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GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS
(RAILWAY BOARD)
STORES DIRECTORATE

RULES FOR ENTERING INTO SUPPLY CONTRACTS

Updated Embodying Railway Board's Instructions issued upto 31-12-2008

(4th Edition)

OCTOBER-2009

For circulars from 01-01-2009 please see:
home→about Indian railways→railway board directorates→stores→circulars

PREFACE FOR FOURTH EDITION

1. Ministry of Railways (Railway board) in their letter no 85/RS(G)/779/31 dated 02/01/2008 constituted a committee consisting of the officers mentioned below to review the compendium "Rules for entering into supply contracts" and revise/ update the same incorporating all instructions/orders regarding award of tenders including invitation of tenders, formation of tender committee, negotiations, etc. to make it useful for the officers/staff dealing with the purchase of Railway Stores.

(a)	C.O.S., Southern Railway	Chairman
(b)	FA & CAO/WST/SR	Member
(c)	CMM/Shell/ICF	Member
(d)	One Dy. CMM each to assist them	

2.1 The review was completed over a period of 3 months from Feb-2008 to May-2008. However, it was learnt that purchase powers and policy guidelines with respect to tendering and purchase were being reviewed/revised by Board. It was proposed to review all the chapters again for incorporation of all the policy directives and enhancement in purchase powers issued up to 31/12/2008. Board was also advised vide Southern Railway Policy letter No.S.Policy/11 dated 09/02/2009 about the review.

2.2 This book is prepared subject wise and divided into specific chapters. The annexures have been regrouped and consolidated with chapter demarcation for easy reference.

3. The compendium is purely intended to serve as a guide for official use only and should not be quoted as an Authority in any official reference/contracts/documents or produced in a Court, and should be treated as a confidential document. Reference wherever necessary should always be made to the original orders on the subject.

4. Errors or omissions or any suggestion for inclusion of any matter, or for the improvement or amendment of any particular provision contained herein may be addressed to the Secretary (Stores), Railway Board, New Delhi through proper channel.

5. The committee would like to extend its appreciation of the valuable services rendered by the Staff of Policy Section, Stores Finance Section and Printing Press, Southern Railway.

(C. ILANGOVAN)	**(SUJATHA JAYARAJ)**	**(K. SHUNMUGARAJ)**
COS/S.RLY	FA&CAO/S&W/S.RLY	CMM/Shell/ICF
Chairman	Member	Member

Government of India
Ministry of Railways
(Railway Board)

o.85/RS(G)/779/31 Dated: 02/01/2008

The General Manager (Stores),
Southern Railway, Chennai.

Sub : **Revision/updating of Compendium "Rules for entering into supply contracts".**

Ministry of Railways have decided to constitute a Committee of the officers mentioned below, which will review the compendium "Rules for entering into supply contracts April, 2000" compiled by Southern Railway and revise/update the same incorporating all policy instructions /orders regarding award of tenders, including invitation of tenders, formation of Tender Committee, negotiation etc. to make it more useful for the officers/staff dealing with the purchase of Railway Stores:-

a)	COS, Southem Railway	:	Chairman.
b)	FA & CAO(WST) / Southern Railway	:	Member
c)	CMM/Shell/ICF	:	Member
d)	One Dy. CMM, each to assist them.		

Secretarial assistance in this regard will be provided by Southern Railway. EDRS(P) may be contacted by the committee whenever any information concerning imports is required by them.

Ministry of Railways desires that the Committee should complete the revision/ updating of the said compendium in 3 months time. A sample bidding document for import as well as local purchase should also be given in the compendium for guidance.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
Trilok Kothari)
DRS(IC)/Rly Bd

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1982	IV/1-08	77/RSF/794	05.08.82	Procedure for contracting on FOB/ FAS basis with Government Depts / PSU

1982	VI/3-12	79/RS (G)/752/1	17.08.82	Stores Contract- Acceptance of Conditions advance payment
1982	VI/5-05	79/RS (G)/779/8	04.09.82	Local purchase of Stores through Cash imprest
1982	VI/5-06	79/RS(G)/779/8	22.11.82	Local purchases of materials other than petty purchases
1982	IV/1-09	82/F (F. Ex.) 24. 1/CLW/11	16.11.82	Quotation of Agency Commission in respect of imported Goods
1982	II/4-27	79/RS(G)/ 779/16	08.12.82	Expeditious finalisation of tenders
1983	II/4-28	79/RS(G)/1657/2	01.01.83	Recovery of Risk Purchase Loss
1983	III/3-11	82/RS(G)/777/2	27.01.83	Book Examination Clause -Special conditions of Contract
1983	VI/5-07	79/RS (G) /779/8	01.02.83	Local Purchase of Materials.
1983	III/3-12	82/RS (G)/777/2	18.03.83	Book Examination Clause -Special conditions of Contract
1983	VI/5-08	79/RS (G)/779/8	06.04.83	Local purchase of Stores through Cash Imprest.
1983	II/4-29	83/RS (G) 777/1	11.04.83	Evaluation of Tender
1983	II/1-16	83/RS (G) /779/55	18.04.83	Consideration of surcharge on "Freight to pay" traffic
1983	VI/7-02	76/RS (G)/779/55	18.04.83	Procurement of proprietary articles.
1983	V/2-09	77/RS(G)779/29	23.05.83	Simplification of purchase procedure and delegation of powers inrespect thereof
1983	III/2-05	76/RS (G)/753/2	13.06.83	Advance payment through demand draft
1983	II/2-09	78/RS (G)/779/5	20.08.83	Non-acceptance of late/delayed/post-dated Tenders.
1983	I/4-07	83/RS (G)/363/2	21.10.83	Recognition of Registration of the SSI Units with N.S.I.C under Single Point Registration Scheme
1983	IV/1-10	83/F (F EX) 3/1	26.10.83	Delays in finalisation of Tenders involving Foreign Exchange.
1983	III/1-02	74 A C III /30/6 K W	28.12.83	Tender Committee proceeding
1984	III/4-08	83 LS/66/1 (RLO)	21.01.84	Price preference to Public Sector Enterprises in competition with Private Sector Undertakings.
1984	II/3-03	84/ RS (G)/771/1	23.02.84	Irregularities in the award of contract against limited Tenders
1984	II/3-04	84/RS (G)/777/ 1	14.04.84	Irregularities in the award of Contract against Limited Tenders
1984	II/4-30	71/RS (G)/777	19.04.84	Non- acceptance of late tender
1984	II/4-31	84/ W I/ CT/19 (Audit)	30.07.84	Tender-Rejection of lowest offer
1984	III/2-06	76/RS (G)/753/2	07.08.84	Procurement of non -ferrous metals through Public Sector Undertakings Powers to General Manager for sanction of advance payment thereto
1984	IV/1-11	84/F (F. EX) 5/2	15/21.08.84	Airlifting of Railway Stores-Need to restrict.
1984	I/4-08	76/RS(G)/164/16	03.09.84	Registration of firms
1985	VI/7-03	82-BC-PAC/ VII/ 102	25.03.85	Laying down procedure and policy of procurement PAC items

1985	VI/1-10	F (X) I-85/19/ 1	10.05.85	Bank Guarantee Scheme - Furnishing of Guarantee by the Bank clarification.
1985	II/4-32	85/RS (G)/ 777/2	08.11.85	Non-acceptance of late tender
1985	VI/7-04	84/RS (G) 363/EC 83/Rec no. 124.	20.11.85	Purchase of proprietary items--Publishing the details in the Railway Stores Bulletins/ Indian Trade Journal
1986	IV/1-12	82/F(F.E.X) 1/1	12.01.86	Delegation of enhanced powers for release of Foreign exchange.
1986	IV/1-13	84/Dev. Cell/ILMI/Policy	11.02.86	Import by Railways - D. G. T. D's Clearance
1986	VI/3-13	86/RS (G)/753/2	21.05.86	Stores contract --Acceptance of condition for payment of advance along with orders.
1986	VI/1-11	F (X) 1-84/ 18/1	01.09.86	Bank Guarantee Scheme - Complaints regarding
1986	III/3-13	86/RS (G)/779/16	04.12.86	Rate Contract-Fall Clause
1987	V/1-08	86 / RS (G) / 779 /12.	02.01.87	Acceptance of stores dispatched after the expiry of Delivery Period by the consignee
1987	VI/1-12	F (X) 1-82/18/2	18.02.87	Acceptance as 'SECURITY' of BONDS of Indian Railways Finance Corporation
1987	VI/3-14	F(X) 1-86/19/1	23.02.87	Furnishing of Bank Guarantees in respect of transactions between two Public Sector Enterprises or between a Public Sector Enterprise and Government Department.
1987	VI/5-09	79/RS (G)/779/8-Pt.	19/24.02.87	Local Purchase of materials
1987	VI/5-10	84/ RS (IC)/165/1/ RRC	03.03.87	Divisionalisation of Stores
1987	VI/7-05	73/RS (G)/779/30Pt.II	30.03.87	Procurement of spares for Diesel and Electric locos
1987	III/2-07	72/RS (G)/779/64	28.05.87	95 Percent advance payment to the supplier.
1987	V/1-09	86/RS (G) 779/37	16.06.87	Proforma for issue of delivery period extension
1987	II/4-33	87/ RS (G) 779/ 12	19/23.06.87	Drawing out of technical specification
1987	I/4-09	85/RS(G)/363/2	30.6.87/ 02.07.87	Registration of Small Sacle Industrial Units under Single Point Registration Scheme
1987	V/3-03	77/ RS (G)/779/29	24.07.87	Risk purchase action against firms removed from Part I approved list
1987	III/2-08	87/RS (G)/379/13	03.08.87	Inspection certificate form
1987	VI/1-13	86/RS (G)/164/C/1	18.08.87	Receipt, Accountal and Refund of EMD / S.D
1987	II/3-05	87/Rs (G)/772/2	20.08.87	Procurement of Imported Stores
1987	VI/1-14	86/RS (G) 155/1	11.09.87	Waiver of Earnest Money Deposit.
1987	III/4-09	85/RS (G) 363/2	12.10.87	Procedure for purchase of Railway Stores from Small Scale Industries
1987	IV/1-14	85/RSF/794/5	13.10.87	Procedure for shipping arrangements through the Ministry of Surface Transport
1987	II/1-27	*87/RS (G)* 779/27	30.12.87	Stationery articles in decentralization of procurement
1987	II/3-06	87/RS (G)/753/2	30.12.87	COS powers to make Single Tender purchase from stock yards/Buffer imports of SAIL/TISCO/ IISCO
1988	II/1-18	79/ RS (G) 779/8 Pt	06.01.88	Limited Tender purchase

1988	II/1-19	85/RS (G)/779/21	27.01.88	Payment terms for Plant and Machinery contract invoking erection and commissioning.
1988	VI/3-15	85/RS (G)/779/21	27.01.88	Payment terms for M&P contracts involving erection and commissioning.
1988	III/2-09	87/RS (G)/753/1	29.02.88	Delegation of powers of acceptance of 100 percent advance payment to D.R.Ms.
1988	V/1-10	86/RE(G)779/8	29.02.88	Powers regarding penalties for failure to deliver stores within the stipulated time.
1988	II/1-20	88/RS (G)/779/12	06.05.88	Warranty clause in the tenders for procurement of unit exchange spares
1988	V/3-04	86-BC-C/7	14.07.88	Draft Audit paragraph - loss due to Ineffective risk purchase action
1988	III/2-10	86/RS (G)/779/46	05.08.88	Delegation of powers for purchase of Oils and Lubricants marketed by Public sector undertakings (such as I.O. C. /B. P. C. etc.) on Single Tender basis from II-6 of the 46th C. O. S's Meeting with Railway Board
1988	II/1-21	88/RS (G) /779/12	09.08.88	Warranty clause in the tenders for procurement of unit exchange spares
1988	II/4-34	88/RS(G) 777/1	10.08.88	Finalisation of Tenders in Railway Board
1988	IV/1-15	87/F (F. EX) 1/1	12.09.88	Airlifting of imported materials
1988	VI/6-03	86/RS (G)/779/7	30.09.88	Vetting of purchase orders
1988	III/3-14	DGS&D O.O No. 99	10.11.88	Rate Contract-Amendment to the Fall clause of Stores by holders of old RC at reduced rates during the currency period of the new RC awarded at higher rates
1988	III/3-15	86/RS (G)/779/16	21.12.88	Rate Contracts- Fall Clause.
1989	VI/7-06	73/RS (G)/779/3O/Pt	17.02.89	Procurement of spares for Diesel and Electric locos
1989	IV/1-16	82/F (F. EX) 1/I Pt I	28.03.89	Clarification regarding payment of Agency commission etc. in foreign contracts
1989	III/4-10	88/RS(G)/164/20-CA-III	20.04.89	Facilities to be provided to Small scale Units
1989	IV/1-17	89/RS(G)/779/6	26.04.89	Indian Agents of Foreign Suppliers-Policy on
1989	IV/1-18	87/ F (F. EX) 1/3	19.05.89	Delay in finalisation of Tenders
1989	VI/5-11	87/RS (G)/779/27	26.05.89	Local purchase of Stationery and other articles by Government offices outside Delhi.
1989	III/4-11	80/RS(G)/779/63/Pt. III	26.05.89	Inclusion of clause for Price Preference to PSUs
1989	IV/1-19	89/F (F.EX) 1/	30.05.89	Evaluation of Bids involving financial package Discount and Exchange Rates to be adopted.
1989	II/2-10	83/F (S) I/PW7/1	04.07.89	Procurement of Stores through Limited Tenders
1989	IV/1-20	86/F (F. EX) 105/ Trg/7	09.08.89	Inclusion of clause regarding overseas training in the tender document for Procurement of M & P Equipments.
1989	II/4-35	89/RS (G) 164/13 Pt	10.08.89	Bias against new suppliers
1989	III/1-03	89/RS (G)/779/12	27.09.89	Post Contract deviation from Specification - approval of policy.
1989	I/4-10	89/RS(G)/11/16	13.10.89	Automatic Registration of firms with N.S.I.C.

1989	II/1-22	89/ RS (G)/753/1	13.10.89	Expeditious placement of non-ferrous virgin Metal purchase orders.
1989	I/4-11	76/RS(G)/164/16	19.10.89	Registration of Firms on Railways
1989	II/5-01	89/RS (G)/363/25	16.11.89	Review of Stores Purchase Policy
1989	III/4-12	89/RS (G)/363/25	16.11.89	Price Preference to KVIC/WDC/ SSI/ PSU.
1989	VI/6-04	88/RS (G)/779/43	11.12.89	Quantity vetting of Stock Items by Associate Finance- Estimate Sheets.
1989	VI/6-05	89/RS (G)/779/17	15.12.89	Indication of Estimate/last Purchase rates on Indents
1990	VI/8-01	87/RS/(G)/ 779/11	12.01.90	Simplification of the procedure of finalisation of contracts placed by the Railway Board
1990	II/4-36	73/RS/(G)/779/30/Pt	22.01.90	Placement of Trial /Developmental orders
1990	VI/8-02	69/RS (G)/645/1 (B)	08.02.90	Centralising of Procurement in the Railway Board.
1990	V/1-11	86/RS (G)/779/8	22.02.90	Powers to grant extension in delivery period or levy of penalties for failure to deliver Stores within the stipulated time.
1990	II/3-07	85/F (S) I/PW/1	28.02.90	Constitution of Tender Committee
1990	VI/8-03	RSP/90/4100	01.03.90	Finalization of Stores Tenders beyond the accepting powers of GMs
1990	VI/1-15	90/RS (G) 775/1	07.05.90	Recovery of SD
1990	II/5-02	90/RS(G)/113/1	08.06.90	Use of Handloom as Upholstery Material
1990	V/4-02	88-BC-Rlys/4	7.09.90	Outstanding Claims, including Risk Purchase Costs, against defaulting Contractors.
1990	VI/8-04	89/RS(G)/645/1(B)	26.09.90	Signaling items – Centralised for procurement in the office of Railway Board.
1990	II/1-23	77/RS(G)/17	16.10.90	Inclusion of unregistered firms for calling Limited Tender
1990	II/1-24	86/RS(I)/874/6-Audit Para	16.11.90	Incurrence of Extra expenditure on account of non-exercise of the Option Clause.
1990	II/4-37	79/RS(G)/164/16	20.11.90	Consideration of unsolicited offer.
1990	II/4-38	90/CE-I/CT/1	12.12.90	Holding of negotiations.
1991	III/1-04	83/F (S)I/I/IPW-7/1	02.05.91	Vetting of Purchase orders
1991	I/4-12	88/RS (IC)/7511/5	16.05.91	Vendor Rating evaluation report on the Main Frame Computer ICIM 6060 of CR based on the Steering Committee guidelines.
1991	II/1-25	91/RS(G)/779/3	12.06.91	Procurement of capital assets—spares
1991	III/4-13	85/RS (G)/363/2/	28.10.91	Government's Purchase and Price Preference Policy-Grant of benefits to the Small Scale Sector.
1991	II/1-26	87/RS(G)/753/2	20.11.91	Delegation of GM's powers to the Controller of Stores to accept single tender purchase from stock yards/buffer imports of M/s. SAIL, TISCO, IISCO in respect of items and to make 100 per cent payment in advance to them.

