Code	Particulars	Function 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.
ME2O	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 12 – PURCHASE PROGRESSION

12.1 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.

12.2 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
Normally, the cheapest mode of despatch is by rail 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 DoP.
- (b) Air Freight Charges
 - b1. As general rule, Air freight shall be avoided.
 - b2. Air freight may be resorted for items which are delicate, fragile, small in weight and volume, chances of pilferage etc.
- (c) In case of urgency for the items other than items indicated at (b2) approval of the Divisional Head with Finance concurrence shall be obtained after recording the nature of urgency together with additional financial impact as per DoP.
- (d) 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.

(e) Excess Supply

- i. 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 DoP.

(f) Change in Statutory Levies:

For general amendment to Purchase Order on statutory levies the Purchase Department shall obtain the approval of Business Group Head with due 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.

(g) 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 co-ordination.
- 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”.

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

- (1) 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.
- (2) 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.
- (3) 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.

- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) All other cases of requests for price increase require the approval of Corporate Office.

(h) 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. 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.
- ii. 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. Escalation/Revision in price shall not be admitted for the delayed supplies.
- iii. 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 co-ordination.
- iv. 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.

- v. All PO enquiries shall have clause (a) above and in specific cases the clause (b) above.

(Vi) Delivery ahead schedule:

a 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.

b 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.

c 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 co-ordination.

12.3 VERIFICATION AND ACCEPTANCE OF BANK GUARANTEE

12.3.1 Officers Concerned in the Materials department shall check all Bank Guarantees on receipt in addition to the following checks:

a) 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.

b) Bank Guarantee for faithful performance shall be valid till the end of the delivery period stipulated in the Purchase Order in addition to a claim period of three more months.

c) 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.

d) 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.

e) 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).

f) 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 B.G.'s 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.

g) 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.

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

12.3.3 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.

12.3.4 Each Section Head in the Materials department shall be made responsible for verification, timely renewal and timely encashment of BGs.

12.3.5 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 register 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)

12.3.6 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.

12.3.7 In case of foreign bank guarantees, the BGs received from foreign banks, authorized / recognized by RBI, in their own letter head shall be accepted.

12.3.8 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.

12.3.9 In case of Combined Bank Guarantee (CBG), 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 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.

12.4 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, the case may be handed over to the Legal Department well in advance for taking legal action.

12.5 ACCEPTANCE OF BANK GUARANTEES

Acceptance of all Bank Guarantees / indemnity Bonds shall be approved by the executives authorized by Unit Head of MM itself without finance concurrence.

12.6 RETURN OF BANK GUARANTEE

12.6.1 In the case of Bank Guarantee for faithful 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.

12.6.2 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.

12.6.3 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.

12.6.4 For returning of all Bank Guarantees same shall be returned with finance concurrence.

12.6.5 Acceptance / Release of all Bank Guarantee shall be issued with the approval of executives authorized by Unit Head of MM/Regional /District Managers in case of ROs/DOs.

CHAPTER – 13 – SOURCE / PRODUCT DEVELOPMENT

13.1 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.

13.2 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.
- (b) In each Division, a team to be constituted by senior level officer headed by R&D, and members from Quality, Planning and Purchase shall continuously establish second source with regard to imports, indigenization and long standing single source items. This team will report quarterly to Divisional Head. Purchase Department will feed a list of single source items and import items to this team with a copy to Divisional Head 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 Division 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.

13.3 The procedure to be followed is broadly outlined below:

- (i) 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 5.6 of Chapter 5 for procedure to issue a Request for Quotation.*
- (ii) 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.

The expertise of the purchase department may be availed in locating the sources, wherever required.
- (iii) 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.
- (iv) The reasonableness of the offer received will be assessed and where negotiation of price is considered necessary, the provisions under Chapter 8 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 as in Para 9.7.2 of Chapter 9.
- (v) 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. *Refer Para 5.8 of Chapter 5 regarding maintenance of RFQ in ERP and comparison of quotations.*

- (vi) 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 Chief of Materials 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.
- (vii) A register 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.
- (viii) The same procedure as above will also apply in respect of development of items of R&D design.

13.4 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

13.5 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 Division Head with concurrence of finance.

13.6 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.

13.7 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 Division head 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 Division Head, payment

may be made against Bank Guarantee (*as per CVC guidelines*) which shall be valid till the commencement of bulk supply, and acceptance of the first batch of supplies.

13.8_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/sub-contractor. The developmental orders may be finalized on the basis of Quotations received against our tendering action, with the approval of Division Head. 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 indicated in 13.4.

13.9 Price preference for Indigenisation content (Also pls refer amendment
(Preference to Make in India), Order 2017.(page 323)

13.9.1 Applicability of Indigenisation: Indigenisation clause is applicable to tenders floated for procurement of project items where tender value is above Rs. 1 Crore excluding taxes and duties and Tenders are floated in two Bid systems. i.e., Technical and Commercial Bid

13.9.2 Indigenisation Plan:

BEML prefers to have vendors for supply of items with 100% indigenization i.e. "Zero" Foreign Exchange (FE) content. In case the Indigenous Vendors are not able to offer 100% indigenization content, offer with minimum FE content and having a Comprehensive Indigenisation proposal are preferred. Even foreign vendors having maximum INR component are preferred over the foreign vendors having maximum / no Indigenisation Plan. Bidders shall necessarily provide following information in Technical Offers:

- i) Listing of imported items by bidders
- ii) Proposed Indigenisation Content
- iii) Proposed Indigenisation Model
- iv) Proposed Indigenisation Plan.

13.9.3 Technical Bid Evaluation:

Technical Negotiation Committee (TNC) shall evaluate the proposed indigenization content, model & plan of the offers received. TNC shall deliberate on the proposed Indigenisation aspect of the system / equipment (jointly with the customer in case of single vendor nomination). If Indian bidders have FE content more than 50% even after due deliberation by TNC, then the bidder might risk rejection at the discretion of BEML. In similar lines, foreign bidder who does not have INR content up to 30% in their quote might risk rejection at the discretion of BEML.

13.9.4 Bank Guarantee towards indigenization (INDBG);

Bidder who has availed purchase preference in Technical Bid shall submit a Bank Guarantee for 1% of total order value excluding taxes & duties. This INDBG shall become en-cashable in case Indigenisation planned is not met as committed.

CHAPTER – 14 – TERMS OF PAYMENT

14.1 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.
- (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 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.

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.

- 2. "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.
- 3. In case of maintenance service contracts the payment shall be made after successful service and after certification by the User Department.

Note:

- i. *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".*
- ii. *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 DOP, the person who is authorised to make online payments has to be configured in ERP.

14.2 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(i) of 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 Nationalized Bank for an amount atleast 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.

14.2.1 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:-

- (i) Advance payment demanded by firms holding maintenance contracts for servicing of Air-conditioners, computers, other costly equipment, etc.
- (ii) Advance payment demanded by firms against fabrication contracts, turn-key contracts etc. Such advance payments shall not exceed the following limits:
- (iii) Thirty percent of the contract value to private firms;
- (iv) Forty percent of the contract value to a State or Central Government agency or a Public Sector Undertaking; or
- (v) In case of maintenance contract, the amount shall not exceed the amount payable for six months under the contract.
- (vi) 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. -

---- As per GFR 171(i) and 171(ii)

14.3 In the above cases, it shall be ensured by the Purchase department that,

- (a) The vendors despatch the consignments through BEML Contract Carriers specified in the Purchase Orders.
- (b) The vendors send the despatch documents directly to BEML.
- (c) 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
- (d) The items are received in matched sets wherever called for.
- (e) The GRN are to be clear for acceptance or rejections as the case may be

14.4 However, "Open Account" terms only shall be offered to new firms/ untried out sources.

- 14.5 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.
- 14.6 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.
- 14.7 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.
- 14.8 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.
- 14.9 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.
- 14.10 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.
- 14.11 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)
- 14.12 Final payment of 10% against PBG to be released after confirming the same from the bank concerned.
- 14.13 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.

- 14.14 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.
- 14.15 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.
- 14.16 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.
- 14.17 Payment of GST shall be as per Purchase Order terms and the claims of the supplier in invoices shall be admitted only against original and clear excise duty gate passes to enable BEML to avail CENVAT benefit where applicable, as also to ensure that the supplier had paid excise duty to the Government. Payment of excise duty shall be denied if original and clear excise duty gate passes are not furnished to BEML.
- 14.18 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.

CHAPTER – 15 –CONTRACT FOR SERVICES

15.1 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 DoP. Necessary PR's will be given by user department.

15.2 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.

(GFR 169)

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 equipments
- (m) Other services not covered above

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.

User department consolidate the requirements of various departments and examine the same, keeping in view the following points:

- (a) The work involved shall be revenue in nature.
- (b) The expenditure is within the budget provision. The Marketing division Head Quarters, shall intimate to the Regional and District offices their share of the budget provision for this purpose.
- (c) 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 DoP with the financial concurrence.

(d) 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:

- i. The classification of services shown above may be modified to suit local requirements/conditions.
 - ii. Regarding SI.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.
 - iii. In case of AMCs, the upkeep percentage must be indicated in the tender / order on case to case basis.
 - iv. 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.
- (e) 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.
- (f) 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.
- (g) 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, interalia, 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.
- (h) 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.
- (i) 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.

--(GFR 212)

15.3 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 Para 5.8 of Chapter 5 of this document, Chapter 6 regarding source selection, Chapter-7 for negotiation and Chapter 9 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:

- Short-listing of the firms to whom the enquiries are to be sent.
- To negotiate the price, wherever considered necessary.
- To decide the period of the contract taking into accounts the type of work and the requirements of the user department.
- 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 Delegation of powers. The contract will be shared with the Finance section as well to arrange for payments to contractors.

(d) In Marketing division Head Quarters, 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 Regional and District offices, where there is no Purchase Department, it will suffice if the Purchase Order is approved by the Regional Manager/District Manager with the approval of proposal by Chief of the Marketing HQ.

15.4ERP T-Codes Relevant under this chapter:

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

T – Code	Particulars	Function 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.
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 – 16

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

- 16.1 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.

16.1.1 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 Chief of the Purchase 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. 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 it is known that the proprietor or any of the partners of the firm whose name has been blocked from the approved 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 firm shall also be deemed as blocked from the approved vendor's list.

16.2 GUIDELINES ON BANNING/BLACKLISTING OF FIRMS

16.2.1 Introduction

16.2.1.1 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 LTD 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 LTD 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 LTD to observe principles of natural justice before banning/blacklisting the business dealings with any Entity.

16.2.1.2 Since banning of business firms 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.

16.2.2 Scope

16.2.2.1 "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.

16.2.2.2 However, absence of such a clause does not in any way restrict the right of Company (BEML LTD) to take action / decision under these guidelines in appropriate cases.

16.2.2.3 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.

16.2.2.4 These guidelines apply to all the Divisions and subsidiaries of BEML LTD.

16.2.2.5 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.

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

16.2.3 Definitions

In these Guidelines, unless the context otherwise requires:

- i) *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'*.
- ii) *'Inter-connected Entity'* shall mean two or more companies having any of the following features:
 - a) If one is a subsidiary of the other.
 - b) If the Director(s), Partner(s), Manager(s) or Representative(s) are common;
 - c) If management is common;
 - d) If one owns or controls the other in any manner;
- iii) *'Competent Authority'* and *'Appellate Authority'* shall mean the following:
 - a) For procurement of items / award of contracts, being carried out by Divisions, Head of Corporate Materials shall be the "Competent Authority" and CMD, BEML LTD shall be the "Appellate Authority".
 - b) For banning of business dealings with Foreign Suppliers BEML LTD Functional Directors' Committee (BDC) excluding CMD shall be the 'Competent Authority'. The Appeal against the Order passed by BDC, shall lie with CMD, as First Appellate Authority.
 - c) In case the foreign supplier is not satisfied by the decision of the First Appellate Authority, it may approach BEML LTD Board as Second Appellate Authority.
 - d) **For Divisions (including Marketing) only**

Any officer not below the rank of Chief of Division/ Chief of Marketing 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) **For Corporate Office only**

For procurement of items / award of contracts, being carried out by Corporate Materials for use of all Divisions. Head of Corporate Materials shall be the "Competent Authority" and CMD, BEML LTD shall be the "Appellate Authority".
 - f) CMD, BEML LTD 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.

- iv) *'Investigating Department'* shall mean any Department or Unit 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.
- v) *'List of approved Agencies - Parties / Contractors / Suppliers / Purchasers/ Customers /Bidders / Tenderers'* shall mean and include list of approved /registered Agencies - Parties/ Contractors / Suppliers / Purchasers /Customers /Bidders/ *Tenderers*, etc.

16.2.4 Initiation of Banning / Suspension

Action for banning / suspension business dealings with any Entity shall be initiated by the department having business dealings with them 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 / suspension business dealings with any Entity shall be sent to CVO for information.

16.2.5 Suspension of Business Dealings

16.2.5.1 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.

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

The Investigating Department may ensure that their investigation is completed and whole process of final order is over within such period.

16.2.5.2 The order of suspension shall be communicated to all Departmental Heads within the Divisions. During the period of suspension, no business dealing may be held with the Entity.

16.2.5.3 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.

16.2.5.4 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 Corporate office may send his recommendation to Chief Vigilance Officer (CVO), BEML LTD for investigation along with the material available. If Corporate Office considers that depending upon the gravity of the misconduct, it would not be desirable for all the Divisions and Subsidiaries of BEML LTD to have any dealings with the Entity concerned, an order suspending business dealings may be issued to all the Divisions by the Competent Authority of the 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.

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

- i) 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 Ltd as a whole to deal with such a foreign supplier pending investigation, the Competent Authority may send his recommendation to CVO BEML Ltd for investigation along with the material available. 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 endorsed to the divisions.

- ii) Effects of Suspension on Business dealings with an entity:

a. 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.

b. 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.

c. 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.

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

16.2.6 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: includes 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 i) (a) to (f) by the entity or establishment of such misconduct by a competent court/ tribunal/ Authority as follows:

i) The competent Authority may levy financial penalties and/or suspend/ban business dealings with an entity for one or more of the grounds listed below:

- a) Violation of Pre-contract Integrity Pact (PCIP) (where such PCIPs are entered into between the BEML Ltd and an entity)
- b) Resort to corrupt practices, unfair means and illegal activities during any stage of Bid/contract to secure a contract, even in cases where PCIP is not mandated.
- c) Violation of standard clause in the contract documents.
- d) If national security considerations so warrant.
- e) Non-performance or under performance under the terms and conditions of the contract(s) or agreement(s) not covered in grounds listed in (a) to (c) above in accordance with provisions in contract or agreement.
- f) 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.

ii) 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.I/2012/D(Vig)/DDP dated: 13.02.2017)

- 16.2.6.1** If the security consideration, including questions of loyalty of the Entity to the State, so warrants;
- 16.2.6.2** 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;
- 16.2.6.3** 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.

- 16.2.6.4** 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.
- 16.2.6.5** If the Entity employs a public servant dismissed / removed or employs a person convicted for an offence involving corruption or abetment of such offence.
- 16.2.6.6** If business dealings with the Entity have been banned by the Govt, or any other public sector enterprise.
- 16.2.6.7** If the Entity has resorted to Corrupt, fraudulent practices including misrepresentation of facts and / or fudging /forging /tampering of documents;
- 16.2.6.8** If the Entity uses intimidation / threatening or brings undue outside pressure on the Company (BEML LTD) or its official in acceptance / performances of the job under the contract.
- 16.2.6.9** If the Entity indulges in repeated and / or deliberate use of delay tactics in complying with contractual stipulations.
- 16.2.6.10** Wilful indulgence by the Entity in supplying sub-standard material irrespective of whether pre-despatch inspection was carried out by Company (BEML LTD) or not.
- 16.2.6.11** 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 LTD) or even otherwise.
- 16.2.6.12** Established litigant nature of the Entity to derive undue benefit.
- 16.2.6.13** Continued poor performance of the Entity in several contracts.
- 16.2.6.14** If the Entity misuses the premises or facilities of the Company (BEML LTD), 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).

16.2.7 Banning of Business Dealings

- 16.2.7.1** 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.

16.2.7.2 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 16.2.9 and an enquiry held accordingly. Information to CVO shall be given after issue of Show cause notice.

16.2.7.3 Procedure for Banning of Business Dealings with Foreign Suppliers.

- i) Banning of the agencies shall apply throughout the Company including Subsidiaries.

If the competent Authority is the prima – facie of the view that action for banning business dealings with the foreign supplier is called for a show cause notice to be issued to the foreign supplier and enquiry held accordingly. Information to CVO shall be given after issue of show cause notice.

16.2.8. Removal from List of Approved Agencies - Suppliers /Contractors, etc.

16.2.8.1 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.

16.2.8.2 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.

16.2.9 Show-cause Notice

16.2.9.1 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 15 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.

The show cause notice shall contain the following:

- (a) The reason for the proposed action and the grounds relied upon.
- (b) That, the entity shall submit its response in writing within 30 days after the receipt of the Notice.
- (c) 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.

16.2.9.2 If the Entity requests for inspection of any relevant document in possession of BEML LTD, necessary facility for inspection of documents may be provided.

16.2.9.3 The Competent Authority may consider and pass an appropriate speaking order with information to CVO.

- a) For exonerating the Entity/ foreign supplier if the charges are not established.
- b) For removing the Entity/ foreign supplier from the list of approved Suppliers /Contactors, etc.
- c) 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.

16.2.9.4 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.

For the grounds listed in Paragraph 16.2.6 i) (a) to (d) of the guidelines, the period of banning of business dealings with an entity shall not be less than five years and not more than 10 years.

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.

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.

16.2.10 Appeal against the Decision of the Competent Authority

16.2.10.1 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.

16.2.10.2 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.

16.2.11 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

16.2.12 Circulation of the names of Agencies with whom Business Dealings have been banned

- 16.2.12.1 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 the Government Departments, other Public Sector Enterprises, etc. for such action as they deem appropriate.
- 16.2.12.2 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.
- 16.2.12.3 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.

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 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 and fresh procurement process, if required, may be initiated.

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

16.3 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 London Inter Bank Offered Rate (LIBOR). 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 LIBOR 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 LIBOR 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.I/2012/D(Vig)/DDP dated: 13.02.2017)

CHAPTER – 17 – GENERAL GUIDELINES ON PURCHASE

- 1) Purchase Orders and amendment to Purchase Orders will be made in 3 copies for distribution as under, after taking approval from the competent Authority as per delegation of powers.
 - Supplier Copy
 - Bills Payable section Copy
 - Purchase department copy

The duly approved PO can be shared with above users through Email. This facility is configured in ERP system.

- 2) The Finance co-ordination and approval by the competent Authority on Purchase Order is obtained duly signed in ink on two copies. One copy will be forwarded to Bills Payable section and other copy is retained in Purchase Order file. Only these two copies will be used by Bills Payable section for payment purposes and by Purchase department for follow up, further correspondence, etc.,
- 3) The General terms and conditions of contract to form part of the Purchase Order issued to vendors is enclosed in **Annexure “E”**.
- 4) Chief of Purchase department in co-ordination with Chief of Finance shall ensure that replies to Internal Audit observations and Govt. Audit enquiries are given on priority after studying the observation/enquiries. In respect of Govt. Audit enquiries, the draft replies for the same shall be sent to Chief of Finance for finalising and giving a reply to the Govt. Audit Party.
- 5) Every Purchase Order file shall be page numbered.
- 6) All competent authorities at different stages shall approve the Purchase Order.
- 7) The general INCO TERMS are explained separately in this manual (**Annexure H**)
- 8) Checklist as per **Format F2** to be filled and forward the Purchase proposal to purchase scrutiny as per **Format F1**.

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	Function 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.

5

CHAPTER – 18 – PURCHASE BUDGET

18.1 Purchase Budget and placement of orders for revenue items:

Considering the need to control inventory and product costs, the Chief of the Purchase department shall be responsible for compiling the Purchase Budget on an annual basis for Revised Estimate (RE) and Budget Estimate (BE) years with monthly breakup, after taking into account the following factors.

1. The division will prepare and submit the following budget based on the production programme:
 - (a) Quarterly Material Budget
 - (b) Quarterly Purchase Budget
 - (c) Monthly Fund BudgetForeign exchange content will also be spelt-out distinctly in the purchase budget. Based on the approval of the budgets by the Directors, the Division will have powers as delegated to follow the Purchase procedure.
2. 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.
3. Review shall be made on quarterly basis for short closure / cancellation of Purchase Orders. The re-scheduling of delivery schedule shall invariably be according to the production needs.
4. 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.
5. ERP facilities can be availed for preparation of this budget and data stored in the computer so that when Purchase Orders issued are fed to computer and the actual receipts and issues are processed in computer to obtain monthly inventory outputs.
6. These 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.
7. 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.

8. The Purchase Budget shall be submitted to Budget and Reports section during Sept/Oct of every year for RE of that year and BE of next year, which will form part of the Revenue Budget and Ways and Means Budget.

18.2 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	Function of T-Code
ME80FN	General Analysis of Purchases	Refer Chapter 17 for explanation.