1992	II/1-27	89/RS(G)/779/13.	11.02.92	Postal despatch of L.T. Enquiries by Regd. Post & receipt of acknowledgement there of.
1992	II/3-08	92/F(FEX)1/1	28.05.91/ 01.06.92	Foreign exchange payments Constitution of Tender Committee
1992	VI/7-07	88/RS(G)/779/39	17.06.92	Procedure for procurement of items supplied by PAC
1992	VI/8-05	87/RS (G)/779/11.	23.06.92	Submission of Completion Reports against Railway Board Contracts.
1992	II/1-28	92 RS(G)/164/SC/7	23.07.92	Procurement policy of Paint Brushes and Varnish to IS Specification
1992	II/1-29	87/RS(G)/753/2	19.10.92	Delegation of General Manager's powers to the COSs to accept SingleTender Purchase Order from Stockyard/Buffer Import, M/s. SAIL,TISCO, IISCO in respect of Steel items and to make 100 per cent payment in advance to them.
1992	IV/1-21	89/RS (G)/779/6	13.11.92	Indian Agents of Foreign Suppliers Policy on
1992	III/3-16	87/RS (G)/779/9	17.11.92	Acceptance of Price Variation Clause in Stores Contracts for Steel Stems.
1993	II/3-09	93/RS(G)/645/1/PAC-165	11.03.93	Procedure for dealing with tenders
1993	VI/5-12	79/RS(G)/779/8/Pt. II	29.03.93	Local Purchase of Stores through Cash Imprest.
1993	II/1-30	92/RS(G)/363/1	08.04.93	Manufacture of Railway items by Ordnance Factories.
1993	II/4-39	87/RS(G)/779/26	14.05.93	Despatch of "Smalls" consignments for Railway Consignees.
1993	IV/1-22	92/F (FEX) 1/1	24.05.93	Enhancement of powers for airlifting of Railway Stores
1993	IV/1-23	SC-18013/1/92-ASO-(II)	25.05.93	Procedure regarding Shipping arrangement.
1993	II/1-31	93/RS(G)/779/5	31.05.93	Inclusion of Option Clause in the contracts for requirements of continuing nature.
1993	IV/1-24	89/RS(G)/779/6	16.06.93	Payment of agency commission to Indian Agent for WTA Contracts.
1993	IV/1-25	92/BC-DLW/2	30.06.93	Draft Para—Loss due to short receipt of material imported from abroad.
1993	IV/1-26	87/RS (G)/779/28	17.08.93	Shipment of general liner cargo from US Ports.
1993	II/1-32	No.93/RS(G)/779/5,	06.09.93	IRS Conditions of Contract inclusion of option clause therein.
1993	VI/1-16	F (X) 1-93/18/2	05.11.93	Acceptance of KRCL Bonds as Security
1994	IV/1-27	93/RS(G)/779/9	19.05.94	Enhancement of EMD in respect of import tenders
1994	IV/1-28	SC-22011/1/94	13.07.94	Shipment of Governmental Cargo from USA
1994	IV/1-29	92/F(FEX) 1/1.	10.08.94	Criterion for evaluation and comparison of bids in import tenders- Date of exchange rate to be adopted
1994	II/4-40	94/RS(G)/779/6	25.08.94	Stores Contracts—Expeditious finalisation of Tenders.

1993	II/3-10	86/F(S)1/PW-7/2	13.09.94	Constitution of TC - track fittings
1994	IV/1-30	94/FS (POL)/IS/6	11.10.94	Valuation of contracts for payment of Marine Insurance Premium for import
1995	II/1-33	73/RS(G)779/30 Pt.II.	17.01.95	Procurement of Quality Spares.
1995	II/4-41	89/RS(G)/363/5	09.02.95	Movement of materials by rail/road
1995	IV/1-31	SC-22011/1/94-ASO. II	15.02.95	Shipment of governmental cargoes from other than U. S. A
1995	II/5-03	95/RS (G)/363/1	07.04.95	Non-purchase of items from S. S. I. Units
1995	III/4-14	95/RS (G)/768/1	17.08.95	Price Preference for indigenous products/ex-stock imported stores over Imported stores subject to import assistance.
1995	III/3-17	87/RS (G)/779/9	22.08.95	Acceptance of Price Variation Clause in Stores Contracts for Steel and Non-ferrous items
1995	II/5-04	95/RS (G)/363/1	29.09.95	Non-purchase of items from S. S. I. Units
1995	II/5-05	89/RS (G)/363/5 Pt.	06.10.95	Purchase Preference to Small Scale industries/ KVIC.
1995	VI/9-01	73/RS(G)/779/30 Pt. II	26.10.95	Procurement of Quality Spares.
1995	IV/1-32	85/RSF/794/5	05.12.95	Shipping arrangements through the Ministry of Surface Transport
1996	V/3-05	88/CE-I/CT/31	29.01.96	Loss on account of failure to observe the provisions for enforcement of risk action.
1996	IV/1-33	SC-11014/1//94-ASO. II/VOL III	27.02.96	Ocean transportation of cargo review & policy
1996	III/3-18	87/RS (G)/779/9	13.05.96	Acceptance of Price Variation Clause in Stores Contracts for Steel items
1996	II/4-42	89-BC-SC/40	20.05.96	Evaluation of offer
1996	III/2-11	93/M (M &)/1063/36	25.06.96	Changes in purchase conditions for future procurement of Machinery & Plant in respect of payment terms,
1996	II/4-43	76/RS (G)/779/36	29.11.96	Splitting of the tender quantity
1997	II/1-34	95/RS (G)/796/1.	10.01.97	Cost of Tender Forms
1997	II/4-44	87/RS(G)/779/26/Pt.	21.02.97	Movement of materials by rail/road
1997	VI/5-13	95/F(S)Pol/PW7/1	07.03.97	Local Purchase of material of Small value.
1997	I/1-01	Minister's note	28.03.97	Need for introducing transparency and Competitiveness in procurement of materials
1997	III/3-19	97/RS (G)/779/9	01.05.97	Acceptance of Price Variation Clause in Stores Contracts for Steel and Non-ferrous items
1997	III/2-12	87/RS (G)/753/1	09.05.97	Delegation of Powers of Acceptance of 100 % Advance Payment to D.R.Ms.
1997	I/4-13	95/RS(IC)/165/34	30.06.97	Vendor evaluation on Railways & PUs.
1997	II/1-35	97/RS(G)/779/8.	04.08.97	Refund of Tender Fee
1997	II/5-06	89/RS (G)/363/5.	04.08.97	Single Tender through "ACASH)
1997	VI/8-06	93/RS (G)/779/5/Pt.	08.09.97	Operation of Option Clause in Stores Contracts.
1997	II/4-45	76/RS (G)/779/36.	06.10.97/06 .11.97	Splitting of tender quantity

1997	VI/5-14	87/RS(G)/779/27	06.10.97	Local purchase of Stationery & other Articles by the Central Govt. Offices
1997	II/3-11	85/F(S)-I/PW-7/1.	19.11.97	Constitution of TC
1997	IV/1-34	97/RS (G)/779/18	28.11.97/ 02.12.97	Inclusion of a Clause in global tenders
1997	II/1-36	RS(S)/92/747/1.	03.12.97	Procedure for procurement of steel consequent on decontrol of steel prices.
1997	IV/1-35	96/RS (G)/11/13	22.12.97	Criteria for evaluation and comparison of bids in import tenders
1998	II/3-12	RSP/98/4100 (Policy)	15.01.98	Forwarding of Tender cases
1998	V/2-10	79/RS (G)/779/29	03.04.98	Delegation of powers of waival of Recovery of liquidated damages and loss due to Risk Purchase
1998	II/5-07	95/RS (G)/363/1	12.06.98	Exclusive purchase from SSI Units.
1998	VI/5-15	97/RS(G)/779/16.	12.10.98	Local Purchase of Materials.
1998	III/4-15	85/RS (G)/363/2	16.11.98	Government's Purchase and Price Preference Policy Grant of benefits to the Small Scale Sector.
1998	VI/8-07	93/RS (G)/779/5 Pt.	15.12.98	Operation of Option Clause in Stores Contracts.
1999	IV/1-36	99/F (FEX) 1/1	03.02.99	Evaluation of Tender Bids—Discount and exchange Rates
1999	II/1-37	93/RS(G)/779/5 Pt.	26.05.99	Operation of Option Clauses in Stores Contracts.
1999	II/4-46	99/RS (G)/779/5	15.06.99	Expeditious settlement of Tenders.
1999	II/1-38	99/RS (G)/709/1	06.09.99	Proper maintenance of assets—quality procurement of stores.
1999	II/1-39	99/RS (G)/709/1	16.09.99	Proper maintenance of assets—quality procurement of stores
1999	II/4-47	89/RS(G)/363/5	04.11.99	Movement of materials by rail/road
1999	I/4-14	91/LS/54/7(487)	09.12.99	Revokation of banning of business dealings with fraudulent firms.
1999	IV/1-37	96/RSF/794/1	14.12.99	Shipping arrangements through the Ministry of Surface
2000	VI/8-08	99/RS(G)/779/13	16.02.00	Decentralization of procurement of Electrical Loco Cables
2000	II/4-48	99/RS (G)/779/2.	01.03.00	Award of contract-procedure for conducting negotiations.
2000	II/4-49	99/RS(G)/709/1	23.03.00	Approval of firms for specific items
2000	VI/8-09	RE(S)11/98/9300/7/1	07.04.00	Dispensation for direct procurement of urgent requirements of 4 and 6 Quad 0.9 mm Railway Signalling Cables by the Railways.
2000	II/4-50	89/RS(G)/363/5	28.04.00	Movement of traffic/materials by rail/road movement for the Railway's own use.
2000	III/4-16	98/RS(G)/779/10(CS)	30.05.00	Purchase preference to Public Sector Enterprises in competition with private sector enterprises
2000	VI/9-02	99/RS(G)/709/2-1C	17.07.00	Procurement of Quality Stores from Approved Vendors
2000	II/1-40	99/RS(G)/709/2-IC	17.07.00	Procurement of quality stores from approved

				vendors
2000	VI/8-10	99/RS(G)/779/13	26.07.00	Decentralization of procurement of Electric Loco Cables conforming to RDSO Specification No.SPEC/E-14/01(Rev.II) Pt.II-1993
2000	III/4-17	95/RS (G)/363/1	11.09.00	Govt Purchase and price preference policy-Grants of benefit to small scale units
2000	III/4-18	92/RS(G)/363/1 PEs	26.09.00	Purchase preference for products and services of Central Public Sector Enterprises
2001	VI/8-11	99/RS(G)/779/13	02.02.01	Decentralization of procurement of Rly. Board's centralized items
2001	I/4-15	99/RS(G)/709/ 4	09.02.01	Procurement of quality material- weeding out of firms manufacturing sub-standard quality materials
2001	II/1-41	2000/RS(G/779/22	12.02.01	Incorporation of specific time frame for approval of drawing / prototype in the contract
2001	II/1-42	99/RS(G)/709/4- IC	23.02.01	Quality of material
2001	III/4-19	95/RS (G)/363/1	07.03.01	Government price preference policy - Grants of benefit to SSI.
2001	VI/8-12	99/RS(G)/779/13	26.03.01	Decentralization of procurement of Loco Batteries 110v, 75 AH and transformer oil for Electric Loco EMU and Ttraction sub-Stations Transformers.
2001	VI/8-13	99/RS(G)/779/13	18.04.01	Decentralization of procurement of Loco Batteries 110v, 75 AH
2001	VI/8-14	99/RS(G)/779/10(CS)	30.05.01	Procurement of hard Coke for Zonal Railways – Amendment of Stores Code.
2001	III/4-20	95/RS (G)/ 363/1	13.07.01	Promoting sale coir product
2001	VI/8-15	2000/RS(G)/777/1	13.07.01	Role of Appreciation Committee
2001	III/4-21	95/RS (G)/363/1	31.08.01	Govt Price /Purchase preference policy-Grant of benefits to SSI/PSEs
2001	VI/8-16	99/RS(G)/779/13	04.09.01	Decentralisation of procurement of Electrical items
2001	VI/8-17	99/RS(G)/779/13	04.09.01	Decentralisation of procurement of Electrical items
2001	VI/8-18	99/RS(G)/779/13	04.09.01	Decentralisation of procurement of Air Brake and CBC Components
2001	VI/8-19	99/RS(G)/779/13	04.09.01	Decentralisation of procurement of Clothing, Petroleum and Lubricant items
2001	VI/8-20	99/RS(G)/779/13	04.09.01	Decentralisation of procurement of Signalling and Telecomunication items
2001	II/3-13	2001/F(S)I/PW7/6	21.09.01	Delegation of powers to GMs
2001	VI/8-21	99/RS(G)/779/13	11.10.01	Decentralisation of procurement of Electrical items.
2001	II/3-14	2001/F(S)I/PW7/2	12.10.01	Powers of purchase of COS/CMM,etc
2001	II/3-15	2001/F(S)I/PW7/2	12.10.01	Constitution of Tender Committee and Authority Competent to accept Stores purchase on Zonal Railways/Production Units.
2001	II/3-16	2001/F(S)-I/PW7/2	20.12.01	Powers of purchase of COS/CMM,etc
2002	II/3-17	2002/F(FEX)1/1	09.01.02	Enhancement of powers of General Managers for imports

2002	VI/8-22	99/RS(G)/779/13	28.01.02	Decentralisation of procurement of Electrical items.
2002	II/4-51	99/RS(G)/779/5	05.03.02	Expeditious settlement of purchase
2002	VI/6-06	2000/RS(G)/779/16	08.03.02	Buffer Stocks
2002	VI/8-23	98/RS(G)/779/10	23.07.02	Procurement of Steam coal for Zonal Railways – Amendment of Indian Railways Stores Code
2002	I/4-16	2001/RS/(G)/779/4	05.08.02	Cartel formation by approved vendors
2002	I/4-17	2001/RS/(G)/779/4	05.08.02	Guidelines for approval of vendors in order to prevent cartel formation
2002	I/4-18	99/RS/(G)/1709/1	12.09.02	Quality improvement with vendors
2002	VI/6-07	88/RS(G)/779/43/Part	21.10.02	Quantity vetting of Stock items by Associate Finance
2002	I/4-19	2002/RS(G)/753/1	08.11.02	Registration of firms on Railways
2002	II/4-52	99/RS(G)/779/2	14.11.02	Applicability of CVC's instructions on post tender negotiation
2002	VI/8-24	2002/RS(WTA)-149/MTC	18.11.02	Submission of Indents for WTA items to Railway Board
2002	II/1-43	99/RS(G)/709/4	03.12.02	Quality of material
2002	II/1-44	2000-RS(IC)/165/8/Pt.	03.12.02	Putting up & Down loading of Tender documents on internet (Stores Contract).
2003	II/3-18	2001/F(S)-I/PW7/2	09.01.03	Powers of purchase of COS/CMM,etc
2003	II/3-19	2001/F(S)-I/PW7/2	27.01.03	Powers of purchase of COS/CMM,etc
2003	VI/8-25	RS(POL)/58/91/501/2002(2/03)	18.02.03	Supply of Ultra Low Sulphur Diesel
2003	V/1-12	2003/RS(G)/779/1(1/03)	21.02.03	Revision of Schedule of Powers for acceptance of stores dispatched after the expiry of the delivery period by the consignee-Para 16 of the Minutes of the 56th Periodical Conference of COSs held on 13 & 14th June 2002 at New Delhi
2003	V/1-13	98/RS(G)/779/10(CS)	25.02.03	Power to accept excess short supply by Depot Officers without formal amendment to the contract
2003	IV/1-38	2002/F(FEX)1/1	28.02.03	Delegation of powers to COS for purchase through imports
2003	II/4-53	99/RS(G)/779/2 Pt.1	16.04.03	Improving Vigilance administration - tenders
2003	II/3-20	99/RS(G)/779/2	08.05.03	Instructions regarding drawing up of tender Committee Minutes
2003	II/4-54	2003/RS(G)/11/3	08.05.03	Minutes of the meeting held on 10.03.2003 at RDSO Lucknow regarding rationalisation of vendors Approval system.
2003	IV/1-39	No 99/RS(G)/379/1	23.05.03	Inspection of Safety / critical items by RA/DRA, purchase from Europe for use in India
2003	VI/8-26	99/RS(G)/779/4(7/03)	25.05.03	Supply of items centralized at DLW directly from the vendors to DCW
2003	VI/8-27	99/RS(G)/779/13(5/03)	02.06.03	Decentralisation of procurement of Motor Spirit (Petrol) items
2003	II/4-55	2003/RS(G)/11/9	09.06.03	Exemption from submission of Income Tax Clearance Certificate (ITCC) by tenderers/

				contractors
2003	VI/6-08	76/RS(G)/779/36/Pt.I	08.06.03	Monetary Limits for approving quantity for purchase before initiating purchase action
2003	VI/8-28	2003/RS(G)/777/1 Pt.1	09.07.03	Routing of Stores tenders and accepting authority in Board's Office.
2003	I/4-20	2003/RS/(G)/11/3	17.07.03	Monitoring of performance of approved vendors
2003	II/1-45	2000/RS(G)/779/4	25.08.03	Exemption from payment of Excise Duty on Freight Charges
2003	III/4-22	92/RS(G)/363/1 PEs	26.08.03	Implementation of Purchase Preference Policy
2003	III/1-05	99/RS(G)/779/5 Pt.I	28.08.03	Reduction of Finance Vetting stages in stores procurement
2003	VI/6-09	76/RS (G) 779/36/Pt.1	02.09.03	Monetary Limits for approving quantity for purchase before initiating purchase action
2003	II/1-46	2001/F(S)-I/PW7/2	05.09.03	Powers of purchase of COS/CMM etc.
2003	VI/5-16	2001/F (S)-1/PW-7/2	05.09.03	Local Purchase of Material of small value
2003	II/4-56	2003/RS(G/777/4	25.11.03	Post contract commercial amendments to purchase orders
2003	VI/6-10	99/RS(G)/779/22/Pt III	27.11.03	Clarification regarding vetting of Non-Stock requisitions for safety items valuing more than Rs. 40,000 but less than Rs. 1.0 lakh
2003	VI/9-03	2002/RS(G)/709/2	04.12.03	Procurement of Stores on Life Cycle Cost (LCC) basis
2003	VI/8-29	99/RS(G)/779/13 Pt.I	23.12.03	Procurement of 12 cylinder
2004	VI/5-17	99/RS(G)/779/22 PartII	02.01.04	Recommendations of High level Committee on Dissaster Management regarding Purchase powers to Divisional and HQ Mechanical for ART/ARME Rolling Stock
2004	VI/5-18	87/RS (G)/779/27/Pt I	27.01.04	Local Purchase of Stationery and other articles by the Central Government offices located in Delhi/New Delhi and outside Delhi- instructions regarding
2004	II/1-47	2003/RS(G)/779/13	04.02.04	Increasing transparency in procurement / sale
2004	II/3-21	2003/RS(G)/777/4/Pt.I	06.02.04	Handling of Tender Cases
2004	II/4-57	2003/RS(G)/777/ 5	06.02.04	Delayed/Late/Post Tender Offers
2004	II/3-22	2002/RS(G)/779/12	03.03.04	Maintenance of ART/ARMV-formation of Standing Spot Purchase Committee
2004	VI/9-04	99/RS(G)/709/4	03.03.04	Quarterly list or rejection during pre-inspection by RDSO
2004	VI/9-05	99/RS(G)/709/1	28.04.04	Placement of full quantity orders on sources under Part-II for items where there is no Part I source
2004	II/4-58	99/RS(G)/709/1	28.04.04	Placement of full quantity orders on sources under Part-II for items where there is no part I source
2004	II/1-48	78/RS(G)/777/1	07.05.04	Warranty clause for procurement of items

2004	II/5-08	2004/RS (G) /113/1	09.06.04	Use of Khadi and Handloom variety, upholstery and linen in the trains, Railway Offices and Guest houses, etc.,
2004	II/5-09	2004/RS (G) /113/1	24.06.04	Use of Khadi and Handloom variety, upholstery and linen in the trains, Railway Offices and Guest houses, etc.,
2004	II/3-23	2001/F(S)-I/PW7/2	07.07.04	Powers of purchase of COS/CMM,etc
2004	II/5-10	2004/RS (G) /113/1	04.08.04	Use of Khadi and Handloom variety, upholstery and linen in the trains, Railway Offices and Guest houses, etc.,
2004	VI/1-17	2003/RS(G)/779/5	10.09.04	Report of the Committee on issue of Earnest Money and Security Deposit from Public Sector Undertaking (PSUs)
2004	II/3-24	F(X) II/2004/PW7	14.09.04	Delegation of powers for entering into contracts-inclusion of excise duty, sales tax etc
2004	II/2-11	99/RS(G)/779/2	23.09.04	Receipt and Opening of Tenders
2004	II/5-11	2004/RS (G) /113/1	14.10.04	Use of Khadi and Handloom variety, upholstery and linen in the trains, Railway Offices and Guest houses, etc.,
2004	III/4-23	92/RS(G)/363/1 PEs	24.11.04	Extension of Purchase Preference Policy for products and services of Central public Sector Enterprises (CPSEs) beyond 31.03.2004
2004	II/2-12	99/RS(G)/779/2	07.12.04	Procedure for Tender Opening
2004	II/4-59	2004/RS(G)/779/9	09.12.04	Movement of traffic/materials by rail/road movement for the Railway's own use.
2004	VI/5-19	99/RS(G)/779/22 PartIV	22.12.04	Enhancement of purchase powers for Local Purchase of Stores under Para 711(A)
2005	I/4-21	2002/LS/54/7/Pt-I	28.01.05	Inspection of material by Inspection Agencies against firms which have been banned or against whom the proposal for banning is in progress
2005	II/1-49	87/RS(G)/753/2	09.02.05	Delegation of General Manager's powers to COS & CMM to accept single tender PO from stockyard / buffer import of M/s SAIL, TISCO, IISCO and RINL in respect of steel items and to make 100% payment in advance to them
2005	II/1-50	87/RS(G)/753/2	15.02.05	Corrigendum-Delegation of General Manager's powers to COS & CMM to accept single tender PO from stockyard / buffer import of M/s SAIL, TISCO, IISCO and RINL in respect of steel items and to make 100% payment in advance to them
2005	II/3-25	2004/RS(G)/779/10	15.02.05	Discharge of tender for procurement of Stores beyond powers of General Manager
2005	I/4-22	99/RS/(G)709/1Pt. I	11.03.05	Instructions regarding vendor assesment and approval for critical and safety items.
2005	I/4-23	99/RS/(G)709/1	03.05.05	Transparency in Purchase
2005	III/2-13	2005/RS(G)/779/1	20.07.05	Terms& Conditions to be incorporated in tender & Purchase orders for release of payments through ECS/EFT

2005	III/4-24	92/RS(G)/363/1 PEs	28.07.05	Extension of Purchase Preference Policy for products and services of Central public Sector Enterprises (CPSEs) beyond 31.03.2005
2005	VI/8-30	2005/Sig/CA-III/26	18.08.05	Procurement of IPS through supply contract
2005	III/2-14	2005/RS(G)/779/1	25.08.05	Corrigendum - Terms& Conditions to be incorporated in tender & Purchase orders for release of payments through ECS/EFT
2005	VI/8-31	2005/RS(G)/779/12	06.09.05	Procurement of IPS, Cables and Batteries through supply contract
2005	VI/1-18	2005/AC-II/25/19	08.09.05	Guarantee Bond submitted by Contractors-Streamlining of procedure-reg.
2005	VI/1-19	2005/AC-II/25/19	05.10.05	Guarantee Bond submitted by Contractors-Streamlining of procedure-reg.
2005	II/5-12	2004/RS (G) /113/1	26.10.05	Use of Khadi and Handloom variety, upholstery and linen in the trains, Railway Offices and Guest houses, etc.,
2005	VI/1-20	2005/AC-II/25/19	02.12.05	Guarantee Bond submitted by Contractors-Streamlining of procedure-reg.
2005	I/4-24	95/RS (G)/363/1	06.12.05	Validity of Government purchase registration issued by " National Small Industries Corporation Limited"
2005	VI/5-20	87/RS (G)/779/27	12.12.05	Local Purchase of Stationery and other articles by the Central Government offices located in Delhi/New Delhi and outside Delhi.
2006	II/4-60	2004/V-I/CVC/1/18	02.01.06	Undertaking by the members of tender committee / Agnecy
2006	II/1-51	2006/RS(G)/779/2	23.03.06	Operation of 30% option clause in Stores Contracts.
2006	VI/9-06	99/RS(G)/709/1	29.03.06	Proper Maintenance of Assets – Quality Procurement of Stores
2006	VI/5-21	87/RS (G)/779/27	29.03.06	Coorrigendum- Local Purchase of Stationery and other articles by the Central Government offices located in Delhi/New Delhi and outside Delhi.
2006	II/1-52	93RS(G)/779/5 Pt.II	13.04.06	IRS conditions of contract – inclusion of option clause therein
2006	VI/8-32	2005/RS(G)/779/12	19.04.06	Procurement policy for Signaling, Telecommunication and Electrical Cables
2006	VI/8-33	99/RS(G)/779/2	19.04.06	Purchase of 64 KBPS Modems against RC
2006	VI/9-07	2006/F(S)-I/VAT/1	27.04.06	Applicability of VAT in Place of Local Sales Tax/CST
2006	II/4-61	99/RS(G)/709/1	05.05.06	Ordering on Approved Sources in Part II
2006	II/6-01	2005/RSPF&EC/E-Procurement/3	09.05.06	E-Procurement – Inclusion of condition of digital signature certificate for vendor approval / renewal
2006	II/4-62	98/RS(G)/709/1	30.05.06	Report of the Committee on issue of Terms & Condition and other related aspects of M&P procurement both import and indigenous
2006	II/4-63	99/RS(G)/709/1	13.06.06	Proper Maintenance of assets – quality procurement of stores

2006	VI/8-34	2005/RS(G)/779/13	04.07.06	Procurement against DGS&D Rate Contracts
2006	II/4-64	99/RS(G)/709/4/Pt I	19.07.06	Procurement of items reserved to be purchased from RDSO approved firms
2006	II/1-53	2000/RS(G)/379/2	09.08.06	Pre-inspection of material by M/s RITES/RDSO
2006	VI/8-35	2005/RS(G)/779/1	21.08.06	Procurement of Huck Bolts for Wagons
2006	II/1-54	87/RS(G)/753/2	01.09.06	Delegation of General Manager's powers to COS & CMM to accept single tender PO from stockyard / buffer import of M/s SAIL, TISCO, IISCO and RINL in respect of steel items and to make 100% payment in advance to them
2006	II/1-55	99/RS(G)/779/2	04.09.06	Improving vigilance administration increasing transparency in procurement/ Sale etc,- use of website regarding
2006	VI/8-36	2006/RS(G)/11/3	08.09.06	Procurement of Gears and Pinions for electric locomotives through Rate Contract
2006	II/4-65	2005/RS(G)/779/12	14.09.06	Procurement policy for signalling, Telecommunication and Electrical Cables
2006	II/6-02	2006/RS(PF&EC)/E-Procurement/3	15.09.06	Implementation of E-Procurement system (Phase-I)
2006	VI/8-37	2006/RS(G)/66/Misc	11.10.06	Procurement through DGS&D Rate Contract-Quality of Supplies
2006	I/4-25	2003/RS/(G)11/3	19.10.06	Cartel formation by RDSO approved vendors
2006	II/4-66	2003/RS/(G)11/3	19.10.06	Cartel formation by RDSO approved vendors
2006	VI/8-38	98/RS(G)/779/10(CS)	01.11.06	Revision of List of items as contained in Appendix VI of the Indian Railway Stores Code (Vol.I) (Revised Edn 1990)
2006	III/2-15	2005/RS(G)/779/1	02.11.06	Recommendation of the Task Force on tendering procedures – regd. Advance to the suppliers
2006	II/4-67	2004/RS(G)/779/9	08.11.06	Movement of Material by Road
2006	II/4-68	2005/RS(G)/779/1	09.11.06	Modification to Tender Condition – Offer by FAX.
2006	I/4-26	2005/RS/(G)709/1Pt. I	17.11.06	Recommendation of Multi Disciplinary Task Force on Assets and maintenance failure for establishing near Zero Defect Regime regarding ' Procurement procedure for Stores Management'- Development of new interested Vendors thorugh the mode vof advertising in newspapers
2006	VI/1-21	2004/RS(G)/779/11	30.11.06	Recommendation of the Task Force on Tendering Procedures – Reg. Avoiding handling of cash in submission of Earnest Money (EMD) and Security Deposit (SD)
2006	II/6-03	CMM/C/EP/05-06	30.11.06	Detailed estimate for implementation of E-Procurement
2006	II/4-69	93/RS(G)/779/5/Pt.II	05.12.06	Operation of Option clause in supply contracts
2006	II/3-26	93/RS(G)/779/5/Pt.II	05.12.06	Operation of option clause in supply contracts
2006	II/1-56	2006/RS(G)/779/11	12.12.06	Floating of Global Tenders
2006	I/4-27	2001/RS/(G)/779/4	12.12.06	Recommendation of Task Force on Tendering Procedures- Regarding calling of Global tenders to check cartel formation by RDSO approved sources

2006	II/6-04	--	--	Agreement between CRIS and Northern Railway
2007	II/4-70	2001/F(S) III/ST/5(Pt)	08.01.07	Posting of CENVAT credit benefits availed on inputs – calculation of excise duty
2007	II/4-71	99/RS(G)/779/2	10.01.07	Consideration of offers of Indian Agent
2007	II/6-05	CRIS/GM-P(V)/EPS/2	12.01.07	Implementation of E-Procurement system (EPS) in Railways
2007	V/3-06	2006/RS (G)/ 779/2	16.01.07	Purchase of 6 Quad Jelly filled underground screened cables
2007	II/3-27	2004/RS(G)/779/10	01.02.07	Competent Authority for purchase proposal
2007	II/4-72	99/RS(G)/779/2	07.03.07	Consideration of offers of Indian Agent
2007	II/5-13	2004/RS(G)/113/1	20.03.07	Supply of Bedroll items on trains by IRCTC
2007	III/2-16	2006/RS(G)/779/12	22.03.07	Payment due to Price Variation Clause and imposition of liquidated damages in contracts with staggered delivery schedule
2007	II/6-06	CMM/C/E-Procurement/2004-05	27.04.07	Joint Procedure order for E-Procurement System
2007	II/6-07	2007/DRS(M)/01	27.04.07	Action plan for e-procurement implementation in 13 Zonal Railways
2007	II/4-73	2007/F(S)I/CST/1	04.05.07	Amendment in Central Sales Act,1956-Implications.
2007	II/6-08	2006/RS(G)/509/7	10.05.07	Progress of implementation of e-procurement project
2007	III/2-17	2005/RS(G)/779/1	16.05.07	Fraudulent encashment of cheques
2007	II/6-09	2006/RS(G)/509/7	16.05.07	Implementation plan for e-procurement on Zonal Rlys & PUs
2007	II/6-10	2007/DRS(M)/EPS/01	24.05.07	Implementation of e-procurement system (EPS)
2007	II/6-11	CMM/C/E-Procurement/2006-07	25.05.07	Action plan for e-procurement implementation in 13 Zonal Railways/PUs
2007	VI/6-11	2005/RS(G)/779/7	28.05.07	Revision of Power of User Departments for signing of Non-Stock demands / requisitions.
2007	VI/8-39	2001/SIG/SGF/12(LED)	18.06.07	Procurement policy for LED Signals
2007	II/4-74	99/RS(G)/709/1 Pt. I	29.06.07	Ordering on approved sources
2007	II/5-14	2006/RS(G)/509/2	10.07.07	Supply of Handloom Polyester Cotton Blended suiting and Shirting to Indian Railways.
2007	II/6-12	DRS(M)/2007/EPS/01	17.07.07	Review of implantation of e-procurement
2007	II/4-75	2006/RS(G)/779/2	20.07.07	Inter-se position of tenders
2007	II/4-76	2005/RS(G)/779/12	23.07.07	Procurement policy for LED signals
2007	VI/1-22	2004/RS(G)/ 779/11	24.07.07	Earnest Money Deposit and Security Deposit for Stores Tenders
2007	II/5-15	2004/RS(G)/113/1	09.08.07	Procurement of Bedroll items by Railways-Policy reg.
2007	II/5-16	2004/RS(G)/113/1	16.08.07	On-Board services
2007	II/4-77	2007/RS(G)/779/3	22.08.07	Timely settlement of tenders