CHAPTER – 19 – INVENTORY CONTROL

1. Bill of materials (BOM) for all models of equipment produced shall be updated in ERP 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.
2. 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.
3. Procurement of materials as per Purchase Manual and issue of materials for production shall be strictly based on BOM for Project Items, PDO and requirement of spares for Marketing based on their projections and based on budget provisions for the indirect materials.
4. 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.
5. 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.
6. Care shall be taken by all the concerned departments to indicate correct material code numbers in all the documents.
7. 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.*
8. 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.*

9. 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 of Chapter 4 of this manual on this matter.*
10. In case the items are collected from one division to another division to meet production/spares requirements, such transactions are being regularised through Stock Transport Orders (STO's) in ERP system. Regarding cancellation/short closure of STO's, while reviewing of outstanding STO's coordination of Chief of Planning of supplying plant shall be taken along with approval of Competent Authority in line with DoP for "placement of orders against Rate Contract". (as per GFR 209)
11. 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.*
12. 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.
13. 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.*
14. Documentation as per Stores Manual shall be strictly done and no materials shall be drawn for use without approved MRs.
15. The Inventory balance against each item as per Bin and ledger shall be reconciled continuously by the concerned stores in-charge to avoid any serious mistakes and mix up of items. *Refer Unit-6 of Systems Audit Manual in this regard.*

16. In respect of Rail and Metro and Defence Segments Production Plan is always against Customer Orders, hence, the inventory of Raw Material, WIP and FGI are always within the MoU norms.
17. 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.
18. 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.
19. Exceptional cases shall be approved by Chief of Complex / Chief of Division 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.

CHAPTER – 20 – ETHICS OF PURCHASING

The Procurement & Contracts division fosters and promotes fair and ethical business practices while acting in the best interest of the BEML Limited. This includes adhering to a strict code of ethics.

- 20.1 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

20.2 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 behaviour 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. (2) 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.

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:

1. Obtain maximum value for each rupee spent and the expenditure should not be prima facie more than the occasion demands.
2. 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.
3. 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. (As per GFR 21)
4. Decline personal favours, gifts, and gratitude from the suppliers;
5. Grant all competitive suppliers fair and equal consideration
6. Conduct business with potential and current suppliers in an atmosphere of good faith;
7. Demand honesty in sales representation;
8. Receive consent of originator for use of proprietary ideas and designs;
9. Make reasonable effort to obtain equitable settlement of any controversy with a supplier;
10. Accord a prompt and courteous response to all who call on legitimate business;
11. Foster fair, ethical, transparent and legal business practices
12. Protect BEML's interest by ensuring suppliers honour all terms of their contracts
13. Payment to vendors as per agreed terms;
14. 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.

20.2 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)

20.3 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.

1. To consider first, the total interest of one's organization in all transactions without impairing the dignity and responsibility of one's office.
2. To buy without prejudice, seeking to obtain the maximum ultimate value for each rupee of expenditure.
3. 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.
4. To accord a prompt and courteous reception, so far as conditions will permit, to all who call upon legitimate business mission.

5. To respect one's obligations and those of one's organization, consistent with good business practices.

20.4 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.

Conclusion:

Purchase professionals are an asset to any company. They can save the resources and wealth of an organisation. 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 – 21 CONTRACT MANAGEMENT

(In line with chapter 8 of RULES 224-227 OF GFR 2017)

All contracts shall be made by an Authority empowered.

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

- (i) 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.
- (ii) 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.
- (iii) In cases where standard forms of contracts are not used, legal and financial advice shall be taken in drafting the clauses in the contract.
 - (a) 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.
 - (b) 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.
 - (c) Contract document shall be invariably executed in cases of turnkey works or agreements for maintenance of equipment, provision of services etc.
 - (d) No work of any kind shall be commenced without proper execution of an agreement as given in the foregoing provisions.
 - (e) Contract document, where necessary, shall be executed within 21 days of the issue of letter of acceptance. Non fulfillment 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.
 - (f) 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.

- (iv) (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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).
- (f) 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.
- (g) 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
- (h) No price variation will be admissible beyond the original Scheduled Delivery Date for defaults on the part of the supplier.
- (i) 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
- (j) 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.

- (k) The clause shall also contain the mode and terms of payment of the price variation admissible.
- (v) Contracts shall include provision for payment of all applicable taxes by the contractor or supplier.
- (vi) “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.
- (vii) 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.
- (viii)) (a) 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.
- (b) 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.
- (ix) 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.
- (x) (a) The terms of a contract, including the scope and specification once entered into, shall not be materially varied.
- (b) 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.
- (c) All such changes shall be in the form of an amendment to the contract duly signed by all parties to the contract.
- (xi) 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.
- (xii) All contracts shall contain a provision for recovery of liquidated damages for defaults on the part of the contractor.
- (xiii) 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.

- (xiv) All contracts for supply of goods shall reserve the right of Company to reject goods which do not conform to the specifications.
- (xv) **No claim for the payment from contractor shall be entertained after the lapse of three years of arising of the claim.**

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

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.

1. DEFINITION OF START UP:

An entity is considered to be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property if it aims to develop and commercialize:

- a. A new product or service or process, or
- b. A significantly improved existing product or service or process that will create or add value for customers or workflow.

Provided that the mere act of developing:

- a. Products or services or processes which do not have potential for commercialization, or
- b. Undifferentiated products or services or processes, or
- c. Products or services or processes with no or limited incremental value for customers or workflow would not be covered under this definition.

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 startup refer www.startupindia.com)

2. RELAXATION OF NORMS FOR START Ups

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.

- Prior Turnover
- Prior Experience may be relaxed.

3. START UP RECOGNITION

Start up is a Company that has been in existence for less than five years and with sales revenues not exceeding Rs 25 crore

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

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.

4.1 PAYMENT FOR STARTUP'S

Start up's 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 Startup's

(Vide MoD ref MoM dated 8th August 2016)

CHAPTER – 23 LEGAL ASPECTS OF PROCUREMENT

23.1 – 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:

- 1) The Indian Contract Act, 1872
- 2) The Negotiable Instruments Act, 1881
- 3) The Sale of Goods Act. 1930
- 4) The Partnership Act, 1932
- 5) The Control Excise Act 1944
- 6) The Central Sales Tax Act, 1956
- 7) The Sales Tax Act (relevant to State concerned)
- 8) The Customs Act, 1962
- 9) The Customs Tariff Act, 1975
- 10) The Central Excise Tariff Act, 1985
- 11) The Arbitration and Conciliation Act, 1996
- 12) The Limited Liability Partnership Act, 2008
- 13) The Companies Act, 2013
- 14) The Real Estate (Regulation and Development Act), 2016
- 15) The Insolvency and Bankruptcy Code, 2016
- 16) The Goods and Service Tax Act, 2017.

23.2 – Unless a buyer has basic knowledge of the legal aspects of procurement he is likely to involve himself and the Company into legal complications which have to be avoided. The objective of this chapter is to make him familiar with some of the important legal aspects of procurement.

23.3 - Application of Law of Agency

23.3.1 - The basic Authority for the acts of the Buyer is derived from the Law of Agency which gives him the Authority to act for his Company. It is, therefore, necessary for the Buyer to know the amount of Authority delegated to him for transacting business as the agent of the Company.

23.3.2 – 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.

23.3.3 – 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.

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.

- 23.4 "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.

23.5 **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

23.6 **Offer and Acceptance**

- 23.6.1 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.

- 23.6.2 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).

- 23.6.3 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.

- 23.6.4 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.

- 23.6.5 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.

23.7-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 as 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.

23.8 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.

23.9 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.

23.10 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.

23.11 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.

23.12 Order Cancellation and Breach of Contract

- 23.12.1 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.
- 23.12.2 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.
- 23.12.3 For re-purchase or risk purchase at the expense of defaulting Supplier the following conditions shall be fulfilled:
- a) The material re-purchased shall be identical with the material originally ordered.
 - b) The re-purchase shall be made within a reasonable time after the date of breach or within the time stipulated in the contract.
 - c) The defaulting Contractor shall be served with notice of re-purchase.
 - d) 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.
- 23.12.4 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.
- 23.12.5 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.

23.13 Patent Infringement

- 23.13.1 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.
- 23.13.2 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.

23.14 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.

23.15 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 – 24 GRIEVANCE REDRESSAL

- 24.1 – Any bidder or prospective bidder aggrieved by any decision, action or omission of the procurement process may within a period of 10 days or such other period specialised in the pre-qualification documents, documents or Tender documents, from the date of such decisions, make an application for review to the concerned division clearly giving the specific ground or grounds which the vendor feels aggrieved. This application for review can be filed only by the bidder or vendor who has participated in the tender.
- 24.2 – In case of two bid system, application for review related to the commercial bid can be filed only by the vendor whose technical bid is found acceptable.
- 24.3 – The official to whom the application for review has to be addressed shall be indicated in the pre-qualification documents, vendor registration documents or tender documents as the case may be. Based on this application for review, decision on whether the tendering process shall be suspended pending disposal of the application shall be decided by the Competent Authority.
- 24.4 – After examining the application and the available documents, procurement agency may decide on the relief to be considered appropriate to the applicant and communicate its decision to the applicant and to the other bidders or prospective bidders. The application for review shall be dealt as expeditiously as possible.
- 24.5 – The grievance application shall be reviewed at a level of Head of Materials Department or by an Officer not less than the rank of DGM nominated by the Divisional Head for proposals where Competent Authority is Head of the Division.
- 24.6 – In case of Competent Authority is Functional Director, the grievance application shall be reviewed by Head of Division.
In case of Competent Authority is CMD/Procurement Committee/Board, the grievance shall be reviewed by Functional Director.

24.7 – Grievance Redressal Committee

- 24.7.1 – If the grievance application is not disposed off within the allowed time, or if the bidder feels aggrieved by the decision, the bidder can file an application for redressal by the concerned procurement redressal Committee within 15 days of expiry of date of receipt of the decision. Redressal Committee to be constituted at complex level with Head of Finance, HR and Head of division concerned where Competent Authority is Divisional Head. Redressal Committee at corporate level to be constituted with Head of Finance-CO, Head of HR –CO and Head of Corporate Materials where Competent Authority is Functional Director/CMD/Procurement Committee.
- 24.7.2 – The decision of the Grievance redressal Committee is final.

CHAPTER – 25 - REQUIREMENT OF PROFESSIONAL STANDARDS AND TRAINING

All personnel dealing with procurement are required to undergo training on the procurement procedure, ERP, SRM and guidelines issued by the Company from time to time to achieve professional standards in their work. Only personnel who have undergone training are to be authorised to deal with procurement process. Training of at least one week to be imparted to the personnel under the supervision of an Officer of Material Management, ERP, SRM department nominated by Head of Department of Material Management of the Division / Corporate Office as may be applicable.

GENERAL TERMS & CONDITIONS

**APPLICABLE TO CONTRACTS &
PURCHASE ORDER**

8205350535 Dtd 13th July- 2017

1. DEFINITIONS & INTERPRETATIONS

- 1.1. **`The Purchaser`** means “(include company name and address)” (A Government of India Undertaking) incorporated under the Companies Act having its registered office at “(include address)” and shall be deemed to include its successors and assignee.
- 1.2. **`Supplier`** means a person having been included in a contract as a Contractor and also means a firm or company with whom the order for supply is placed and shall be deemed to include the supplier’s successors, (approved by BEML Ltd.,) representatives, heirs, executors and administrators. The supplier may also be referred to as the supplier, Contractor or vendor.
- 1.3. **`Parties to the Contract`** shall mean the Supplier and the Purchaser as named in the main body of the Purchase Order.
- 1.4. **`Tender`** means and includes quotation, invitation to tender and all other documents like drawings, specifications, quality plan, etc that form part of the tender document.
- 1.5. **`Acceptance of Tender`** Means the letter of memorandum communicating supplier, the acceptance of the Tender and includes advance acceptance of this tender.
- 1.6. **`Purchase Orders / Contract`** means and includes the invitation to tender, instruction to tenderers, acceptance of tender, Letter of intent / letter of award, the general terms and conditions of Purchase Order / contract, special conditions of Purchase Order / contract, particulars, descriptions, specifications, schedule of prices, quantities, quality plan, drawings enclosed and other condition specified in the acceptance of tenders and includes the repeat order which has been accepted or acted upon by / for the supplier for the supply of stores and includes an order for performance of service and includes amendments, if any, that may take place subsequent to the discussions, negotiations, mutual agreement if any.
- 1.7. **`Stores / Materials / Services`** means the goods or services specified in the Purchase Order which the supplier has agreed to supply under the Purchase Order.
- 1.8. **`Words in singular include the plural & vice-versa.**
- 1.9. 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.
- 1.10 The heading of these conditions shall not affect the interpretations o construction thereof of the contract.

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.

3. ACCEPTANCE OF ORDER

The supplier shall send Order Acceptance within two weeks from 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 two weeks (or the time limit as specified / agreed by the Purchaser) of the receipt of the order.

4. SECURITY DEPOSIT / PERFORMANCE GUARANTEE

4.1 10 % 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 faithful performance (FPBG), Combined Bank Guarantee for contract performance covering delivery obligation and warranty (CBG) clause for 10% of the total order value shall be applicable where the order value exceeds Rs.5.00 lakhs. Bank guarantee for faithful performance, combined bank guarantee 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

4.2 BEML reserves the right to accept a bank guarantee from any of the nationalized 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 three months.

4.3 No claim shall lie against BEML Ltd., in respect of interest on cash deposits or Govt. Securities depreciation thereof

4.5 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.

5. VALIDITY PERIOD

The Purchase Order is valid for a maximum period for 24 months from the date of issue unless otherwise stated, 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 Ltd.,

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.

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 clause 10 (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 Clause 10 (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 stage 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 P.O.No. date by 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.

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. Samples so supplied shall be clearly labelled with Supplier's Name, Address and Purchase Order No. shall any certified sample be lent 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.

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 one month 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.

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. 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 he 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.

12. DELIVERY

Except as otherwise indicated in the Purchase Order, delivery shall be FOR (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 P.O. 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.

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 fulfill 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.

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 notices 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.

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 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.

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 suppliers 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.

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.

18. CENTRAL EXCISE (To be replaced by GST details)

The supplier shall obtain Central Excise Licenses opting to pay Excise Duty wherever applicable. Central Excise Duty Gate Pass in original shall be forwarded to the Chief of Stores, in respect of each consignment along with despatch documents. When goods are despatched through Road Transport Carriers, it shall be ensured that the Excise Duty Gate Pass No. and date is endorsed on the GC Note binding the carriers to deliver the Excise Duty Gate Passes in original to our Stores Department along with the consignment. Wherever Excise Duty is payable extra, the same shall be reimbursed at actual against production of qualified Excise Duty gate pass in original as a proof for having paid the duty on the particular consignment. The supplier shall ensure that the Gate Pass accompanies each consignment that is sent to us. In addition a photocopy of Gate Pass, in advance along with Invoice to be sent to Purchase Department in case of payment through Bank. If the terms of payment are other than the above, the photo copy of the Gate Pass with the bills etc. shall be sent to Accounts Department concerned. The Excise Duty Gate Pass number and date shall be incorporated in the Invoice, Delivery challan and all other despatch documents.

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 of shall have sole jurisdiction over disputes between purchaser and the Supplier.

20. INTELLECTUAL PROPERTY RIGHTS; LICENSES

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”.

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 as to the commissions 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.

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

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.

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.

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.

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. 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.

28. FALL CLAUSE:

- i. The prices charged for the stores supplied under this P.O 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.
- ii. 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.
- iii. The supplier shall furnish to the consigned / paying Authority concerned for this PO the following certificate under 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."
- iv. Failure in submission of the aforesaid certificate by the supplier will result in withholding of the payment of their bills against supply, if any.

29. DURING ARBITRATION

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

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.

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.

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.

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.

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.

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.

34. SHORT SHIPMENT / WARRANTY / GUARANTEE REPLACEMENTS:

In case of any short shipments during initial supply, subsequently despatched by the Supplier or as any Guarantee / Warranty replacement shall be despatched on "DDP – Delivered Duty

Paid BEML Stores" basis for imported items and "FOR – BEML Stores / designated destination" basis for indigenous items.

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.

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.

37. ASSIGNMENT OF RIGHTS AND OBLIGATIONS; SUB-CONTRACTING:

The supplier is not permitted to sub-contract the delivery or any part thereof to third parties or to assign the rights and obligations resulting from this agreement in whole or in part to third parties without prior written permission from Purchaser. Any permission or approval given by the Purchaser shall, however, not absolve the supplier of the responsibility of his obligations under the contract.

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 fit.

CHAPTER – 27 OUTSOURCING AND VENDOR DEVELOPMENT POLICY

27.1. 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 their 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 self reliance. On the other hand participation of Indian private Industry will be an enabler in building technological and manufacturing capability inside the country.

27.2. 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

27.3. Scope & feasibility of outsourcing

i) Source or product development

ii) Sub Contract

iii) Rate Contract

IV) Long term Contract

i) 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.
 - 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. 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:

The category of items at 2(a) 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.

The category of items at 2(b) 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.

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 infrastructure 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.

The categories of items at 2(c) 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.

The next category of items at 2(d) 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.

3. 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 divisional head. Purchase department will furnish a list of single source items to this team with a copy to divisional head mentioning priorities.
- 27.4. 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.
- 27.5. 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 up a time frame for the vendor for manufacture; only after the type approval is given by the R & D, vendors should be followed to supply these assemblies to production division.
- 27.6. All items other than proprietary in nature should undergo alternate source development through EOI / Open Tender mode by referring to the team.
- 27.7. Generally, intricate and functional bearing items for Import substitution will invariably come under the purview of R & D Department.
- 27.8. 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 to place indigenization orders at a price less than the FOB cost of import.
- 27.9. 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.

27.10. The procedure to be followed is broadly outlined below:

(i) 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.

(ii) 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.

(iii) The reasonableness of the offer received will be assessed & where negotiation of price is necessary, the provisions are as under.

a. 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, unless the negotiation is carried out by the committee CFA itself.

b. 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.

c. 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 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 should be within the validity period of the tender / contract.

d. 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.

- e. In case of L1 backing out, there shall be re-tendering as per extant instructions.
- f. Tender should invariably be finalized within the validity period and the following time schedule is to be followed:
 - (i) In case of Limited Tender, 60 days from the date of tender;
 - (ii) In case of Open Tender, and where two bid systems are followed, it should be 75 days from the date of tender.
- g. 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 register 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.

(vii) The same procedure as above will also apply in respect of development of items of R&D design.

27.11. 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 Chief of Materials Management.

27.12. 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 CGM with concurrence of finance.

- 27.13. 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.
- 27.14. 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 CGM 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 CGM, 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.
- 27.15. 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 CGM. 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 14.

27(ii) 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;
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 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 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 DOP.

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 concerned 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 concerned 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 Divisional Chief 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 delegation of power 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.

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 realistically estimate and make available to the 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 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 Delegation of Powers. 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 Central Excise Act. No excise duty 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 should be obtained from the respective range excise superintendent by sending an application in time. (*Taxes as per GST rules*)
12. The approval of Purchase Orders shall be done as per the Delegation of Powers 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 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.,
 - MRs will be made quoting the sub-contract Purchase Order reference for drawal of raw materials/components.
 - MRs should be co-ordinated by Planning Department.
 - 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.
 - 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. 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 should be finalized immediately 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 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 CGM for which a note shall be put by the Sub-contract cell to CGM 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, dacoit 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.5.0 Lakhs. However depending upon the nature of sub-contract work involved, material exceeding value of Rs.5.0 Lakhs may be sent with the written approval of complex chief.
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.
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 Chief of Materials Management 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 Finance Department. 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.

27(iii) Rate Contract

This refers to procurement of materials by availing the Rate contracts finalized by the Director General of Supplies and Disposal for placing either a supply order or a direct order availing the Rate Contract prices.

27(Iv) 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 3 years at a time. Under no circumstances it should be extended beyond 3 years without specific approval of Director / CMD. However, firms / SMEs located in the premises of the Company shall have contract period exceeding 3 years as it involves relocation and investment in infrastructure.

4. 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.

- Based on the market research and contact network
- By providing an option to submit details through BEML website
- EOI is published in leading news papers
- Participate in exhibitions, Trade fairs, etc.
- Organize vendor meets

Selection of potential vendors:

- 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.
- Upon ascertaining the capabilities of the vendors, they are added to our Vendor List provisionally and business opportunities are explored.
- Vendor evaluation for proper rating of the vendor will be done based on customer profile / facilities available etc.
- If the performance of the vendors is found satisfactory, they will be upgraded as regular vendors.

- The selection of potential vendors for Rail Coach Components is based on approval by the ICF/RDSO.

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.

Tendering: The Company has made e-mode of procurement mandatory for all project items, non-project items, Capital items, Civil Tenders and other service contracts (for e.g. Transportation, Medicine etc.) Where the estimated value of Purchase Order is more than one lakh, irrespective of the type of tender.