2007	II/6-13	2007/DRS(M)/EPS/01	24.08.07	Compliance of essential activities for implementation of EPS as per target fixed by Railway Board
2007	II/4-78	2003/RS(G)/777/4	10.09.07	Tender Committee proceedings-Eligibilty criteria
2007	II/4-79	2007/RS(G)/779/3	13.09.07	Timely settlement of tenders
2007	II/4-80	2007/RS(G)/779/3	14.09.07	Timely settlement of tenders
2007	II/4-81	2007/RS(G)/779/3	17.09.07	Timely settlement of tenders
2007	II/4-82	2007/RS(G)/779/3	17.09.07	Inter-se position of tenders in the tender for more than one item and / or consignee.
2007	II/4-83	2007/RS(G)/779/3	18.09.07	Timely settlement of tenders
2007	V/3-07	2001/RS (G)/ 779/14	21.09.07	Deletion of clause for Risk Purchase
2007	II/4-84	2007/RS(G)/779/3	28.09.07	Timely settlement of tenders
2007	II/4-85	99/RS (G)/779/2	15.10.07	Tendering process – Negotiation with L1
2007	II/6-14	DRS(M)/2007/EPS/01	16.10.07	Review of implantation of e-procurement
2007	VI/8-40	RE(S)/14/11/82/0012.Pt	13.11.07	Decentralisation of procurement of CORE controlled items
2007	IV/1-40	F(X)II-2007/PW/4	14.11.07	Delegation of power to General Managers
2007	II/6-15	CRIS/GM-P(V)/EPS/2	14.11.07	Implementation of e-procurement system (EPS)
2007	II/1-57	87/RS(G)/753/2	30.11.07	Delegation of General Manager's powers to COS & CMM to accept single tender PO from stockyard / buffer import of M/s SAIL, TISCO, IISCO and RINL in respect of steel items and to make 100% payment in advance to them
2007	II/6-16	CRIS/GM-P(V)/EPS/14	30.11.07	Training on NREPS system and setting up of helpdesk
2007	II/4-86	99/RS(G)/709/1	06.12.07	Ordering on approved sources in Part II
2007	II/1-58	2007/F(S)1/PW7/1	07.12.07	1. Constitution of Tender Committee and Authority competent to accept stores purchases on Zonal Railways and PUs 2. Value limit for advertised and limited tenders
2007	VI/8-41	2005/RS(G)/779/13	19.12.07	Quality of materials supplied by RC holders of DGS&D
2008	VI/9-08	2007/RS(G)/779/6	22.01.08	Procedure regarding return of Commercial offers/EMD in two packet system
2008	III/4-25	92/RS(G)/363/1 PEs	24.01.08	Purchase preference policy for products and services of Central Public Sector Enterprises
2008	I/1-02	2008/RS(G)/779/2	14.02.08	Transparency in Purchase contracts awarded on nomination basis
2008	II/4-87	99/RS (G)/779/2	15.02.08	Tendering process-Negotiation with L1-pre-decided split ordering
2008	II/4-88	2005/RS(G)/779/1	18.02.08	Modification to tender conditions-Offer by FAX-Import offers
2008	VI/1-23	2004/RS(G)/779/11	19.02.08	Earnest Money Deposit(EMD) and Security Deposit (SD) for Stores Tenders
2008	II/5-17	2008/RS(G)/113/1	03.03.08	Supply of Stationery items by KVIC

2008	V/2-11	2003/RS(G)779/9	04.03.08	Recovery of Liquidated damages for delayed supplies during extended delivery period in supply contracts
2008	II/6-17	DRSM/2007/EPS/01	17.03.08	Implementation of e-procurement Project in for Indian Railways
2008	II/4-89	98/F(FEX)17/1/Airlifting	26.03.08	Enhancement / Delegation of powers for air-lifting of Stores
2008	II/6-18	CRIS/GM-P(V)/EPS/2	01.04.08	Implementation of e-procurement system (EPS) in Railways
2008	II/3-28	2004/RS(G)/779/10	03.04.08	Competent Authority for purchase proposal
2008	II/1-59	2007/RS(G)/779/1	04.04.08	Powers of purchase of COS/CMM. etc
2008	II/6-19	CRIS/GM-P(V)/EPS/13	07.04.08	Implementation of e-procurement system (EPS)
2008	V/2-12	2003/RS(G)779/9	28.04.08	Corrigendum- Recovery of Liquidated damages for delayed supplies during extended delivery period in supply contracts
2008	VI/1-24	2008/RS(G)/779/2	29.04.08	Acceptance of Bank Guarantees submitted by Contractors/ Suppliers
2008	VI/9-09	2008/RS(G)/779/4	30.04.08	Necessary Safeguards for Packing Materials and M&P for their safe transit
2008	II/1-60	2000/RS(G)/379/2	27.05.08	Pre-inspection of safety items procured from non RDSO approved sources
2008	III/3-20	2008/RS(G)/779/8	02.06.08	Fall Clause
2008	II/1-61	93/1/RS(G)/779/5 Pt.II	03.06.08	Enhancement in the minimum value of tenders for inclusion of option clause in the supply contracts
2008	II/1-62	2006/RS(G)/779/2	04.06.08	Operation of 30% option clauase in Stores contracts
2008	II/1-63	2008/RS(G)/777/1	23.06.08	Submission of sealed sample from indenting department / Depot
2008	II/4-90	99/RS (G)/779/2	27.06.08	Award of contract-Procedure for conducting negotiations
2008	VI/8-42	2007/RS(G)/779/5	14.07.08	Amendment to Purchase Order placed against tenders of Railways/ PUs beyond the acceptance powers of General Managers
2008	VI/8-43	RE(S)/14/11/82/0012.Pt	15.07.08	Decentralisation of procurement of CORE controlled items
2008	II/1-64	2007/RS(G)/779/1	28.07.08	Delegation of powers of purchase of COS/CMM etc.
2008	VI/1-25	2004/RS(G)/ 779/11	06.08.08	Corrigendum- Earnest Money Deposit(EMD) and Security Deposit (SD) for Stores Tenders
2008	IV/1-41	2003/RS(G)/777/1	08.08.08	Procedure for determination of the level of Tender Committee and Tender Acceptance Authority in case of offers received in foreign currency (on FOB/ C&F /CIF basis)
2008	VI/9-10	2006/RS(G)/779/2	08.08.08	Raising the limit for the purpose of 30% option clause.
2008	II/6-20	DRS(M)/2008/EPS/01	25.08.08	Rolling out of e-procurement
2008	II/3-29	2007/RS(G)/779/1	03.09.08	Vetting of indents

2008	II/6-21	DRS(M)/2008/EPS/01	05.09.08	Rolling out of e-procurement
2008	II/6-22	DRS(M)/2008/EPS/01	05.09.08	Rolling out of e-procurement
2008	II/6-23	2006/RS(M)/EPS/01	09.09.08	Minutes of review meeting for implementation of e-procurement system held on 03.09.08
2008	VI/1-26	2004/RS(G)/ 779/11	15.10.08	Withdrawal of Exemption from payment of Security Deposit (SD) in Supply Contracts for procurement of Safety Items, in case of SSI units registered with NSIC
2008	VI/6-12	2007/RS(G)/779/1	16.10.08	Enhancement in vetting limits of non stock demands / requisitions
2008	V/2-13	2003/RS(G)779/9	20.10.08	Recovery of Liquidated damages for delayed supplies during extended delivery period in supply contracts (LD)
2008	II/6-24	RS(M)2008/EPS/01	21.10.08	Implementation of e-procurement system (EPS)
2008	VI/8-44	2008/RS(G)/779/10	21.10.08	Nomination of DLW as a nodal agency for arranging the items required for maintenance of GM Loco crank shafts (PL 10142680) for WDPI Locomotive.
2008	II/4-91	99/RS(G)/779/2	22.10.08	Counter offers
2008	II/6-25	RS(M)2008/EPS/01	30.10.08	Implementation of e-procurement system (EPS)
2008	II/1-65	2008/RS(G)/779/2	07.11.08	Confirmation in tender file regarding uploading of NIT and tender documents on the website

PART - I PURCHASE - AN OVER VIEW

CHAPTER-1

PURCHASE

1.1. Definition : Purchasing is described as the business activity directed to securing the materials supplies, equipments etc. required in the operations of an organization. Purchasing is not same as "**Buying**" which is merely the act of procuring the item at a price. Purchasing is a broader concept and is a managerial activity that includes planning and policy activities and convey a vide range of related and complimentary activities.

1.2. Objectives of Purchase : The principal objectives of purchase can be summarized as the procurement of goods of right quality, in right quantity and at the right time from the right supplier at the right price.

To state it broadly, the main objectives of purchasing are as follows:

(i) Maintaining continuity in supply of materials to support the business activity.

(ii) To do so with the minimum investment consistent with organizational safety and economics, keeping investment as low as is consistent with maintaining the production.

(iii) Avoiding duplication, waste and obsolescence with respect to materials.

(iv) Maintaining standards in quality of materials.

(v) Procuring materials at reasonably low prices consistent with quality and obtaining the best value for money spent.

(vi) Developing good and reliable suppliers and ensuring satisfactory "**buyer-vendor**" relationship.

(vii) To secure good vendor performance including prompt deliveries and acceptable quality.

(viii) To develop locally, new materials and products that may be required by the organization.

(ix) To develop good systems and procedures.

(x) To implement such programmes like value analysis, cost analysis and make or buy decisions, with a view to reduce costs.

(xi) Maintaining organization's competitive position in the industry and by optimizing material costs.

The main objective is to obtain the best value for the money spent.

1.3. Transparency in Government Purchase : The Hon. Minister for Railways in his Note dated 28.03.1997 asserted the need for transparency and competitiveness in the procurement of materials by the Indian Railways. The same is reproduced below

" I have been repeatedly emphasising the need for introducing transparency and competitiveness in the procurement of materials by the Indian Railways. This would help Railways in getting quality product at competitive prices as also would ensure fairness in dealing with the bidders who participate in the open tender.

Some cases were put up to me earlier for finalisation on the basis of single/limited tenders in which I have given necessary directions. In the present case repeat orders were placed. Consideration of the cases for repeat orders would naturally amount to finalisation of the basis of a single tender.

I would like the Board to ensure that hereinafter all the procurements are to be made only through open tender. Procurement through single tender, limited tender or repeat orders should be stopped forthwith.

As I have spoken on the Floor of the House, I would like the Board to ensure that the above instructions, are strictly followed."

1.3.1. .The instructions on the above subject as per Board's letter dated 14.02.2008 is as follows:

In rare and exceptional cases, for instance, during natural calamities and emergencies declared by the Government; where the procurement is possible from a single source only; where the supplier or contractor has exclusive rights in respect of the goods or services and no reasonable alternative or substitute exists; where the auction was held on several dates but there were no bidders or the bids offered were too low, etc, this normal rule may be departed from and such contracts may be awarded through " private negotiations'

Authority: Minister's Note dated 28.03.1997 (Annexure I/1-01)

Bd's letter no: 2008/RS(G)/779/2 dt. 14.02.2008 (Annexure I / 1-02)

PART - I / (Section-I)

CHAPTER –2

CANONS OF FINANCIAL PROPRIETY

In exercising financial powers, the sanctioning authority must pay due regard to the following principles: -

(i) The expenditure should not prima facie be more than the occasion demands, and that every Government Servant should exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of his own money.

(ii) No authority should exercise its powers of sanctioning expenditure pass an order, which will be directly or indirectly to its own advantage.

(iii) Public moneys should not be utilised for the benefit of a particular person or section of the community unless –

a) The amount of expenditure involved is insignificant; or

b) A claim for the amount could be enforced in a Court of Law;

c) The expenditure is in pursuance of a recognised policy or custom;

(iv) The amount of allowances, such as travelling allowances, granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole sources of profit to the recipients. (116F1 & 131-S)

Note: - All proposals involving financial implications except those which have been specifically exempted for this purpose should be referred to Finance Branch for advice before these are sanctioned.

Authority: 131-S

Boards' letter No. 80/RS (G) 779/58 of 29.10.1980 and 10.11.80 – (Annexure I/2-01).

PART-I / (Section-II)

CHAPTER-2

LEGAL ASPECTS OF PURCHASING & ETHICS IN BUYING

2.1. Purchases made by the Railways are governed by the IRS terms and conditions of contract, Special and General conditions of contract. In addition, they are governed by the Indian Contract Act IX of 1872, Sales of Goods Act III of 1930, Insurance Laws, Sales Tax Act, Central Excise Act, Laws relating to transport of goods and Arbitration, and other General Laws as applicable from time to time.

2.2. Every purchase constitutes an agreement under Law and each purchase order signed by a Purchase Officer of the Indian Railways on behalf of the President of India is the contract document between the Organisation and the Supplier of Goods. It is therefore necessary that every Purchase Officer should have a working knowledge of the various law/enactments, as ignorance of law is no excuse.

2.3 The Indian Contract Act has defined Contract as "All agreements are contracts if they are made by the free consent of parties, competent to contract for a lawful consideration and with a lawful object and are not expressly declared to be void".

2.3.1. All contracts are agreements but all agreements need not be contract. An agreement, in order to be a contract, must be enforceable at law i.e. a valid agreement.

2.3.2. A valid agreement is a contract and the essentials of the valid agreement or a contract are as follows:

(i) A lawful offer accepted unconditionally.

(ii) The capacity of parties to enter into an agreement.

(iii) Consent of the parties to the agreement.

(iv) A lawful object.

(v) Presence of consideration.

(vi) An agreement must be free of vagueness and ambiguity, which may render it unascertainable for performance.

(vii) An agreement must not be to do an impossible thing but it must be capable of being performed.

(viii) It must be in writing whenever the law so requires.

(ix) It must have been duly attested or registered if so required by the law.

(x) It must not be void otherwise on any respect, which shall render as unenforceable.

All these essential spring out of the provisions of the section 10 of the Indian Contracts Act 1872 and must be read carefully.

2.4. The essentials of a contract are: -

2.4.1. Offer and acceptance : In a contract to buy or, sell, there should be an offer to buy or sell and the acceptance of such offer. They are complete when a quotation (which is an offer) is submitted by the supplier and a Purchase Order is sent to him, within the specified period of time, if time is stipulated or within a reasonable time, if no time is stipulated.

2.4.2. An acknowledgement of the order or proof from postal authorities that the communication of acceptance (letter or telegram) has been despatched fulfils the requirements of law.

2.4.3. If the terms of Purchase Order differ from the quotation, there is no acceptance but only a counter offer and it must be accepted by the party concerned to make the contract concluding and binding on them.

2.4.4. Part supply against an order constitutes an acceptance by the supplier of the terms and conditions of the order. Similarly acceptance of the goods by the buyer tantamount to acceptance of the supplier's terms and conditions unless, he has protested at the time of receiving the goods.

2.5. Competent Parties : A valid contract must be made by persons who are competent to contract. A Purchase Officer exceeding his actual or apparent authority in making a contract, will absolve his organisation from the implications of the contract, but he himself will be liable for the consequences.

2.6. Free Consent : The agreement between the parties must be with free consent. The consent of a person is said to be free when it is not obtained by (i) Coercion (ii) Undue influence (iii) Fraud (iv) Misrepresentation or (v) Mistake.

2.7. Lawful consideration: - The consideration must be lawful. A contract by which only the seller is obliged to supply certain goods, without consideration or price is not enforceable.

The consideration or object of an agreement is lawful, unless:-

- it is forbidden by law; or
- is of such nature that, if permitted, it would defeat the provision of any law ; or
- is fraudulent ; or
- involves or implies injury to the person or
- Property of another; or the court regards it as immoral, or oppose to public policy.

In each of these cases, the consideration or object of an agreement is said to be unlawful. Every agreement, of which the object or consideration is unlawful, is void.

2.8. Lawful object : The subject matter of the transactions should not be illegal or opposed to public policy, such as buying at prices higher than those fixed by the Government or trying from unlawful sources, etc. Similarly an agreement to do an illegal act is void.

2.9 Title to Goods : The general rule is that **'risk follows title'**. Till the title of ownership passes to the buyer, the goods remain at seller's risk.

2.9.1. Risk in the stores : The Contractor shall, perform the contract in all respects in accordance with the terms and conditions thereof. The stores and every constituent part thereof, whether in possession or control of the Contractor, his agents or servants and the purchaser, his agents or servants,, shall remain in every respect at the risk of the contractor until their actual delivery to the consignee at the stipulated place or destination or where so provided in the acceptance of tender until their delivery to a person specified in the schedule as interim consignee for the purpose of despatch to the consignee. The contractor shall be responsible for all loss, destruction, damage or deterioration of or- to the stores from any cause whatsoever while the stores after approval by the Inspecting Officer are awaiting despatch or delivery or are in the course of transit from the Contractor to the consignees or, as the case may be, interim consignee. The contractor alone shall be responsible to make claim against a Railway Administration or other Carrier, in respect of non-delivery, short delivery, misdelivery, loss, destruction, damage or deterioration of the goods entrusted to such Carrier by the Contractor for transmission to the consignee or interim consignee as the case may be.

(Clause 1501 of IRS Terms & Conditions of Contract)

2.10. **Forfeiture of Earnest Money :** When the suppliers undertake to keep the offers open, for a particular period and if the offer is withdrawn or revised within the validity period the Administration gets a right to forfeit the Earnest Money Deposit.

2.11. Ethics in buying : The following code of ethics for buyers has been drawn by the Indian Association of Materials Management :--

2.11.1. To consider first the total interest of the organisation, in all transactions.

2.11.2. To be receptive to competent counsel and to be guided by such Counsel without impairing the dignity and responsibility of his office.

2.11.3. To buy without prejudice, seeking to obtain the maximum ultimate value for each rupee of expenditure.

2.11.4. To strive consistently for knowledge of the materials and process of manufacture and to establish practical methods for the conduct of office.

2.11.5. To abstain from malpractices.

2.11.6. To eschew anti-social practices.

2.11.7 To accord prompt and courteous reception, so far as conditions will permit, to all who call upon him, on a legitimate business mission.

2.11.8 To respect his obligations and to require that obligation to him and his concern are respected., consistent with good business practice.

PART-I

CHAPTER 3
MATERIALS MANAGEMENT-OUTLINES

Materials Management covers the entire cycle of supplies, and in modern and progressive organisation like the Indian Railways, complete control on the materials is vested in the Stores Department under the Controller of Stores directly responsible to the General Manager.

3.1. The field of materials management covers the functions

(i) Material planning and programming of procurement and supplies

(ii) Purchasing

(iii) Inventory Control

(iv) Storekeeping and Ware-housing

(v) Material handling and Transportation

(vi) Codification and standardisation

(vii) Value Analysis and

(viii) Identification, Disposal of surplus, obsolete and scrap materials.

(ix) Supply of uniforms to Railway staff

(x) Printing and supply of tickets to the Commercial Branch through Railway Printing Press.

(xi) Printing of Books, journals, forms, reports etc.

3.2. The main objectives of the materials management function in the Indian Railways can be defined as follows:-

3.2.1. To ensure availability of raw materials, semi-finished and finished components, consumable and General stores, Machinery and Plant and spares for production/ maintenance/ Operational requirements.

3.2.2. To maintain uninterrupted supplies and quality materials, in time, to the user Departments, at a minimum cost.

3.2.3. To minimise investment in inventories, purchasing cost, inventory-carrying cost, number of stock-outs and percentage of obsolescent materials.

3.2.4. To reduce materials costs through standardisation, variety reduction, value-analysis, import substitution and by application of other techniques, contributing towards reduction of the overall cost.

3.2.5. To satisfy the public accountability at all stages of the transactions relating to purchase, storage, issue and sale of materials, in the best interests of the Organisation.

3.2.6. To release the working capital for, more useful purposes by efficient control of inventories.

3.2.7. To avoid losses to the Government due to deterioration of materials.

3.3. The five essential principles of the purchasing function are:

(i) Right quality

(ii) Right quantity

(iii) Right price and '**value**' for money

(iv) Right delivery of **'Time & Place'**

(v) Right source of supply.

3.4. The Ministry of Railways accepting, as a policy, the totally integrated approach to Materials Management functions, has resulted in better inventory over, better performance in lowering costs, reduced stock-outs and reduced times and better co-ordination with user wings. It has also facilitated introduction of advanced EDP system for collection and in-depth analysis of a wide range of data to facilitate better use of funds outlay for supply of materials.

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PART – I

CHAPTER – 4

REGISTRATION OF FIRMS

4.1. The essence of purchasing is rational source selection.

4.2. Registration of firm as approved suppliers should be done carefully after assessing the Capacity-cum-capability of the firms and the checks prescribed by the Ministry of Railways from time to time should be rigidly carried out by the Railways. The application form for registration has been amended to obtain information on the connection or financial interest of the Partners/Directors of the firm under consideration for registration with other firms already registered with the Railways. Regarding issue of limited tender enquiries to such firms, Ministry of Railways desire that LT may be issued to them on a rotation basis *i.e* LT should not be issued at the same time to different firms on whom partners / Directors have financial interest, covering only one firm at a time.

Authority: Bd's letter No. 76/RS (G)/164/16 of 08.08.1980 –(Annexure I / 4-05)
Application Form -Bd.'s letter No. 76/RS (G) 164/16 of 31.03.1981-(Annexure I /4-06)

4.2.1. The registration of firms suggested in 4.2 above applies only to limited tenders. In the case of items to be purchased from RDSO approved sources the system of rotation would apply.
Authority: Bd's letter No. 76/RS (G)/164/16 of 03.09.1984 – (Annexure I /4-08)

4.3. Vendors to possess valid Digital Signature Certificate Class III b with company name at the time of registration / renewal.

4.4. Registration should be done grading the firms **: -**

a. Those capable of executing supply orders valuing Rs. 40 lakhs and above
b. Those capable of executing supply orders valuing each 10 lakhs to Rs. 40 lakhs.
c. Those capable of executing supply orders valuing each Rs. 5 lakhs to Rs 10 lakhs,
d. Those capable of executing supply orders valuing each above Rs.1 lakh & upto 5 lakhs.
e. Those capable of executing supply orders valuing Rs. 1 lakh and below.

Authority: Bd's letter No. 2002/RS(G)/753/1 dated 08.11.2002 (Annexure I/4-19)

4.5. The monetary limits should be carefully fixed keeping in view the Banker's reports, capacity and capability of the firm and other financial information indicated in the balance sheets, profit and loss statements.

4.5.1. Within the monetary limits so prescribed, as also the items of supply for which registration is granted, the registered firm may not be required to pay any security deposit. However for all safety items, Security Deposit / Performance Guarantee shall be taken from all vendors, for contracts placed against AT, GT, ST, LT and SLT.

Authority: Bd's letter No. 2004/RS(G)/779/1 dated 24.07.2007 (Annexure VI / 1-22)
2004/RS(G)/779/1 dated 19.02.2008 (Annexure VI / 1-23)

2004/RS(G)/779/1 dated 15.10.2008 (Annexure VI / 1- 26)

4.5.2. The monetary limit so laid down, does not, however, debar a firm from getting orders in excess of the monetary limit or for other groups of stores provided the Railways are satisfied about the capacity-cum-capability of the firm and requisite security deposit is obtained as is being done in the case of unregistered firms.

4.5.3. The firms who are registered for supply of orders valued above Rs. 1 lakh should invariably be a manufacturer or his authorised agent.

4.5.4. The firm who are registered for executing supply orders valued above Rs. 5 lakhs should be pre-inspected by an officer of Junior Administrative rank for assessing capacity-cum-capability including effective quality control

4.5.5. The Railways may also seek assistance from inspection wing of D.G.S & D., RDSO or R.I.T.E.S. for carrying out of such pre-inspection.

4.5.6. Firms who are pre-inspected and considered fit for inclusion in approved list by one Railway should be considered for inclusion in the list of other Railways as well.

4.5.7. Registration of firm done on the lines enumerated above should be treated as provisional only until the firm has executed satisfactorily one order, and once the registration has been confirmed no discrimination should be made in the tenders received from these registered firms.

4.5.8. Using the factual data on vendor evaluation generated from the computer review of registration of firm should be done regularly once in 5 years.

Authority: Bd's letter No. 76/RS (G)/164/16 dt 18/24th February 1978 – (Annexure I /4-03)
76/RS (G) 164/16 dated 17/19.10.1989 – (Annexure I/4-11).
2002/RS(G)/753/1 dated 08.11.2002 (Annexure I/4-19)

4.5.8.1. Earlier instructions on Vendor Evaluation were issued by the Railway Board vide their letter No. 88/RS(IC)/751/5 dated 16.05.1991. Later Board vide their letter No. 95/RS(IC)/164/34 dated 25.10.1995 constituted a Multi Disciplinary Expert Committee of Officers from Stores, Accounts, Mechanical Branches and RITES to suggest a Evaluation System. Based on the recommendation of the Expert Committee Board has intimated an evaluation procedures for vendors on Indian Railways and Production Units.

This evaluation is based on purchase order placed in a period of three years subject to the condition that the total number of purchase orders is not less than three.

The further conditions are as under: -

(i) Vendor evaluation shall not be applicable to purchase order below Rs. 40000.

(ii) Vendor evaluation should be done every six months.

(iii) Vendors with less than 30% vendor rating should be considered for deletion from the list of approved suppliers.

Authority: Bd's letter No. 88/RS/(IC)/751/5 dated 16.05.1991 (Annexure I/4-12)

95/ RS (IC)/164/34 dated 30.06.1997 (Annexure I/4-13)

4.5.9. For RDSO approved firms

4.5.9.1. While approving the firms, an undertaking may be obtained from them that they will not be part of a cartel with other vendors and will be quoting competitive rates in the tenders. The firms who quote in cartel may be warned that their names are likely to be deleted from the list of approved vendors.All cases ofcartel formation is to be reported to "THE COMPETITION COMMISSION OF INDIA (CCI), New Delhi.

4.5.9.2. Railways should report details of firms involved in forming such cartels to approving authority for considering down-gradation/deletion of names of such firms from the list of approved suppliers. Simultaneously, urgent steps should be taken for approval of more vendors for items where cartel problem exists.

4.5.9.3. The procedure for approval of firms should be made more transparent and the details of the procedure for approval of new firms may be put on the web-site and also published in a form of a booklet for information of the vendors. Time frame and the criteria for approval of new vendors as well as for upgrading from Part-II to Part-I category may be clearly indicated.

4.5.9.4. On the recommendation of Task Force on tendering procedure, the following guidelines are issued:-

(1) Railways may invite global tender for items wherever cartel formation is repeatedly noted by indigenous sources.

(2) While inviting such tenders, the condition of procurement of bulk supply from RDSO approved sources should be dispensed with as tender condition.

(3) In such global tenders, bulk quantity orders may be placed on potential indigenous / overseas suppliers, capable to supply the item.

(4) The capability & capacity of such potential indigenous / overseas supplier should be evaluated by inclusion of desired conditions stipulations in the tender. However, such condition should not aim to restrict the competition.

(5) It must be ensured that the procurement made through such Global tenders is cost effective with respect to the rates obtained in cartel formation situation.

Authority: Bd's letter No. 2001/RS/(G)/779/4 dated 05.08.2002 (Annexure I/4-16)
2001/RS/(G)/779/4 dated 05.08.2002 (Annexure I/4-17)
2003/RS/(G)11/3 dated 19.10.2006 (Annexure I/4-25)
2001/RS/(G)/779/4 dated 12.12.2006 (Annexure I/4-27)

4.5.9.5. a) RITES will furnish list of such vendors where there have been repeated rejections in their inspection against their orders placed by railways/production units. Copy of such list will be circulated by DDRS(M)/RLO for taking action by the railway/production units.

b) On receipt of this list Railways/Production units/source approving authority should take immediate action to issue show cause notice to such firms with the purpose of weeding out such firm by giving them adequate notice as per

procedure laid down under Board's letter No. VIG-IV/75/Policy/ST/46(II) dated 27.12.75.

c) Railways should systematize procedure for weeding out such firms and should furnish quarterly report to RLO in regard to firms removed from their list of approved suppliers to enable RLO to compile information for Board in the format as per Board's letter No. 99/RS(G)/709/4 dated 09.02.2001.

d) All source approving authorities who have originally approved such firms should re-examine the original approval of such firms. Lacunae in their procedures as to how such firms have been originally approved for supply should be ascertained and effective action should be taken to correct their procedure so as to ensure that such firms are not approved in future.

e) Appropriate action may also be taken against the authorities, who have recommended such firms for bringing them in approved category. Suitable report for remedial action for improvement in the procedure should also be submitted to the Board along with the list of firms removed for such default.

f) However, it will be the responsibility of the Railways against whose purchase order, rejection has taken place, for monitoring final action against the firm by the source approving authority.

g) Railways should utilise this information & devise foolproof systems by which they can regularly review the performance of the vendors and take suitable action for delisting/downgrading etc. or for taking other penal actions in the form of LD, Risk Purchase and forfeiture of Security deposit.

h) A regular feedback should be given by the Railways to Board on the action taken by them on such lists circulated by RITES.

Authority: Bd's letter No. 95/RS(IC)/165/34 dated 30.06.1997 (Annexure I/4-13)
99/RS(G)/709/4 dated 09.02.2001 (Annexure I/4-15)
99/RS/(G)/709/1 dated 12.09.2002 (Annexure I/4-18)

4.5.9.6. RDSO has devised format for customer feedback and circulated to all COSs under their letter No. MW/IL/Vendor Performance dt. 23.06.03. Thus for all those items where vendor approval is dealt by RDSO, it is requested to send the item-wise information in the above said prescribed format to RDSO on half yearly basis i.e. for the period ending June & December every year.

Authority: Bd's letter No. 2003/RS/(G)/11/3 dated 17.07.2003 (Annexure I/4-20)

4.5.9.7. Vendor assessment and approval for Critical & Safety Items

i) For that category of Critical & Safety Items where PUs are permitted to develop new sources (as categorised by RDSO & circulated to all Railways & Production Units), the first inspection of the bulk procurement must be carried out by RDSO & final approval of the vendor on successful completion of the first bulk order, the vendor be incorporated in RDSO's approved vendor list for reassessment by RDSO.

ii) In case of Diesel items, the PUs may develop & register vendor which are essential to continue the ongoing indigenisation programme for the locomotives.

iii) Periodic re-certification of all vendors included in RDSO's vendor list will be done only by RDSO.

Authority: Bd's letter No 99/RS/(G)709/1Pt. I dated 11.03.2005 (Annexure I/4-22)

4.5.10. Developing new sources

4.5.10.1. To follow transparent system of approval of sources Railways/PUs should call expression of interest by giving wide publicity for development of sources for those items where the approved sources are not adequate and where problems of cartel formation is suspected and high rates are quoted. While implementing the above, following may be kept in view :

i) Items for which the system of approval of sources exists, the same should be laid down specifically for each item and be made available to the likely sources. The same should also be placed on the website. The updated status of requests for approval/renewal shall also be made available on the website.

ii) Where it is felt by tender committee/tender approving authority that the number of approved sources or their capacity for an item is not adequate or where the problem of cartel formation coupled with quoting of high rates is suspected then necessary action in this regard will be taken as laid down in Board's letter No. 99/RS(G)/709/1 dated 03/05/2005 (RBS No. 09/2005).