In case of imported items and for less than Rs.One lakh, all out efforts to be made to progressive achieve e-mode of procurement. For Standard Non-Production items hosted on BEML Website and CPPP Portal the Bid invitation Transaction Type shall be selected as 'Public Tender' or 'Public Tender 2 bid' in the SRM system which will enable the following :

a) All the vendors who already have User ID in our SRM system will have access to invitations for submitting bids.

b) Once the User ID is created and communicated to a new vendor by SRM

Team, the vendor can access the Bid invitation directly without the need for the Purchaser to add the Vendor Code to the Bid invitation and get approval.

c) There will not be any possibility of discretion of the purchaser in not adding a vendor to the bid invitation.

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. Noncompliance 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 in writing and obtained in writing. 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.

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 DoP (Delegation of Power) on the technically acceptable

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.

Vendor Rating

Vendor rating is being done based on quality of supplies from the vendor. If the rating of the vendor is low, they are being informed for the improvement.

Vendors from DPSU's

The list of vendors is also being collected from DPSU's in order to explore and expand the vendor base

Updation of Vendor Master (Addition / Deletion)

1. 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 SSI / Excise / VAT certificate etc effecting the change
2. 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
3. Updation with regard to contact details, SSI / 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)

27(5) 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.

- BEML has a Vendor Development Cell to work as a single window help desk for new vendors.
- New vendors can register through Online / Manual.
- New vendors are supported by way of imparting knowledge on manufacturing processes, specifications, quality plans, etc.
- BEML also extends its testing facilities on chargeable basis to its vendors wherever required.
- 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.
- To enhance transparency in all its procurement processes, BEML has well established e-Procurement Portal.

27(6) 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:

- Defence
- Mining and Construction
- Rail and Metro

1. Introduction:

The administrative matters relating to Civil Works planning/execution of the Company shall be dealt by the respective Chiefs of Construction at Corporate Office and Divisions.

The administrative matters relating to Civil works planning/execution at Regional/District Offices shall be dealt in coordination with Chief of Construction at Corporate Office by the 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.

2. Aim:

The Civil Works Contract Procedure aims at:

- Bringing uniformity in all the Divisions of the company in all matters relating to Civil Works.
- Keeping the over-all cost within the estimates.
- Ensuring quality work by engaging contractors with requisite skill and competence.
- Aligning with Government/ Statutory/ CVC guidelines as applicable.

3. Tender Committee:

The objectives of Tender Committee are as under:

- Screening of tenders received
- Evaluation and recommendation of acceptable tenders.
- 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'.

4. Approval:

Proposals for civil works (Capital / Revenue) shall be approved by the competent authority, after Finance Concurrence as per DoP.

5. DEFINITIONS

- (i) **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.(It is in line with GFR 136)

- (ii) **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.
- (iii) **Chief Engineer:** Chief Engineer shall mean the Head of Construction/Civil Department nominated in the respective Divisions/Corporate Office. In respect of Regional and District Offices, 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 /Regional / District Offices. He will report to such executive as nominated by the respective Complex / Divisional Chiefs or Functional Director.
- (iv) **Competent Authority:** Competent Authority shall mean the authority competent to sanction/approve works in terms of monetary limits provided under the “Delegation of Powers”. The value includes cost of free supply items, if any, issued by the company.
- (v) **Contract:** The Contract means the Work order against an 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.
- (vi) **Contractor:** The “Contractor” shall mean the individual and or partnership firm or joint stock company who has agreed to undertake the civil works and shall include legal representatives of such business entities.
- (vii) **Contract Sum:** Contract Sum shall be the accepted value of Contract originally awarded or amended from time to time.
- (viii) **Delayed offer:** 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.
- (ix) **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 Regional and District Offices, he will report to Regional/District Managers.

- (x) **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.
- (xi) **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.
- (xii) **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;
 - a) To assess the necessity for the proposed civil works duly considering the available facilities
 - b) To identify the location.
 - c) To ascertain the scope of work, nature and size of the facility.
 - d) To prepare and submit formal proposal for the consideration of Management
- (xiii) **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.
- (xiv) **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.
- (xv) **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.3,00,000/- per job. (to be updated in Accounts Manual and in DoP) 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.
- (xvi) **The Company:** The word 'The Company' refers to '**BEML Limited**'.
- (xvii) **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.

6. Budget :

6.1 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 / 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/Regional / District offices shall send a list of such completed items with full details to the Corporate Finance Department 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 Chief of 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 Finance / Corporate Planning Department through the Divisional 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.

After approval of the capital budget by the Board, Corporate Finance shall intimate the Divisions/Corporate Construction department /Regional and District offices the details of the sanctions approved. A list of sanctioned works Division-wise shall be kept by the Chief of Planning Department of the respective divisions/Corporate Finance and Regional /District Managers for civil works. Such details shall also be maintained by the Chief 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.

6.2 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 delegation of powers. The authority competent to accord administrative approval shall be as per Delegation of Powers 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 Regional and District offices Corporate Construction Department shall co-ordinate on request of Regional and District offices. Administrative approval shall be accorded by taking into account the following:

- (i) Necessity for the work
- (ii) Conforming to the policies of the Company
- (iii) Conformity with the scope of work laid down and

(iv) Priority drawn up on the basis of urgency

The proposal shall also be co-ordinated by the Chief of Maintenance of respective divisions /in respect of Corporate Office by the Management Services Department under HR / in respect of Regional and District offices by the HR Chief of Marketing HQ before administrative approval is accorded. Any revision of the administrative approval within the ceiling authorised by the delegation of powers 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.

- 6.3 **Technical Sanction:** This refers to technical sanction to detailed estimates for works to be administratively approved by competent authority as per delegation of powers. The technical estimate prepared by the Chief of Civil Maintenance departments of Divisions or a consultant appointed for the purpose shall be duly co-ordinated by the Chief of Maintenance of the respective divisions. In respect of Corporate Office and regional/District Offices, technical estimates shall be prepared and co-ordinated 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 DoP under which the Administrative approval has been sought shall be mentioned. No technical sanction is required for minor civil works costing less than Rs.3,00,000/- ordered on Term Contract for repair/maintenance works. The objective of technical sanction is to ensure that:

Remarks: The term contract value to be updated to Rs.3.0 lakhs instead of Rs.1.0 lakh. This has to be updated in the Accounts Manual and in DoP.

- (i) Extravagant scales are not adopted.
- (ii) The designs and specifications are sound, economical and adequate to fulfil the purpose of the works.
- (iii) The estimate for the work is as realistic as is possible at the time it is prepared.
- (iv) The materials and the execution of the work are according to the specifications.

7. Empanelment of Contractors:

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.

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

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:

- a) Chief of Corporate Materials – Chairman
- b) Chief of Civil Maintenance Department of all divisions as members.
- c) Rep. from Corporate Quality Department (Not below the rank of Grade III) - Member.
- d) Rep. from Corporate Finance (Not below the rank of Grade III) - Member.
- e) Chief of Corporate construction department - Co-ordinator/Secretary.

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.

7.1 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.,

- (a) Building and related Civil and structural Works, sanitary and water supply installations
- (b) Road and drains.
- (c) Interior Decoration and associated civil works
- (d) Waterproofing and associated civil works
- (e) Electrical works
- (f) Structural rehabilitation works

- (g) Acoustic/Insulation works
- (h) Other special jobs etc.
- (i) Term Contract Works for minor Civil and allied works

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

7.2 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.

The list of empanelled contractors shall be updated periodically as stated above, in Para 7.1 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.

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.

- (v) While updating the new list, track record of already empanelled contractors has to be reviewed and deleted for:
 - a) Poor performance,
 - b) Black listed by the Company / other PSU's or Ministry.

The new list would be circulated to all Divisions/Corporate office/Regional and District offices by Chief of Corporate Materials.

- (vi) Whenever open tenders are floated with appropriate sanctions, for wider participation, the empanelled contractors shall be informed of such tenders to have wider participation.

8. **Earnest Money:** Please refer to Para 5.4 of Chapter 5 of this manual.
9. **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 technical bid.
10. **MSE:** MSE's registered firms are eligible for exemptions as applicable in MSME Act, in respect of EMD and cost of tender forms fee. Such firms shall submit relevant documents in proof of MSE.
11. **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 Item rate Contract for repairs and maintenance jobs and minor works not costing more than Rs.3,00,000/- 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 Divisions. In respect of Corporate Office, by Corporate Materials Department.

On expiry of the contract, the validity of the existing Contract shall be extended for a period not more than 6 months, with approval of the competent authority as per DoP 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 divisions. 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 DoP. The expenditure is monitored through various work orders placed under Term Contract during a financial year which shall be within the approved budgetary limit.

- c) **Turnkey Contracts:** Turnkey contracts may be adopted, wherever it is appropriate.

12. **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 is advertised either through leading News Paper, or uploading the tender documents in the BEML Website, CPP Portal. Tenders for works costing over Rs.1.00 Crore (one crore) shall be advertised through 1 leading Newspaper, in addition to uploading on Company website and CPP Portal.

12.1 **Public Tender / Open Tender:** In case of public tender/open tender, the tender notice shall be uploaded in Company Website and CPP Portal. In respect of tender value costing more than Rs.1.00 Crore, the same shall be published in one leading English newspaper apart from publishing the tender notification in BEML Website and CPP Portal.

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.

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:

- (a) Budget provision

- (b) Administrative approval of works by the Competent Authority.
- (c) Bill of quantities.

12.2 **Limited Tender:** All the tenders above Rs.1.0 lakh are issued invariably as public/open tender. Hence, the concept of limited tender is being restricted to contact empanelled contractors. In addition, the same shall be published in Company website and CPP Portal.

In a Limited Tender, the tender forms shall be issued by the Corporate Materials in respect of Corporate office /Purchase Department for the respective divisions and by tender committee/HR department for respective 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.

The Chief of Corporate Materials Department/Purchase departments of respective divisions is authorised to issue tender forms to any empanelled contractor borne 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.

12.3 **Single Tender:** 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. With the recommendations of the Construction Tender committee, the Functional Director shall approve a suitable contractor.

In all matters of price/rate negotiation, Chief of Finance or his representative in the Division shall be associated. The rates so negotiated shall favourably be comparable with the existing schedule of rates for similar work in the existing contracts.

The justification for going on Single Tender has to be recorded in writing and the contract awarded duly approved by the competent authority as per DoP, based on the recommendations of the Construction Tender Committee.

12.4 **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 Delegation of Powers (DoP). 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.

13. Tender Opening and Tender Comparative Statement.

Time allowed for submission of open tenders shall be 28 days. For tender value more than Rs.10.0 Crore, 45 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 one step above who can accept the tender as per DoP, except in respect of cases where CMD is the approving authority.

Time allowed for submission of Limited Tenders where the tenders are sent to empanelled contractors and also uploaded in BEML Website & CPP Portal, shall be 14 days.

All open tenders (uploaded on BEML website and CPP Portal) shall be issued under Two bid system with prequalification criteria except in certain exceptional cases, with the recommendation of the Construction Tender Committee.

The following are the Prequalification criteria to be incorporated in the Technical bid.

- a) Average Annual financial turnover during the last 3 years ending 31st March of previous financial year shall be atleast 30% of the approximate estimated amount stated in the tender documents.
- b) EMD of required amount to be furnished in the form of Demand Draft or Banker's Pay order.
- c) 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.
- d) 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.

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 Nationalised / 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 OM 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:

- a) The experience certificate shall be considered only in the cases of works completed in full and complete.
- b) In case of experience certificate obtained from other than Government organisations/Public Sectors, the same shall be supported with TDS certificate by the contractor.
- c) 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.
- d) The meaning of "similar nature of work " for the purpose of tender shall be defined in the Notice Inviting Tender (NIT)
- e) Valid licence from statutory authority concerned shall be furnished for execution of specialised works including electrical works.
- f) ESI and PF: The contractors are required to comply with the provisions of ESI & PF act.

Tenders shall be opened by the Tender opening section under the Purchase Department of the respective divisions / Corporate Materials Department in the presence of nominated Committee wherein a representative of ~~Internal Audit~~ Finance Department shall also be present and attest the tender documents with date and initial as per the tender opening procedure.

The tender opening Committee shall consist of representatives from Purchase and Finance. In respect of Regional and District Offices, the tenders shall be opened at the respective offices, in the presence of nominated Committee.

At present all the civil tenders are published through Manual mode since the SRM-ERP portal of the Company is designed only for material procurement. Upon updation of SRM-ERP portal enabling floating of tenders for civil works, the same shall be adopted as per the Company's guidelines.

In respect of tenders published through newspapers/website/PPP Portal (i.e., public tenders), the authorised representatives of bidders shall be permitted to be present at the time of tender opening by the Tender opening section.

In respect of such public tenders, the total amount quoted against each bid of each bidder shall be read out and also item wise rates as quoted by the bidders shall also be read out, if so requested by the contractors' representatives who are present. All corrections shall be attested with dated initials by the representatives of the Tender opening Committee including representative of Finance. 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.

The comparative statement shall be checked by finance with respect to the tenders received before it is put up for approval.

13.1 Selection of offers and Acceptance of Tenders:

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 Delegation of Powers.

When it is approved, acceptance of tender shall be intimated in writing to the Contractor.

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 Chief of Materials in Divisions / Corporate Office and Regional / District Manager's in RO's / DO's as per DoP.

The standard format of Contract Agreement as at Appendix shall be adopted. Any deviations from the standard format shall be with the approval of competent Authority with the concurrence of Legal & Finance.

A work order number linking to the relevant contract shall be assigned for accounting purposes by the Purchase Department concerned of the respective division / Corporate Materials department. In respect of Regional and District offices, by the respective Regional and District Managers.

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.

13.1.1 Re-tender: Retendering is not to be resorted to in the normal course. However, retendering 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.
- 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.

13.1.2 **Negotiations:** Negotiation in respect of all matters relating to tender value, rate, shall be based on the recommendations of Construction Tender Committee I or II.

Negotiation shall be conducted by the Chairman of 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.

13.2 **Security Deposit** 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.

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 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) Bank guarantee from any commercial bank equivalent to the amount of security deposit, valid for a period required by BEML shall also be accepted.
- (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.

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.

- 13.2.1 **Refund of Security Deposit:** 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.

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.

Any refund of security deposit shall be made only with the recommendation of the Chief Engineer.

14. Tender Committee:

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).

- 14.1 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 Delegation of Powers. 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.

15. **Execution of work:** 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.

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 kutch recording of the measurements to be transcribed to measurement book so as to ensure that the recordings in the MBs are full and complete upto the previous RAR stage.

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.

15.1 Empowered Project Team for large value projects (Ref F 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.

- 15.2 **Measurement Book (MB):** Independent Measurement Book (MB) shall be maintained for each contract. However, a consolidated MB shall be maintained for Term Contracts.

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.

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.

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.

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.

15.3 Running Account Remittances (RAR): 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.

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.

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 Division 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.

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.

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.

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.

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.

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.

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.

Civil /maintenance works at the Regional & District Offices shall be executed by the nominated officer at Regional/District Offices as duly monitored and certified by the Committee headed by the Regional Manager/ District Manager, formed for the work at the respective Regional/District Office against the bill submitted by the contractor.

- 15.4 **Issue of materials:** 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.

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:

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.

15.5 **Custody and Control of materials:** 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.

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.

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.

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.

In respect of scrap materials, the quantity and gate pass reference shall also be recorded.

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 dovetailed to the planned progress of work in consultation with the Construction Department of the respective Divisions/Corporate office/ Regional and District offices.

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.

15.6

Free supply of materials: 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.

- i. Specific approval of Competent authority as per DoP 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.
- ii. There shall be a specific clause in the Tender Documents and the contract covering the following aspects:
 - a) Specified Materials for issue as "free supply" indicating wastage allowance permitted.
 - b) 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.
 - c) 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.
 - d) 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.

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 DoP shall be inclusive of the cost of free supply materials.

15.7

Valuation of Deviations: 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.

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/Regional and District offices in the note for administrative approval of Competent Authority as per DoP. 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)

Every deviation shall be subject to the limits specified as under:

- a. 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.
- b. 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 shall accordingly approval shall be obtained from the authority higher than the authority who has approved the contract.
- c. 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.

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/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 DoP 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 division.

15.8 **Classification of soil:** 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 incharge 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 Division/Corporate Office.

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.

15.9 **Completion Certificate:** 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:

- a) particulars of the work and Contract Number,
- b) the date of work order to commence the work,
- c) date of completion as per original contract agreement,
- d) Actual work done value.
- e) extension of time if any, granted,
- f) date on which contractor was required to complete the work,
- g) Actual date of completion and taking over by BEML.

15.10 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 delegation of powers, before final bill is settled for the work.

15.11 Final Bill: 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.

The final bill prepared by the Construction Department and accepted by the contractor, shall be accompanied with the following documents:

- a) Original Completion certificate
- b) 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.
- c) No claim certificate duly signed by the contractor
- d) Original Contractor's All Risk Insurance Policy covering up to the actual date of completion of work.
- e) Contract Agreement
- f) Revised estimate as duly approved by Competent Authority.
- g) ESI & PF statement duly co-ordinated by Welfare Section.
- h) Measurement books duly technically checked by Construction Engineer.
- i) Any other documents which are specified by the Management from time to time.

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.

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.	50 days for the date of receipt of final bill from Construction Department.

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.

15.12 Pre-Final RARs : 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.

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.

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.

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.

The recommendation of Pre-final RAR is based on the discretion of the Chief Engineer on case to case basis.

- 15.13 **Adhoc Payments:** 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.

The following guide-lines shall be adopted while making such adhoc payment:

- a) Such payment shall not exceed 90% of the final bill value.
- b) All conditions of contract and recoveries to be effected shall be taken care before effecting adhoc payment.
- c) 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.

16. **Defect Liability Period:**

Normally the period of maintenance for all the works shall be one year. However for special cases, viz., waterproofing contracts etc., the Defect Liability Period shall be based on case to case basis at the discretion of the Chief Engineer.

Similarly there could be certain special works for which Defect Liability Period shall not be applicable. For example: survey of land etc.

The applicability of Defect Liability Period or otherwise, has to be decided by the Chief Engineer with specific approval of respective Complex Chief

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.

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.

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.

17. Extension of Time:

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 same authority who accepted the tender/awarded the contract, subject to recording the reasons for granting such extension of time.

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 CMD. In the absence of CMD's approval, Liquidated Damages for delay in completion of the work shall become enforceable.

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 DoP without sanctioning escalation claimed by the contractor except statutory levies.

Extension of time when granted with the approval of the Competent Authority as per Company's Delegation of Powers 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.

18. Liquidated Damages for delay in completion of works: 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.

Liquidated Damages shall be applicable in the following cases:

- a) Where the contractor fails to complete the work within the stipulated time;

b) Where the extension of time is granted with levy of LD;

c) Where extension of time is granted without levy of LD but the contractor has failed to complete the work within the extended period.

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.

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.

19. 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 by the authority one level above the level of the authority competent to award the contract, or by the CMD.

20. Dispute Resolution and jurisdiction:

All disputes or differences whatsoever arising between the parties out of or relating to the construction, meaning and operation or effect of the contract or the breach thereof arising during the progress of work or after completion or abandonment thereof shall be mutually discussed and settled amicably by conciliation Committees/ Councils comprising of independent subject experts constituted by BEML, failing which, the dispute shall be settled by arbitration consisting of sole arbitrator appointed by the Company in accordance with the provisions of Arbitration and Conciliation Act 1996 and the arbitration proceedings shall be conducted at the place of awarding of original contract.

The court at the place of awarding of contract only shall have jurisdiction to entertain any dispute/matter relating to the contract

In case of any dispute between the Company and any other Public Sector / Government department relating to the interpretation and application of the provisions of the contract, such disputes / differences shall be referred by either party to the

arbitration of one of the arbitrators in the Department of Public Enterprises. The Arbitration and Conciliation Act, 1996 and amendment thereof shall not be applicable to this clause. Any party aggrieved by such award, shall make further reference to the Ministry of Law and Justice, Government of India.

In case BEML challenges the Arbitral Award passed against it, 75% of the award may be paid to the contractor / concessionaire against Bank Guarantee without prejudice to the final order of the Court in the matter under challenge. The payment may be made into a designated Escrow Account with the stipulation that the amount so released will be used, first, for payment of lenders' dues, second, for completion of the project and then for completion of other projects of BEML, as mutually agreed / decided. Any balance remaining in the Escrow Account subsequent to settlement of lenders' dues and completion of projects of BEML, may be allowed to be used by the contractor / concessionaire with the prior approval of the lead banker and BEML.

In case the subsequent court order required refund of the money paid by BEML to the contractor / concessionaire against Bank Guarantee, the amount shall be refunded by the contractor / concessionaire along with appropriate interest. The rate of interest on such refund amount shall be decided by BEML keeping in view the cost of capital to BEML or the rate of interest provided for in the Contract Agreement or the rate of interest awarded under the Arbitral Award under challenge.

21. Contractor's liability and Insurance:

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.

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.

22. Principal Employer :

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.,

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.

23. 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 area:-

- 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.,

23.1 APPOINTMENT OF CONSULTANTS: (GFR 177 to 196)

- i. 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 news papers, Company website and CPP portal.
- ii. 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.
- iii. 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 the news papers Company website and CPP portal.