Authority: Bd's letter No 99/RS(G)/709/1 dated 03.05.2005 (Annexure I/4-23)
2005/RS/(G)709/1Pt. I dated 17.11.2006 (Annexure I/4-26)

4.6. Automatic Registration of SSI Units Registered with NSIC.

4.6.1. While registering Small Scale Units under this scheme, Railways/ Production Units shall invariably obtain a certificate from N.S.I.C. that the said Small Scale Units have been registered with them in accordance with the provisions laid down in D.G.S. & D's O. O.. No. 119 dated 16th August 1975. With effect from 12.05.2003, NSIC has decided that the enlistment certificate issued by NSIC will not be permanent and will be renewed every two years. The concept of "without monetary limit" has been abolished. Therefore, any government purchase enlistment certificate issued by NSIC which is not renewed within two years of its presentation to the department or which does not have monetary limit should not be taken as valid certificate and the unit may be referred back to NSIC for corrective measures.

Authority: Board's letter 66/RS (G)/363(II) Dated 28.01.1976 (Annexure I / 4-01)
95/RS (G)/363/1 of 06.12.2005 – (Annexure I / 4-24)

4.6.2. It should be ensured that the registration of the firm is reviewed every 3 years after initial registration for 2 years and the name of the firms removed from registration by N.S.I.C. in case of bad performance, after giving sufficient details to N.S.I.C. to act upon.

4.6.3. The responsibility for advising the Railways/Production Units of the names of firms' registered/ removed from registration in accordance with D.G.S.&D' s O. O. No. 119 shall lie with NSIC.

4.6.4. If, however, the firm kept on quoting and did not obtain orders, it would not obviously be a matter of bad performance. After satisfactory performance of the units during the initial Registration period is established, their registration shall be renewed for 3 years at a time.

4.6.5. Administrative action, such as suspension, banning etc., against the firms for offences falling under the provisions of the standardised code will be applicable to the N.S.I.C. units also. However, in such cases necessary comments from N.S.I.C. would, if considered necessary, be called for before action is taken. Railway/Production Units shall be the final and competent authority in such cases.

Authority: Board's letter no: 66/RS(G)/363/11 dated 25.08.76 (Annexure I / 4-02)

4.6.6. Automatic registration facility would be granted only to those S.S.I. Units registered with the N.S.I.C..

4.6.7. While evaluating S.S.I. Units before registration as per standard norms, adequate weightage should be given to the quality control of the products by S.S.I. Units. The firms having inadequate quality control measures need not be considered for registration.

4.6.8. Recognition to all SSI Units registered under single point registration scheme with NSIC should be given and they are to be treated on par with those registered with the Railways.

Authority: Bd's letter No. 66/RS (G)/363(II) Dated 28.01.1976 (Annexure I / 4-01)
No. 66/RS (G)/363(II) Dated 25.08.1976 (Annexure I / 4-02)
No. 78/RS(G)/363/2 Dated 25.02.1978 (Annexure I/4-04)
No. 83/RS/G/363/2 Dated 21.10.1983 (Annexure I/4-07)

4.6.9. SSI Units applying for registration/renewal should be asked to get themselves registered first with NSIC. All Non-NSIC registered SSI units already on the approved list of the Railways should be got screened by NSIC afresh. If NSIC rejects any of them upon screening, they should be removed from Railway's approved list.

Authority: Bd's letter no: 85/RS/G/363/2 Dated 30.06.1987/02.07.1987 (Annexure I/4-09)

4.6.10. No fee or cost of application form, questionnaire etc. is to be charged from the firms, which are already registered with NSIC and seek registration on Railways.

Authority: Board's letter No. 89/RS/G//11/16 Dated 13.10.1989 (Annexure I/4-10)

4.7. An order for banning/suspension passed for certain specified period shall be deemed to have been automatically revoked on the expiry of that specified period and it will not be necessary to issue a specific formal order of revocation, except that an order of suspension/banning passed on account of doubtful loyalty or security consideration shall continue to remain in force until it is specifically revoked.

Authority: Bd's letter No. 91/LS/54/7 (487) dated 09.12.1999 (Annexure I/4-14)

4.7.1. Railways should ensure that before sending the proposal for suspension or banning of business to Board, the name of the defaulting firm is removed from their list of approved sources.

Authority: Bd's letter No. 2002/LS/54/7/Pt-I dated 28.01.2005 (Annexure I/4-21)

PART – II TENDER SYSTEM

CHAPTER I

CALLING OF TENDERS

1.1. Calling for competitive bids (tenders) for procurement of goods/execution of works is a well established system followed by Railways and Production Units, to achieve economy and efficiency (Vide **Para 323-S** and **Para 1210-E**). Depending upon the nature of goods, sources of supply, scope of the work and other features different forms of tendering system are followed.

1.2. **Nature of Tenders.**

1.2.1. Single Tender:- The Single Tender System may be adopted in the case of purchase of stores arranged for by the Controller of Stores in following cases.

a. Proprietary articles where it has been possible to certify that a similar article, which could be used in lieu is not manufactured/sold by any other firm (PAC- 'c' certified)

COS/CMM/Dy.CMM/SMM/AMM - upto their level of acceptance

b. Proprietary articles where it has not been possible to certify that a similar article, which could be used in lieu is not manufactured/sold by any other firm. (PAC- 'a' certified)

COS – Rs 5 lakhs, CMM – Rs 3 lakhs, Dy.CMM – Rs 2 lakhs,
SMM- Rs.1 lakh, AMM – Rs. 50,000/-

c. Invitation of Single Tender – Developmental items:-

COS- Rs. 5 lakhs, CMM – Rs. 3 lakhs, Dy.CMM – Rs. 2 lakhs

Authority : Board's letter No. 2007/RS(G)/779/1 dated 28.07.2008 (Annexure II/1-64)

d. For non-proprietary articles in normal circumstances.

COS/CMM Upto Rs.3 lakh.

Invitation of single tender and purchase require personal approval of COS/CMM.

e. For non-proprietary articles in emergencies affecting maintenance, out turn operation etc.

COS/CMM Upto Rs.5 lakhs.

Invitation of single tender and purchase require personal approval of COS/CMM.

Authority: Board's letter No. 2007/RS(G)/779/1 dated 04.04.2008 (Annexure II / 1- 59)

1.2.2. COS / CMM is empowered to accept proposals for Single Tender Purchase from StockYards / Buffer imports of M/s SAIL, TISCO, IISCO, RINL in respect of Steel items upto a value of Rs.3 Crores and Rs.2 Crores respectively, without going into formalities of Tender Committee Examination. They can also allow 100% advance payment to them (This authorisation is valid upto 13.12.2010)

Authority: Board's letter No. 64 / RS(G) / 385 /1 Dated 19.02.1981 - (Annexure II / 1-14)

64 / RS(G) / 385 / 1 Dated 18.03.1981 - (Annexure II/ 1-15)
87/ RS(G) / 753/ 2 Dated 30.12.1987 - (Annexure II/ 1-17)
87/ RS(G) / 753/ 2 Dated 20.11.1991 - (Annexure II/1-26)
87/RS(G)/753/2 Dated 15/19.10.92 - (Annexure II/1-29)
RS(S)/92/747/1 Dated 03.12.1997 - (Annexure II/1-36)
87/RS(G)/753/2 dated 09.02.2005(Annexure II/1-49)
87/RS(G)/753/2 dated 15.02.2005(Annexure II/1- 50)
87/RS(G)/753/2 dated 01.09.2006 . (Annexure II/1-54)
87/RS(G)/753/2 dated 30.11.2007. (Annexure II/1- 57)
2007/RS(G)/779/1 dated 04.04.2008 (Annexure II/1-59)

1.2.3. COS & CMM are empowered to purchase oil and lubricants marketed by Public Sector Undertakings on Single Tender basis upto a value of Rs. 3 crores and Rs. 2 Crores respectively in each case with finance concurrence and to make 100% advance payment to the firm without going into the formalities of Tender Committee examination. LT to be called in place of ST in case prices are not Government administered.

Authority: Board's letter No. 2007/RS(G)/779/1 dated 28.07.2008 (Annexure II / 1- 64)

1.2.4. COSs may accept the proposals for purchases from Govt. of India undertakings viz. MMTC, Hindustan Zinc Limited and Hindustan Copper Limited in respect of non-ferrous metal upto the value within the powers of purchase of COS in consultation with Associated Finance without going through the formalities of the Tender Committee.

Authority: Board's letter No.89/RS (G)/753/1 Dated 13.10.1989 - (Annexure II/1-22)

1.2.5. In order to ensure supply of quality material and to bring quality awareness among the firms the following clauses be incorporated in the tenders as well as purchase orders.

(a) Material peculiar to Railway such as parts and fittings of rolling stock except raw material, which have been rejected by the inspecting authority and could not be rectified during inspection, are required to be defaced by the inspecting authority to avoid recycling of such rejected material and to avoid ultimate failures of assets. All such rejected materials peculiar to Railways will be mechanically defaced to prevent sale to Railways again.

(b) In case the firm fails to offer the material for inspection against inspection call issued to inspection agency or if the material have to be re-inspected due to rejection of the material at the firm premises by the inspecting agency or due to non-despatch of material within validity of inspection certificate, then 50% of the inspection charges applicable for the offered quantity subject to maximum of Rs.5,000/- and actual test charges incurred will be paid by the supplier to the inspecting agency.

(c) A suitable clause may also be incorporated that only manufacturers should quote and if they intend to quote through RIDs / Agents, authorisation by the firm should be on case to case basis i.e tender specific.

(d) It should be ensured that inspection for items peculiar to the Railways is carried out at manufacturer's premises as stipulated above. In case of items such as bearings, where the inspection may be required to be carried out at RID/Agent's premises, the manufacturer shall associate during the inspection so as to ensure genuineness of material.

(e) Where approval of drawings / prototype is required, a specific time schedule for submission of drawing / prototypes for approval by the approving agency, to avoid post contract complications. The time period should be specified in two parts as under:

1. Time for approval of drawings / prototype
2. Time period for supply of bulk quantities / development order quantities after approval as above.

Authority: Board's letter No: 2000/RS(G/779/22 dated 12.02.2001(Annexure II/ 1-41)
99/RS(G)/709/4- IC dated 23.02.2001 (Annexure II/ 1-42)
99/RS(G)/709/4 dated 03.12.2002 (Annexure II/ 1- 43)

1.2.6. Limited Tender: In the case of purchase of stores arranged for by the Controller of Stores, the Limited Tender System may be followed (Para - 328 S) in cases (1) where the estimated value of stores is upto Rs.10 lakhs in normal circumstances, and (2) in case of emergencies at the discretion of the COS/CMM, in case of Safety Items and in case items which approved list is issued only by centralised agency RDSO / PU / CORE,

AGM- upto Rs. 5 Crores, COS- upto Rs. 2 crores,
CMM – upto Rs. 1 crore, Dy.CMM- upto his level of acceptance.

Authority: Rly. Board's letter No. 2007/RS(G)/779/1 dt. 28.07.2008 (Annexure II/1-64)

Tendering process or public auction is a basic requirement for the award of contract by any Government agency as any other method, especially award of contract on nomination basis, would amount to a breach of Article 14 of the Constitution guaranteeing right to equality, which implies right to equality to all interested parties.

In the circumstances, if sometimes award of contract or nomination basis (i.e. ST, LT, SLT) becomes inevitable,

i) All contracts awarded on nomination basis to be brought to the notice of Railway Board for scrutiny and vetting post-facto.

ii) The report relating to such contracts to be submitted to the Railway Board, every quarter.

iii) The audit may be required to check atleast 10% of such cases.

Authority: Board's letter no: 2008/RS(G)/779/2 DATED 14.02.2008 (Annexure I/1-02)

1.3. Bulletin Tenders: The Purchase of items less than Rs.10 lakhs in value shall be made generally through the issue of Bulletin Tenders.

Delegation for issue of LT/BT is as follows:

For Headquarters officers:-

AMM– Rs. 2 lakhs, DMM – Rs. 5 lakhs, Dy.CMM – Rs. 10 lakhs.

All depot / Divisional Stores Officers for purchase of items through normal mode of tenders (Open, Limited, Bulletin and Single tenders) in terms of Para 328-S of Stores Code Vol.I is as per item no: 10 of Board's letter no: 04.04.2008

Authority: Board's letter no: 2007/F(S)1/PW7/1 dated 07.12.07 (Annexure II/1-58)
2007/RS(G)/779/1 dated 04.04.2008 (Annexure II/1-59)

1.4. Open Tenders: This system of invitation to Tender by Public Advertisement in the most open public manner possible should be followed subject to the exceptions given in para **331-S** and **332-S** in all cases in which the estimated value of the Tenders to be received is Rs.10 lakhs and above.

Authority: Para 324-S
and Board's lr No. 2007/F(S)1/PW7/1 dt. 07.12.07 (Annexure II/1-58)

1.5. Limited Tender: Except in respect of emergency purchases and safety items, this system may be applied to orders, the estimated value of which is Rs.10 lakhs and above, with the sanction of the General Manager, subject to the following conditions: -

a). that sufficient reasons exist which indicate that it is not in the pubic interest to call for tenders by advertisements.

b). that the demand is so urgent that any additional expenditure involved by the elimination of open competition must be incurred.

c). that in the case of proprietary articles, the sanction of the General Manager is necessary only if it is not possible to certify that a similar article is not manufactured or sold by any other firm which could be used in lieu (Para 331-S).

Authority: Bd's letter No. 2007/F(S)1/PW7/1 dated 07.12.07 (Annexure II/ 1-58)

1.5.1. In order to ensure quality and reliability of items procured for the maintenance and production of the rolling stock, electrical and signalling equipment and such of the machinery and plant, which are considered vital, from the angle of safety ad reliability etc., Board has given partial relaxation as below:

A committee consisting of COS, FA&CAO /Co-ordinating and PHOD of the concerned department such as CME/CEE/CSTE etc. Will draw up a list of items of critical nature where quality is paramount importance and the names of the firms considered fit to supply these items in acceptable quality. This list will be put up for the personal approval of the GM for one time approval for fulfilment of **Para 331-S** of stores Code.

The procurement during the validity of the list will be through limited tender from such short listed firms.

Authority: Rly. Board's letter No. 73/RS(G)/779/30 Pt.II dt. 17.01.1995 (Annexure II/1-33),
99/RS(G)/709/I Dated 06.09.1999 (Annexure II/1-38) &
99/RS(G)/709/I Dated 16.09.1999 (Annexure II/1-39)

1.5.2. Global Tender : To invite all types of Global Tenders- COS – Full powers upto his power of acceptance with FA&CAO's concurrence. These powers have been delegated personally to COS & FA&CAO. These powers are not to be delegated down below.

Acceptance of all types of global tenders and release of FE and payment through letter of credit / TT – COS/CMM- upto their power of acceptance for indigenous tenders.

Authority: Board's letter no: 2006/RS(G)/779/11 dated 12.12.06 (Annexure- II/1- 56)
2007/RS(G)/779/1 dated 04.04.08 (Annexure- II/1- 59)

1.6. Emergency purchase of D.G. S. & D items

1. The powers for emergency purchase of DGS&D items through limited tenders :-

AGM -- Upto Rs. 5 Crores; COS – Upto Rs. 2 Crores;
CMM -- Upto Rs. 1 Crore ; Dy.CMM – Upto his level of acceptance.

Tender Committee is to be constituted for value more than RS. 10 lakhs and quantity of such emergency purchase will be decided by Competent Authority. It is however open to seek advice from Associated Finance wherever considered necessary.

2. This will include items covered by Rate/Running Contracts.

Authority: Para 706-S, Para 707-S, Para 802-S

Board's letter No. 2007/F(S)1/PW7/1 dated 07.12.07 (Annexure II / 1- 58)
2007/RS(G)/779/1 dated 28.07.2008 (Annexure II / 1- 64)

1.7. Tender Forms : Tender forms for Limited Tender should be issued under the initials of Senior Supervisors after obtaining the initials of the Officers in the draft form. The Tender documents in respect of Open Tenders will. be issued under the initials of Gazetted Officers of the Stores Department and all the Tender forms sold should be recorded in an appropriate register kept for the purpose. It should be ensured that the tender documents are made available for sale immediately after the tender notices are published in the papers or by the notified date.

Authority: Railway Board's letter No.77/W/1/CT-40 Dated 24.10.1977 (Annexure II/1-09).