23.2 Empanelment of Architects/Consultants: 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 divisions duly got approved by the Competent Authority.

As a regular measure, advertisement in leading News papers, Company website and CPP Portal shall be kept in view for updating the approved list periodically

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 divisions.

23.3 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 Delegation of Powers, 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:

- i. Bill of Quantities.
- ii. Estimated quantities of Structural Steel/reinforcement bars,
- iii. Estimated quantities of cement.
- iv. Detailed working drawing (blue prints) together with the original vellums. The drawings so forwarded shall also be for execution purposes.
- v. Design calculations & Third Party Certification of Design calculations.
- vi. Monitoring, supervision and Execution, assistance for finalisation of bill, measurements etc.

23.4 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---1/2% of the cost of the work

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 Regional/District Offices, the respective Regional/District Manager.

MEMBERS:

Representative Chief of Finance (Grade III or above at Divisions/ Corporate Office and Officer Grade II or above at Regional/District offices.)

Chief Engineer in respect of Divisions /Corporate Office, Officer in-charge of Civil Engineering works in respect of Regional and district offices, who will also be the member-secretary of the committee.

Representative of Chief of Purchase (Grade III or above at Divisions/ Corporate Office)

Representative of Chief of HR Department (Grade III or above at Divisions/ Corporate Office and Officer Grade II or above at 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.

ii. Terms of Reference:

1. Screening of the contractors if any, who are not in the 'Empanelled list of contractors', in response to public tender.
2. Evaluation and recommendation of acceptable tender for the approval of Competent Authority as per DOP, 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 DOP.
5. Specific cases that may be referred to this Committee by the Complex / Divisional Chief 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 the high power committee i.e. CTC (II).

CONSTRUCTION TENDER COMMITTEE (II)

CONSTITUTION:

Chairman:

The Complex/ Divisional Chief in respect of Divisions and in respect of Corporate Office, Chief of HR(in-charge of Civil Engineering Department) and in respect of Regional and District Offices –respective Regional Manager.

Members:

Chairman of CTC-I, who shall also be the member-secretary

Chief of Finance of Divisions/Corporate Office.

Chief of HR Department of Divisions /Corporate Office.

Chief of 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 DoP.
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.

To be executed in a Non Judicial Stamp Paper of requisite value

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.

MATERIAL PURCHASE COMMITTEE - PRODUCTION

I. CONSTITUTION

01. Complex/Divisional Head - Chairman
02. Chief of Production
03. Chief of Planning
04. Chief of Finance
05. In-charge of Purchase Scrutiny
07. Chief of Materials Management
08. Representative of Materials Dept.
09. Head of the Design Department
10. Head of the Quality Department
11. Head of Divisional Service

Representative of Materials Dept will be the Convenor 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 of deviation from the Purchase Procedure/Manual 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 Finance Chief, Corporate Finance by Division.

II. TERMS OF REFERENCE

The Material Purchase Committee will examine all orders and amendments thereof requiring approval of Functional Director / CMD as per delegation of powers. 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 of Functional Director and above as per DoP.

1. Where only one valid quotation is received against the tender and requires the approval of Functional Director and above as per DoP.

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. Procurement of proprietary items / procurement on single tender basis which requires the approval of Functional Director and above.
4. Acceptance of excess supply/change in quantity up to 10% of the ordered quantity or as per quantity tolerances specified in B/S 3469 (Part I)-1974, Table 1.7, whichever is less in the case of forgings and up to 5% of the ordered quantity in the case of castings

Amendment to Purchase Order for admitting excess supplies will be approved by the same Authority which approved the original Purchase Order provided the amended value is within the financial power and subject to financial concurrence.

5. Standardization of brand / specific make
6. Emergent/Express purchases above Rs.1 lakh (Post facto approval is Sufficient).
7. Amendments to Purchase Order/contracts with firm price involving price increase.
8. Proposals for entering into long-term contracts.
9. Waiving liquidated damages.
10. Any guidelines on procurement within the framework of Purchase Department.
11. Any other case, which may be specifically referred to this Committee by the Purchase department. However, cases for relaxation in admitting the bills of suppliers for payment without proper evidence for receipt of materials and/or finalization of documents, recommending payment of Excise duty without original/clear excise duty gate pass and such other cases relaxing the checks and control procedures shall not be referred to this Committee.

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 D(F), concerned Director and Agenda and Minutes to C(A) for their perusal.
- (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.

MATERIAL PURCHASE COMMITTEE - MARKETING DIVISION

I. CONSTITUTION

01. Divisional Marketing Chief - Chairman
02. Divisional Chief of Parts
03. Divisional Chief of Service
04. Divisional Chief of Finance
05. Divisional representative of Purchase Convenor

Divisional representative of Purchase will be the Convenor 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 of deviation from the Purchase Procedure/Manual 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 Chief of Finance of Complex or Chief of Marketing Finance (HQ)

II. TERMS OF REFERENCE

The Material Purchase Committee will examine all orders and amendments thereof requiring approval of Functional Director / CMD as per delegation of powers.

All cases which fall under the following category and requires the approval of Functional Director and above as per DoP.

1. Where only one valid quotation is received against the tender and requires the approval of Functional Director and above as per DoP.
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. Procurement of proprietary items / procurement on single tender basis which requires the approval of Functional Director and above.
4. Acceptance of excess supply/change in quantity up to 10% of the ordered quantity or as per quantity tolerances specified in B/S 3469 (Part I)-1974, Table 1.7, whichever is less in the case of forgings and up to 5% of the ordered quantity in the case of castings

5.Amendment to Purchase Order for admitting excess supplies will be approved by the same Authority which approved the original Purchase Order provided the amended value is within the financial power and subject to financial concurrence.

6.Standardization of brand / specific make

7.Emergent/Express purchases above Rs.1 lakh (Post facto approval is Sufficient).

8.Amendments to Purchase Order/contracts with firm price involving price increase.

9.Proposals for entering into long-term contracts.

10.Waiving liquidated damages.

11.Any guidelines on procurement within the framework of Purchase Department.

Any other case, which may be specifically referred to this Committee by the Purchase department. However, cases for relaxation in admitting the bills of suppliers for payment without proper evidence for receipt of materials and/or finalization of documents, recommending payment of Excise duty without original/clear excise duty gate pass and such other cases relaxing the checks and control procedures shall not be referred to this Committee.

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 D(F), concerned Director and Agenda and Minutes to C(A) for their perusal.
- (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.

MATERIAL PURCHASE COMMITTEE –Corporate Office (Contracts/Purchases by Corporate Materials on matters directly connected with Human Resources Functions/Administration)

I. CONSTITUTION

01. Executive Director - Chairman
02. Chief of Purchase
03. Chief of Finance
04. In-charge of Purchase Scrutiny
05. Rep. of HR Dept. /Medical centres/MM from Division concerned
06. Head of the Corporate Quality Department
07. Head of Management Services

Representative of Materials Dept will be the Convenor 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 of deviation from the Purchase Procedure/Manual 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 Finance Chief, Corporate Finance by Division.

II. TERMS OF REFERENCE

The Material Purchase Committee will examine all orders and amendments thereof requiring approval of Functional Director / CMD / Procurement Committee (PC) as per delegation of powers. 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 of Functional Director and above as per DoP.

1. Where only one valid quotation is received against the tender and requires the approval of Functional Director and above as per DoP.
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. Procurement of proprietary items / procurement on single tender basis which requires the approval of Functional Director and above.

4. Acceptance of excess supply/change in quantity up to 10% of the ordered quantity or as per quantity tolerances specified in B/S 3469 (Part I)-1974, Table 1.7, whichever is less in the case of forgings and up to 5% of the ordered quantity in the case of castings

5. Amendment to Purchase Order for admitting excess supplies will be approved by the same Authority which approved the original Purchase Order provided the amended value is within the financial power and subject to financial concurrence.

6. Standardization of brand / specific make

7. Emergent/Express purchases above Rs.1 lakh (Post facto approval is Sufficient).

8. Amendments to Purchase Order/contracts with firm price involving price increase.

9. Proposals for entering into long-term contracts.

10. Waiving liquidated damages.

11. Any guidelines on procurement within the framework of Purchase Department.

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 D(F), concerned Director and Agenda and Minutes to C(A) for their perusal.
- (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.

MATERIAL PURCHASE COMMITTEE –Corporate Office (Contracts/Purchases by Corporate Materials on matters connected with Manufacturing Activities)

I. CONSTITUTION

01. Executive Director - Chairman
02. Chief of Purchase
03. Chief of Finance
04. In-charge of Purchase Scrutiny
05. Representative of Materials / Stores Department from Division concerned

Representative of Materials Dept will be the Convenor 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 of deviation from the Purchase Procedure/Manual 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 Finance Chief, Corporate Finance by Division.

II. TERMS OF REFERENCE

The Material Purchase Committee will examine all orders and amendments thereof requiring approval of Functional Director / CMD as per delegation of powers. 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 of Functional Director and above as per DoP.

1. Where only one valid quotation is received against the tender and requires the approval of Functional Director and above as per DoP.
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. Procurement of proprietary items / procurement on single tender basis which requires the approval of Functional Director and above.
4. Acceptance of excess supply/change in quantity up to 10% of the ordered quantity or as per quantity tolerances specified in B/S 3469 (Part I)-1974, Table 1.7, whichever is less in the

case of forgings and up to 5% of the ordered quantity in the case of castings

5. Amendment to Purchase Order for admitting excess supplies will be approved by the same Authority which approved the original Purchase Order provided the amended value is within the financial power and subject to financial concurrence.

6. Standardization of brand / specific make

7. Emergent/Express purchases above Rs.1 lakh (Post facto approval is Sufficient).

8. Amendments to Purchase Order/contracts with firm price involving price increase.

9. Proposals for entering into long-term contracts.

10. Waiving liquidated damages.

11. Any guidelines on procurement within the framework of Purchase Department.

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 D(F), concerned Director and Agenda and Minutes to C(A) for their perusal.
- (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.

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 and 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: (for value more than Rs.5 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.,

These two quotes shall be received in two different envelopes clearly super scribed as "Technical-Quote" and "Commercial Quote" and put in one outer envelope and received on or before the tender closing date. A statement by the vendor confirming his acceptance against each technical parameters mentioned in the tender is to be obtained along with technical bid.

The Tender Opening Committee, at the time of opening the tenders, will open only the covers containing the Technical quotes. The covers containing the Commercial quotes will not be opened but will be attested for having been received before the due date by the representatives of Purchase, Finance and User.

The Technical quotes in original will be sent to Facilities Planning department who will make a detailed study of the Technical quotes. The Commercial quotes will not be sent to Facilities Planning department and the covers containing the commercial quotes will be kept in the personal custody of the Chief of Purchase department. The Facilities Planning Department, after going through the technical quotes will prepare a comparative statement and give their recommendation with regard to acceptability or non-acceptability of the technical offers and rank the acceptable offers. The facilities planning department after scrutiny of such technical bids shall obtain Business Group Heads approval for the list of commercial offers that are to be opened. On such approval Purchase Department will open such bids with Finance and User. The commercial quotes of vendors whose technical quotes are not acceptable will not be opened and returned back to the bidder after the approval of competent Authority.

A comparative statement of the Commercial quotes for the technically acceptable offers shall be made by the Purchase department and sent to finance along with the Purchase Order for pre-scrutiny and co-ordination.

- (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 not less than 10% 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 1 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) Negotiations: Invariably price negotiations shall be conducted subject to the guidelines discussed under the Chapter – Negotiations, for all capital items to reduce the price as much as possible without affecting the Quality and specifications of the machine. Also the negotiations will cover all other important aspects like delivery schedule, packing inspection details, third party inspection where required, Guarantee/Warranty provisions, payment terms, performance guarantee, L.D. 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 negotiations are conducted, minutes of the negotiations shall be made and signed by BEML and vendor's representative which shall be quoted as a reference in the Purchase Order.

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.
1. 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.
6. A) Please indicate the exact Taxes and duties etc and other levies applicable extra/included in the price. Claim for Excise duty shall be supported by original and clear Excise duty gate pass.

B) In case of GST, all relevant registration and documentation through online to be complied with.
8. If any packing charges are applicable extra, the exact amount shall be indicated in the offer.
9. 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.
10. 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.
11. The inspection charges will be to the account of the vendors.

12. 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.

13. 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 you risks and cost apart from levy of liquidated damages.

14. 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.

15. Samples shall be got approved before effecting bulk supplies wherever applicable.

16. FOR FORGINGS ONLY

- (i) The forgings shall be free from cracks, seams and laps, flash and scale to be removed by vendor before despatch.
- (ii) The forgings shall be supplied in shot blasted, normalised condition to the hardness and one coat of red oxide zinc chromate primer.
- (iii) The supplier shall forward the material test certificate with details as given below with each delivery challan.

(a) 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.

17. 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.

18. 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.

19. Supplier shall emboss their vendor code numbers on the forgings/castings in a place to identify the sources of supply.

20. 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

22. SI.No..... are not applicable against this tender.

23. 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.

Bid Security Declaration format

BID SECURITY DECLARATION (in the bidder's letter head):

I/We..... of M/s..... **hereby declare** as below on this date..... regarding bid security against bid No. of BEML Limited.

In place of a Bid security, I/We are accepting that if I/We withdraw or modify the Bids during the period of validity, or if awarded the contract and I/We fail to sign the contract, or to submit a performance security before the deadline defined in the request for bids document, I/We will be **suspended for the period of three years** for bidding the future tenders invited by BEML Limited and inform the same to other PSU's in this regard and also to publish in the BEML website .

.....

(Signature of Bidder/Authorised signatory with Date and Seal)

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.

2. 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 10 % 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 faithful performance (FPBG), Combined Bank Guarantee for contract performance covering delivery obligation and warranty (CBG) clause for 10% of the total order value shall be applicable where the order value exceeds Rs.5.00 lakh. Bank guarantee for faithful performance, combined bank guarantee 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.

- 5.2 A bank guarantee for a nominal amount of Rs.5000/- must be obtained from each Sub-contractor valid for a year, on yearly basis
- 5.3 BEML reserves the right to consider acceptance of Bank Guarantee in lieu of Banker's cheque / Demand Draft/ from any **“Scheduled Commercial Banks authorized by RBI excluding Regional Rural Banks/ Co operative Banks** for a like

amount or more at its sole discretion.

5.4 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%.

5.5 No claim shall lie against BEML in respect of interest on Banker's cheque / Demand Draft for Security deposits.

5.6 BEML shall be entitled to and it shall be lawful on its part to forfeit the said Security Deposit / to encash the Bank Guarantee in whole or in part in the event of any default, failure or neglect on the part of the supplier in the fulfillment or performance either in full or in part of the Purchase Order. The decision of BEML in this regard shall be final and binding on all concerned.

6. 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.

7. 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.

8. 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”.

9. 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 Chief of 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.

10. 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 Chief 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.

11. RAW MATEIALS 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. CENTRAL EXCISE (Details to be replaced by GST)

The supplier shall obtain Central Excise License opting to pay excise wherever applicable. Clear Central Excise Duty Gate Pass in original shall be forwarded to the Chief of stores, in respect of each consignment along with despatch documents. When goods are despatched through Road Transport Carriers, it shall be ensured that the Excise Duty Gate Pass No. and date is endorsed on the GC Note binding the carriers to deliver the Excise Duty Gate Passes in original to our Stores Department along with the consignment. Wherever excise duty is payable extra, the same shall be reimbursed at actual against production of unqualified excise duty gate pass in original as a proof

for having paid the duty on the particular consignment. The supplier shall ensure that the gate pass accompanies each consignment that is sent to us. In addition a photocopy of Gate pass, in advance along with invoice to be sent to Purchase department in case of payment through Bank. If the terms of payment are other than the above, the photocopy of the Gate Pass with the bills etc. shall be sent to Accounts Department concerned. The Excise Duty Gate Pass No. and Date shall be incorporated in the invoice, delivery challan and all other despatch documents.

In case of GST, GST RN no and other details to be furnished for compliance.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. **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.**

28. **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.**

29. **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.**

30. **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.**

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

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

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.

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 wagonload (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.

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 destination)

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 wharf age 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.

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 – 560 027 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:

(To be executed on plain paper and applicable for all tenders of value $\geq$ 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.
- a. 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.
 - b. 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.
 - c. 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.
 - d. 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**.

- e. 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

- (1) 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.
- (2) 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

- (1) 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.
- (2) 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

- (1) 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.

(2) The Principal will enter into agreement with identical conditions as this one with all Bidders, Contractors and sub-contractors.

(3) 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

- (1) 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.
- (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) 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.
- (4) 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.
- (5) 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.
- (6) 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.

(7) 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.

(8) 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

- (1) This agreement is subject to Indian Law. Place of performance and jurisdiction is the Corporate Office of the Principal, i.e. Bangalore.
- (2) Changes and supplements as well as termination notices need to be made in writing. Side agreements have not been made.
- (3) If the Contractor is a partnership or a consortium, this agreement must be signed by all partners or consortium members.
- (4) 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.
- (5) 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) -----

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.

-----X-----

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)

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 :

**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. (a) 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. Guntape
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, envelopes, 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. Roof light 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 KW440 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

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:-

		FE CONTENT-OUT FLOW (equivalent in rupees ₹ in crore)			
YE A R	TOTAL COST OF IMPORTE D MATERIA L (In rupees)	DOLLAR DENOMINAT ED	EURO DENOMINAT ED	POUNDS DENOMINAT ED	OTHER CURRENCIES DENOMINAT ED (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

PURCHASE PROPOSAL**PROPOSAL FOR APPROVAL FOR PROCUREMENT OF PROJECT MATERIAL**

(GUIDELINES FOR FILLING PROPOSAL)

Ref No. :

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 DoP. • 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.
6	Price reasonability	• Justification of price in comparison to past procurement prices or on basis of technical estimates. • Recommendation for accepting proposed prices
7	Negotiation	• 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.
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	Reference to DOP	• Reference of DOP to be indicated
12	Validity of offer	• Validity of offer to be indicated • Proposal to be sent before 2 to 3 weeks of expiry of offer.
13	Recommendation	• Clear recommendation for which approval is

		requested. • Reasons to be indicated for approvals sought for other than technically acceptable L1 offer.

Proposed by Chief of Materials

Co-ordinated by Chief of
Finance

D - PURCHASE

CHECK LIST**FOR COORDINATION OF PURCHASE ORDERS**

Ref No.

Date:

Purchase-Requisition

1.	Whether the 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 systems 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 delegation of powers.	Yes / No Yes / No Yes / No
6.	Whether PR is coordinated and approved by competent authorities as specified in the Purchase Manual / Delegation of Powers.	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 Yes / No
3	Whether the Due Date / Time has been specified as per procedure	
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

OFFER

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
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

DRAFT PURCHASE ORDER

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 / DOP	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 DOP.	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	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
Section Head

Purchase

TYPES OF 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

D - PURCHASE

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.

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:

Attorney as per power of Attorney No

Date:

D - PURCHASE

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 notwithstanding 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.

6. 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.
7. 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.
8. 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.
9. 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.
10. This guarantee will not be discharged due to the change in the constitution of the BANK or the CONTRACTOR(S) / SUPPLIER(S).

11. 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

WITNESS:

1
SIGNATURE

(Signature with name
name Designation
in block letters and
code No.
with designation)
common Seal)

(Printed
Staff

Bank's

2

(Signature with name
as per power of name
Designation
No.
in block letters and
with designation)

Attorney

Attorney

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.....wh
ich M/s.....concluded
with you on.....the aforementioned firm undertook to
deliver the following:-

SNo	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.

Seal:
(Countersigned)

Name of the Bank

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 ~~best~~ item not achieving the life guarantee, the indemnifier shall as may be deemed necessary repair of the defective ~~best~~ material at site, free of cost, within a reasonable time specified by the indemnified or reimburse the pro-rata cost of the ~~best~~ material to the extent a life not achieved as per the guarantee, or supply a spare ~~best~~ 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 supplied on Ex-Works basis particula rly 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.

Dated this day of 20 ...

Witness:

1.
SIGNATURE
Signature with name in Block Letters
with designation

2.
Name
Signature with name in Block Letters
with designation

Printed

Designation:

Banker's
Common

Seal.....

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.

Signature:

.....

(Printed Name):

.....

Designation:

.....

Banker's

common seal

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.

Date:

Place:

D - PURCHASE

CLAUSE NO: 13.9

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.

“Nodal Ministry” means the Ministry or department identified pursuant to this order in respect of a particular item of goods or services

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 Nodal ministry 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 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:
- i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is from a local supplier, the contract will be awarded to L1.
 - ii. If L1 is not from a local supplier, the lowest bidder among the local suppliers will be invited to match the L1 price subject to local 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.
 - iii. In case such lowest eligible local supplier fails to match the L1 price, the local supplier with the next higher bid within the margin of 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.
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%. Nodal ministry may prescribe a higher or lower percentage in respect of any particular item and may also prescribe the manner of calculation of local content.
5. **Margin Of Purchase Preference:** The margin of purchase preference shall be 20% .
6. **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.
7. **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.
8. **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.
- 9. 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.
- 10. 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.

----- XXX -----