1.7.1. Issue of Tender documents to S.S.I Units & Ordinance Factory :

(a) All S.S.I Units registered with the N.S.I.C. may be issued tender documents free of cost, on request, based on the certificate of registration with N.S.I.C.

Authority: Board's letter No. F(X)1-79/17/1 Dated 26.03.1979 - (Annexure II/1-12)
95/RS(G)/363/1 dated 06.12.2005 (Annexure I/4-24)

(b) Various concessions should be offered to Ordinance Factories under Ministry of Defence for manufacturing items required by Railways like exemption of Earnest Money Deposit, Security Deposit, issue of Bulletin tenders free of cost. On the merit of the case Tender documents including drawings, specification may also be supplied for free of cost by COS/CMMs.

Authority: Bd's letter No. 92/RS(G)/363/1 Dated 08.04.1993 - (Annexure II/1-30)

(c) Cost of tender documents of stores contracts will be applicable as under uniformly for all the Railways.

Sl. No.	Tender Value	Cost of Tender documents
1.	Upto Rs.5 lakhs each	Rs.150/-
2.	Above Rs. 5 lakhs and upto rs. 15 lakhs each	Rs. 500/-
3.	AboveRs.15 lakhs and upto Rs. 50 lakhs.	Rs.1000/-
4.	AboveRs.50 lakhs each.	Rs.2000/-

Tender Enquiry Booklet 100 forms Rs. 15/-

Authority: Board's letter No.95/RS(G)/796/1 Dated 10.01.1997 (Annexure II/1-34)

(d) The tender fee will be refunded in the event of Tender being discharged/dropped even before opening, the cost of the tender document should be refunded.

Authority: Board's letter No. 97/RS(G)/779/8 Dated 04.08.1997 (Annexure II/1-35)

1.7.2. Publication of Tender Notices: Tender Notices should be advertised only in the dailies/periodicals authorised by the Directorate of Advertisement, and Visual Publicity, Ministry of Information and Broadcasting and at the rates stipulated by them from time to time and as communicated by the Railway Board. In addition, these notices should also be published in the Indian Trade Journal. The question of choosing the dailies for the purpose is left to the discretion of the individual Railways/Production units concerned to ensure effective publicity and coverage. For specific purposes, the vernacular language papers should also be included.

In addition to above, in all cases, where tendering process is involved and where open Tender System is resorted to for procurement of goods and services or for auction / sale etc of goods and services, the complete application form along with related documents should be available on the website of the concerned Railway in downloadable format. The concerned Organisation must give its website address in the advertisement/NIT published in the newspapers.

In this regard, CVC has advised that the concerned authorities may check and ensure that tender document, where open tender system is resorted to, are uploaded on the website of the concerned Railway and are available for downloading through Internet. This should be checked at following stages specifically:-

(i) After seeking approval of Competent Authority & before publishing tender notices/NIT/ corrigendum in news papers;

(ii) While publishing the tender in newspaper for wide publication, the CPRO/ PRO must ensure that the tender notice has already been uploaded on the website by taking an undertaking/ certificate from the executive to that effect.

(iii) These aspects must also be ensured by the Tender Committee while scrutinizing such tender and by the Tender Accepting Authority before awarding the tender

Any open tender (except single and spot tender) not having token of confirmation (in the form of internet download record) in tender file regarding the uploading of NIT and tender documents on website should be treated as inadequately circulated/ advertised tender.

The tenderers submitting the offers on the tender documents downloaded from the internet should enclose the requisite cost of tender documents along with their tender failing which such tenders should be summarily rejected. However the mode of payment towards cost of tender document will continue to be as per the existing instructions.

The correctness of the tender documents so downloaded and submitted by the bidders under consideration zone should be properly checked before acceptance of the bid. The tender conditions should also be modified by incorporating a suitable clause that the tenderers/ firms who are found to be indulging in changing / adding or deleting the contents of the Tender documents will be liable to face necessary action as per extant instructions which cloud be removal from the approved list, banni9ng suspension of business dealings etc. Suitable security features like appropriate password protection etc should also be incorporated so as to check unauthorised access that will prevent inadvertent or malicious modification of the content of the Tender documents.

Authority: Board's lr no: 2000/RS(lC)/165/8/Pt dt. 03.12.2002 (Annexure II/1- 44)
2003/RS(G)/779/13 dated 04.02.2004 (Annexure II/1- 47)
99/RS(G)/779/2 dated 04.09.2006 (Annexure II/1- 55)
2008/RS(G)/779/2 dated 07.11.2008 (Annexure II/1- 65)

1.7.3. Sufficient time of not less than one month should be given for submission of tenders barring only the most exceptional circumstances.

Authority: Bd's lr No.55/B/C/2498/35 and 36/XIII dt. 13th January 1956–(Annexure II/1-01)

1.7.4. Tenders should be invited sufficiently in advance of the expiry of existing contracts so as to give sufficient time for negotiations and to call where negotiation and retendering may become necessary and enter into a new contracts, in time.

Authority: Board's letter No. F(X)II-56/ Misc/27 Dated 20.12.1956 – (Annexure II/1-02)

1.7.5. In order to ensure that the Tender forms are sent to all the firms from whom the Limited Tender Enquiries have been solicited, all tender enquiries against Limited Tenders should be sent under certificate of posting (or Regd. Post) instead of by ordinary post.

Authority: Board's letter No.79/RS (G) 779 / 8 Dated 6.1.88 – (Annexure II/1-18) &
89/RS (G) 779 /13 Dated 11.02.1992 (Annexure II/1-27)

1.8. Specification / Samples: - Stores should be purchased to specification; wherever possible rather than to samples (**Para 429-S**).

1.8.l. In the Tender enquiry, it should be made clear that where purchases are made to a sample, the same should invariably accompany the tender and tenders not accompanied with-samples should be summarily rejected.

As per the existing guidelines on procurement of materials, purchase of materials is to be done as per drawing/standard/ specification etc. and purchase as per sample should not be done.

However, in certain specifications, there may be built in sample clause. Usually such clauses are stipulated to illustrate indeterminable characteristics such as general appearance, luster and feel etc. of materials like bed sheets etc. In such cases, supply shall be in conformity with the sample in such respects only, whereas for the remaining characteristics the supplies must be in conformity with the laid down drawings/specifications.

In all such cases as aforesaid, Controllers of Stores should issue suitable local instructions to guide procurement, inspection, receipt and accountal of materials. It should be ensured that sealed and signed samples are available in the following manner

(i) One No. in the sample room of COS Office
(ii) One No. with the supplier to guide manufacture.
(iii) One No. with the Inspecting Authority to guide inspection.
(iv) One No. with the Depot officer/Indentor.

Authority: Bd's letter No.77 / RS (G) 779/12 Dated 11.08.1978 **–** (Annexure II/1-10)
2008/RS(G)/777/1 dated 23/6/08. (Annexure II/1- 63)

The procedure presently being followed by the Railways for calling samples for Paint Brushes and varnish along with offers and carry out performance test for brushes may be continued, so that an approved tender sample is available before the order is placed to enable the authority to inspect the bulk supply against the orders.

Authority: Bd's letter No.92 / RS (G)/164/SC/7 Dated 23.07.1992 (Annexure II/1-28)

1.8.2. The appropriate specification should be annexed to or quoted in the tender forms with a stipulation in the conditions of contract that the article supplied will be subject to inspection or test prescribed in the specification before acceptance. In cases where, the specifications, drawings, Sketches, etc cannot be embodied or enclosed in the tender form, it is to be stated where .the specifications or drawings, sketches can be had or seen.

(a) In order to safeguard Railway's interest while procuring capital asset spare it is necessary that Railway procure such items, which are bought out items for the manufacture of the capital assets directly from the concerned sub-suppliers with the view to economise on the cost of spares.

Authority: Bd's letter No.91/ RS (G)/779/3 Dated 12.06.1991 (Annexure II/1-25)

1.8.3. The National Standard Specifications (ISI, IRS., BSS, DIN, ASTM. etc.) should be prescribed wherever possible.

1.8.4. Descriptions mentioned in specifications should not prescribe brand names, catalogue numbers or types of equipment of a specific manufacturer unless this is necessary to ensure inclusion of certain essential features. In such a case the reference should be followed by the word "**or equal**".

1.8.5. Specification should not be altered after invitation of tenders. In case where specifications in a tender have undergone any major change before the tenders are finalised, fresh tenders should be called for giving sufficient notice to the Tenderers (Railway Board's letter No.58-B/C/2498/114th Report/8 Dated 27th/30th May 1958 - Annexure II/1-03) when recourse to retendering is not adopted to avoid delay in urgent cases, negotiation with all the Tenderers shall be had to give equal. opportunity to all the Tenderers quoted against the original tender on obtaining the sanction of the competent authority.

1.8.6. Tender documents should be so worded as to permit and encourage free competition and to set forth as clearly. and precisely at possible the work to be accomplished, the goods to be procured, to place of delivery of installation and the warranty and maintenance requirements as well as other pertinent terms. In addition, the tender documents where appropriate, should define the tests, standards and. methods that will. be employed to judge conformity of equipment as delivered or works as performed, with the original specifications. Drawings should be consistent with the text of the technical specifications. Any additional information, clarifications, correction of errors or alterations of Tender documents should be sent promptly to all those who had requested the original tender documents.

1.8.7. In order to avoid disputes in respect of' additional lead and lift for taking Railway materials to the site of work it has to be made clear in all tenders where Railway materials are to be supplied, the special conditions should specify the place where materials are to be handed over to the contractor and it should be made clear that all lead and lift from that place to the site of work would be at the expense of the Contractor.

Authority: Board's letter No. 68/W1/CT/25 Dated 12th July 1968 – (Annexure II/1-04)

1.8.8. With the introduction of surcharge on ''**to pay**'' traffic, a suitable clause should be incorporated in the tender conditions to indicate that the quotation shall be loaded with the surcharge payable. For comparative evaluation where the supplier quotes the price for f.o.r. Station of despatch and does not agree to book the good freight prepaid.

Authority : Railway Board's letter No.83/RS(G)/ 779/ 4 dt. 18.04.1983 – (Annexure II/1-16)

1.8.9. Warranty: Warranty clause previously included in special conditions of contract has been incorporated vide clause 3200 of I.R.S. condition of contract.

At times, Warranty Clause is also specified in the specifications made by Technical departments, which many at times, is at variance with warranty Clause as per IRS conditions of contract. This variance leads to ambiguity and legal problem including litigation and arbitration etc at post contract stage. It is, therefore decided that

(i) Warranty Clause specified in the tenders should normally be same as that in IRS conditions of contract.

(ii) Wherever it is considered necessary to have Warranty Clause in technical specifications at variance with warranty Clause in IRS conditions of contract, then technical department, while submitting the indents, and while providing the specifications, will advise clearly about applicable Warranty Clause for procurement to avoid problems at post contract stage.

(iii) While procuring the material, it should be ensured that the applicable Warranty Cluase is specified in tender documents clearly and in unambiguous terms.

Authority: Board's letter No.88/RS(G)779/12 Dated 09.08.1988 - (Annexure II/1-21)
78/RS(G)/777/1 dated 07.05.2004 (Annexure II/1- 48)

1.8.10. With a view to ensure the quality of supply of unit exchange spares, a suitable warranty clause should be introduced in the tenders. Clause 3200 of I.R.S. conditions of contracts binds the supplier with the warranty obligation This warranty clause should be specifically included in the Tender for the procurement of Unit Exchange Spares. The consumer should maintain proper records to watch the performance of these spares.

Authority: Board's letter No.88/RS(G)/ 779/ 2 Dated 06.05.1988 – (Annexure II/1-20)

1.8.11. In order to ensure compliance of Warranty obligation, the Bank Guarantee should be obtained in a prescribed proforma circulated vide Board's letter No.85 / RS(G)/ 779/ 21 dt. 27.01.1988 – (Annexure II/1-19)**.**

1.9. Sending of Limited Tender Enquiries.

1.9.1. Limited Tender Enquiries are to be issued only to the firms who are borne on the approved list of contractors for the particular item.

1.9.2. While issuing such enquiries, it should be ensured that the last successful supplier is invariably included.

1.9.3. Limited Tender Enquiries may be issued to a minimum number of three firms and a maximum of 7 or 8 against each tender.

1.9.4. Whenever a large number of firms are registered for group/ items, it may be ensured that enquiries are sent to all of them by rotation.

> ***Note :***--The minimum / maximum number of enquiries to be sent against each tender may, however, be varied at the discretion of the competent authority as circumstances warrant.

1.9.5. There is no objection to the issued of Limited Tender Enquiries to firms not on the approved list, provided, justification for the same is recorded. In respect of cases falling within the purchase powers of officers below the rank of Dy.CMM the approval of Dy.CMM should be obtained. In respect of cases falling within the purchase powers of Dy.CMM the approval of CMM and cases if any, falling within the purchase powers of CMM the approval of COS should be obtained. At the same time such unregistered firms to whom the limited tender enquiry is being sent, should be asked to get themselves registered with the Railway by following the applicable formalities.

Authority : Board's letter No. 77/RS (G)/17/ 1 Dated 20.06.1977 (Annexure II/1-08)

Each purchase section should maintain the register for registered firms, trade, group-wise with all relevant details. It is the responsibility of the purchase section staff to clearly indicate at the time of submitting the proposal for approval of panel for issue of tender, as to whether the firm is registered for that particular group or not. The responsibility for the correctness of this status shall exclusively with the incharge of the purchase section.

Whenever unregistered firm is included in the proposal for limited tender detailed reason should be indicated such as being last supplier or as suggested by the indentor on certain valid reasons or registered with other Railways/PUs etc.. It is also desirable that the panel of firms is drawn in two parts; (a) for registered firms (b) for unregistered firms. At the end of each part, the total number should be indicated. Any change at the higher level should be attested by the person making such changes.

Authority: Bd's letter No. 77/RS(G)/17 Dated 16.10.1990 (Annexure II/1-23)

1.9.6. While issuing Limited Tender Enquiries to firms (whose partners are common or have shared percentage in any other undertakings/firms-factory (ies) LT may be issued to them on a rotation basis *i.e.* Limited Tender should not be issued at the same time to different firms in whom partners/Directors have financial interest, covering only one firm at a time. This system of rotation will apply to RDSO approved sources also.

1.9.7. The Tender abstracts should also indicate which of the Tenderers happened to be sister concerns so that the Purchase Officer/Tender Committee is aware of the same at the time of finalising the Tenders.

Authority: Board's letter No. 76/RS (G)/164/ 16 Dated 31.03.1981- (Annexure I/4-06)
No. 76/RS (G)/164/16 Dated 03.09.1984 – (Annexure I/4-08)

1.9.8. In the tenders for fixed quantity contracts for procurement of materials of which the requirements are of continuing nature and the tender value is more than Rs.75 lakhs, the following must be stipulated in the tender in addition to the existing conditions :--

"The Purchaser reserves the right to vary the ordered quantity by (+) 30% at any time, till final delivery date of the contract, by giving reasonable notice even though the quantity ordered initially has been supplied in full before the last date of Delivery Period."

For Running contracts, Special Condition No. 3800 on Contractual Quantity variations will apply.

Quantity variation and option clause against each individual purchase order (even though issued from the same tender) shall not exceed +/- 30% of the ordered quantity against each purchase order.

Option clause shall be exercised during the currency of the contract such that the contractor has reasonable time/notice for executing such increase or decrease, +30% option clause can be exercised even if the original ordered quantity is completed before the last date of delivery.

1.9.8.1. Clarifications : "Reasonable notice" as mentioned above is only for the purpose of allowing the contractor suitable time to make necessary arrangements for the supplies and not for seeking any consent from the contractor towards exercise of the contractual Option Clause. To this end, a reasonable delivery schedule for the enhanced ordered quantity stipulated in the relevant amendment to the contract will suffice.

The purpose of "Reasonable Notice" for exercise of (-) 30% Option Clause consequent to decrease in prices subsequent to the placement of contract should be served by giving a reasonable opportunity to the contractor to unconditionally agree to accept such lower rates for the quantity unsupplied on the date of reduction/decrease of prices or the (-) 30% quantity, whichever is less. Here also, no consent from the contractor towards exercise of the contractual Option Clause is necessary.

In case DP is extended in a contract with (+) 30% Option Clause either for the full ordered quantity or a part quantity which remained unsupplied on the date of expiry of the original DP, then during the extended delivery period also, quantity variations can be made on the total ordered quantities.

In regard to operation clause in Stores contracts, it has been decided that while operating +30%option clause, the practice of rounding off the number to the nearest whole number is appropriate as well as logical and the same may be adopted. Less than 0.5 should be ignored and 0.5 or more should be rounded off to the next whole number.

It has further been decided that at the time of issue of tender the option quantity could also be specified in numbers, like, in case of M&P items where the quantity ordered is one or two units only.

Authority: Board's lr No.78 / RS (G)/ 777/ 1 Dated 31st December 1979 (Annexure II/1-13)
86/RS (F)/874/6 Dated 16.11.1990 (Annexure II/1-24)
93/RS (G)/779/5 Dated 31.05.1993 (Annexure II/1-31)
93/RS (G)/779/5 Dated 06.09.1993 (Annexure II/1-32)
93/RS (G)/779/5 Dated 26.05.1999 (Annexure. II/1-37)
2006/RS(G)/779/2 dated 23.3.06 (Annexure. II/1-51)
93RS(G)/779/5 Pt.II dated 13.04.06 (Annexure. II/1-52)
93/1/RS(G)/779/5 Pt.II dated 03.06.2008 (Annexure. II/1-61)
2006/RS(G)/779/2 dated 04/6/08 (Annexure. II/1-62)
2006/RS(G)/779/2 dated 08/8/08 (Annexure. VI/9-10)

1.9.9. In terms of the revised notification of Central Excise Act effective from 1.7.2000, the excise duty is chargeable on excisable goods considering the "Transaction Value". The revised act provides that while arriving at the transaction value, actual cost of transportation (freight) from "the place of removal" up to the "place of delivery" to the consignee of such excisable goods will be excluded provided the cost of transportation is charged from the buyer in addition to the price for the goods and shown separately in the invoice for such excisable goods.

Considering the revision in Excise Rules and to safeguard Financial interest of the Railway with regard to Excise Duty on freight(transport) charges, the tender / contract conditions may be suitably modified instructing the tenderer / suppliers that while quoting in the tender as well as submitting their Invoice/ bills they should indicate the freight charges separately from the price of goods, failing which the supplier would be liable to pay any element of Excise duty that may become applicable on freight (transportation) charges.

Authority: Board's letter no: 2000/RS(G)/779/4 dated 25.08.2003(Annexure. II/1-45)

As per Board's letter dated 09.08.06, all Railways have been advised to ensure mandatory third party pre-inspection by RDSO/RITES. It is further advised that in line with Board's letter of even no. dated 09-08-2006, safety items which are not covered in RDSO specifications and have to be procured by the Railways from non-RDSO approved sources, systematic pre-inspection shall be ensured; For such cases following guidelines may please be followed:

(i) For all items including safety items which are not covered under RDSO specifications, shall be got pre-inspected by professional agencies like RITE RDSO in normal case following Board's letter of even no. dated 09-08-2006, as per which, pre-inspection of supplies by third parties(RITES/RDSO) is mandatory for purchase orders valuing more than Rs. 1 lakh. Such pre-inspection by RITES/RDSO must therefore be ensured for all items.

(ii) In case value of purchase orders is below Rs. 1 lakh, mandatory pre inspection of materials may be undertaken by the consignee not below the rank of Sr. Scale. However, where it is not possible for a Senior Scale Officer to inspect the materials at firms' premises before dispatch, inspection shall be undertaken by an official not less than a Section Engineer for authorizing dispatch of materials from firm's premises to consignee where they shall be got inspected by an

officer not below the rank of Sr. Scale for acceptance and release of the payment.

(iii) In specific cases of purchase orders valuing less than Rs.1 lakh, where the inspection involves technical expertise or a special facility that is ordinarily not available with the consignee, the pre-inspection shall continue to be made by RDSO/RITES as advised in Board's letter of even no. dated 09-08-2006.

Authority: Board's letter no 2000/RS(G)/379/2 dated 27-05-2008 (Annexure. II/1-60)
2000/RS(G)/379/2 dated 09.08.2006 (Annexure. II/1-53)

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PART II

CHAPTER 2

OPENING OF TENDERS

2.1. Opening of Advertised Tenders-

2.1.1. Tenders should be opened at the specified time, date and place by the officer nominated for the purpose. Where the value involved is Rs 10 lakh and above, the tenders should be opened by the nominated officer in the presence of an Account Representative who will be either an Accounts Officer or a Section Officer (Accounts) deputed for the purpose.

Authority: Bd's letter No. 2007/F(S)1/PW7/1 dated 07.12.07 (Annexure. II/1-58)

2.1.2. Opening of Tenders ensuring presence of authorised representatives of the tenderers : Where opening of tenders could not be completed in one sitting and has to be carried forward to a second sitting on the same day after a break or to the next day, the officers opening the tender should get the signatures of at least two representatives present on the covers of all unopened tenders. He should also record a note as to the total number of tenders remaining unopened which may also be got countersigned by the two representatives whose signatures have been obtained on the covers of unopened tenders. Thereafter the tenders should be kept in the custody of the officer opening the tenders.

2.1.3. If any contingency arises where a representative of a particular firm comes to attend the tender opening but the quotation of that particular firm had not been received and the representative tries to handover a duplicate copy of the same at the time of opening of tenders, the officer opening the tenders should not accept such tenders, since the tender enquiry clearly indicates the time and date by 'which tenders should reach the office as also the time and date of opening of tenders, and there is 'also clear stipulation therein about the last hour of receipt of tenders, there is no question of accepting such tenders if handed over at the time of opening of tenders. If subsequently any representation is received from the particular firm, the contract officer should invariably be consulted in the matter.before taking final and awarding of contract.

2.1.4. In the various booklets issued by the CTE Organisation of the Commission the need to maintain transparency in receipt and opening of the tenders has been emphasized and it has been suggested therein that suitable arrangements for receipt of sealed tenders at the scheduled date and time through conspicuously located tender boxes need to be ensured.

A case has come to the notice of the commission, where due to the bulky size of tender documents the bid conditions envisaged submission of tenders by hand to a designated officer. However, it seems that one of the bidders while trying to locate the exact place of submission of tenders, got delayed by few minutes and the tender was not accepted leading to a complaint.

In general, the receipt of tenders should be through tender boxes. However, in cases where the tenders are required to be submitted by hand, it may be ensured that the names and designation of atleast two officers are mentioned in the bid documents. The information about these officers should also be displayed at the entrance/reception of the premises where tenders are to be deposited so as to ensure convenient approach for the bidders. The tenders after receipt should be opened on the stipulated date and time in presence of the intending bidders.

Authority : Board's letter No.79/RS(G)/C5712 dt. 22nd March 1980 (Annexure II/2-08)
99/RS(G)/779/2 dt 23.09.2004 (Annexure II/2- 11)

2.2. Attestation : The officer who opens the tender and the Accounts Representative who witnesses the opening of open tenders should -

i) Initial with date on the front cover page of the tender and also in every page of the tender on which the rates are quoted.

ii) invariably date and initial the corrections in the tenders including the correction in the basic price with white fluid.

iii) circle all correction, overwriting and number them in red ink. In case there is more than one correction, they should be serially numbered under dated initials and the number of such corrections should. be indicated at the bottom of each page under the dated initials of the tender opening officers. Where the rates are written only in figures and not in words, the rates should be written in words under the officers dated initials.

iv) clearly indicate ambiguities in rates quoted by the tenders in words or figures on the relevant page of the schedule attached to the tender to which it concerns.

2.3. Reading : The names of the tenderers and the rates as' quoted by each, both in words and in figures, should be read out to the tenderers or their representatives who may be present at the time of opening. While opening the tenders, no opportunity should be given, to any of the tenderers to repudiate what has been already quoted in the tender, i.e. the tenderers should not be asked to explain or go through the remarks regarding the rates already quoted or remarks already made by them in the tenders submitted by them.

2.4. Numbering : Immediately after reading out each tender, the serial number of each tender should be indicated as follows and initialled (1/3, 2/3, 3/3 say in the case of 3 tenders).

The above procedure is to be followed in the case of Limited Tenders also, i.e., when L.T.s are issued for value Rs.10 lakhs and above.

Authority : Board's letter no: 78/RS(G)177915 dated 30.03.1978 (Annexure. II/2-06)

2.5. The tabulation statements containing the various offers received in response to call of Open Tenders and Special Limited Tenders should be prepared by the Stores Department in a prescribed form and got checked by the Senior Supervisor of that department and sent to Accounts for counter-checking. The statement should be counter-checked by the Section Officer/Accounts of the Stores Finance Section and returned to Stores. The tabulation statement should be complete in all respects and should indicate all inclusive rates taking into account all factors such as Excise Duty, Sales Tax, Discount, Freight, Surcharge on Freight where applicable etc.

2.5.1. The Stores Officer and the Accounts Officer should check the comparative statement and sign it, in token of having done so.

2.5.2. Immediately after preparation of tabular statement and checking by the Accounts Officer concerned., the Tender papers may be sent for Technical scrutiny of the offers received, by

the Indenting officer/consumer. It should be ensured that the Technical recommendations are available before the Tender Committee meets.

2.5.3. It must be ensured that all tenders received are tabulated and put to the Tender Committee for their consideration without, any screening by any other official (Board's letter No.63/B/C/PAC/III/13 (19) dt. 9th October 1963 (Annexure II/2-05).

2.5.4. Along with the tabulation statement, a briefing note duly signed ,on each page by the Stores Branch Officer should be submitted clearly indicating the following details.

i) Complete and latest information in regard to the lowest contract rates for the same or similar materials or work in the particular or contiguous area .In case of supply contracts the last purchase rate/rates to be furnished.

ii) The conditions of supply or of undertaking the work with reference to information under item (i) above.

iii) The latest data in regard to the availability of materials and prices thereof and the working condition etc. to correlate the present quotations with those obtained earlier.

iv) Any special conditions attached to the rates and work or supplies referred to in (i) above as well as the technical data required for dealing with the tenders under consideration.

v) The performance of Vendor/Contractor on previous contract; and

Any other relevant information worthy of consideration in the contract/tender.

Authority : Board's lr No. 61/W5/LCT/41 dt. 23rd October. 1961 (Annexure II/2-02)
61/W5/LCT/41 dt. 21st -December 1961 (Annexure II/2-03)
78/WI/CT/47 (Task force) dt 3rd March 1979 (Annexure II/2-07).

2.5.5. The tabulation statement, Technical recommendation and the briefing note shall be scrutinised by the Departmental officer (indentor or consumer) nominated for consideration of tenders. The Tender Papers shall be sent thereafter, for scrutiny together with the original tenders to the Accounts Officer nominated to attend the Tender Committee at least a week in advance of the date fixed for the consideration of the tenders.

2.5.6. The tabulation statement and the briefing note should be completely verified by the Section/Officer/Accounts deputed for the purpose with the original tenders. The tabulation statement and the original tender should after having been seen by the Accounts Officer nominated to attend the Tender Committee for consideration of tenders, be returned to the Stores Officer concerned

Authority: Board's letter No. 63/AC.III/28/4 dt.13th. June 1963 – (**Annexure II/2-04**)

2.5.7. The remarks furnished as a result of the prior scrutiny of tenders in the Accounts office should immediately be attended to by the Stores Officer concerned so as to ensure that all the data necessary for consideration of tenders are collected sufficiently in advance of the Tender Committee Meeting.

Authority: Board's lr No. 59/B(C) 3129 dt. 26th /27th December 1960 (**Annexure –II/2-01**)

2.5.8. Purchases made on Single Tender basis and those made against proprietary Article Certificate, the estimated value of which is Rs. 10 lakhs and above, should be dealt with by a Tender Committee constituted by an authority competent to accept the tenders.

2.5.9. When once an Advertised Tender/S.L.T/S.T is issued for procurement of materials, the estimated value of which Is Rs. 10 lakhs and above and subsequently it is decided to drop the purchase for any reason whatsoever, should be decided by the Tender Committee constituted by the competent authority.

2.6. When an estimated value of an item or group of similar items at the time of calling for tender is below Rs. 10 lakhs and Limited Tenders are called for, where it is found after receipt of quotations that the value of the tender exceeds Rs. 10 lakhs it may be necessary to obtain the sanction of the General Manager for adoption of Limited Tender System in such cases, only if the difference exceeds 15% of the estimated value.

Authority : Board's letter No. 83F(S)I/PW-7/1 dt. 04.07.1989 – (Annexure II/2-10)
2007/F(S)1/PW7/1 dated 07.12.07 (Annexure. II/1-58)

2.7. Opening of Bulletin /Limited Tenders (Valued up to Rs. 10 lakhs) For opening of Bulletin/ Limited Tenders (Valued up to Rs. 10 lakhs) the procedure indicated below should be followed.

2.7.1. Tender Boxes : Adequate number of Tender boxes so as to allocate one separate box for each of the nominated opening days, with proper indications thereon, should be maintained. It should be checked from time to time that these boxes are in good condition and any repairs to these boxes should be promptly attended to.

2.7.2. Sealing of Tender Box: - The Tender Box intended for Bulletin/Limited Tender should be sealed and closed by the Stores Department official exactly at the prescribed time on all nominated days for closing of such tenders.

2.7.3. Opening of Tender Box : Opening of the tenders at the prescribed time should be done in the presence of Accounts and Stores Representatives.

2.7.4. Removing and sorting of Tender covers : immediately after opening, the tenders should be machine numbered with four digit number and date stamped. This number may start from unity every day. The tenders should be initialled and dated by the Stores and Accounts Representatives, who would also certify the number of tenders opened each day. If a cover opened, contained forward tenders, these should be put In separate envelope sealed/cover initialled by Accounts/Stores Representatives and redropped into the box.

2.7.5. Attestation of Rates : The rates as quoted should be circled. Where the rates are not quoted in "words" the same should be written in "words', circled and initialled. Where more than one offer is received against the tender, the number of offers should be indicated on the top and initialled.

2.7.6. Additional provisions : The clauses involving financial Implications viz., Sales Tax, duties, discounts etc., wherever separately mentioned in the quotation should be circled.

2.7.7. Attestation of correction : All corrections in the quotations should be noted, recorded and initialled by the Tender Opening Clerk, Stores and Accounts Representatives. The number of corrections should also be noted in the tender at the bottom.

2.7.8. Sorting and Tallying : After the above steps are completed the tenders should be sorted according to the cases. The total number of tenders received and placed on cases for the day should be counted, tallied and accounted.

2.7.9. Number and Tallying : The Tenders should be arranged in each case in the ascending order of basic rates generally and marked 1/9 and 2/9 and 3/9 etc. where 9 tenders are received and similarly in other cases. The tenders will again be machine numbered case wise with a 6 digit number and the specific number of tenders placed in each case indicated on the flap with other relevant details such as corrections etc**.**

2.7.10. The cases duly completed as above should be handed over to the purchase officers concerned, as far as possible on the same day in the evening. The number of tenders as per the 4 digit machine number should be reconciled with the 6 digit machine number everyday.

2.7.11. Reference of the tender cases to the consuming departments should be reduced to the minimum and where such a reference is made, a proper record of these cases should be maintained and the cases should be sent in sealed covers addressed by name to the officers concerned.

2.7.12. In all references to other Departments, the validity of the offer should be boldly indicated in the note and the department should be requested to furnish their comments expeditiously. The officer to whom they are referred should be reminded as frequently as necessary till their receipt.

2.7.13. A confidential tender processing section with nominated staff of each purchase section should be organised who should deal with tender cases completely till final acceptance by the purchase officer and then only pass on the case to the purchase section for further processing. This section should be responsible for speedy finalisation and furnishing of statistical information on tenders to purchase officers.

2.7.14. In the case of Limited Tenders, estimated value over Rs. 10 lakhs the case should be processed similar to an Open Tender.

Authority: Board's letter No.78/RS(G)177915 dt. 30th March 1978 (Annexure II/2-06)
99/RS(G)/779/2 dt 07.12.2004 (Annexure II/2- 12)
2007/F(S)1/PW7/1 dated 07.12.07 (Annexure. II/1-58)

2.7.15. Even though consideration of late/delayed tenders has been generally stopped for placement of orders, all the above provisions on tender opening will apply to late/delayed tenders also.

Authority : Board's letter No. 78/RS(G)/79/5 of 20.08.1983 – (Annexure II/2-09)

PART-II

CHAPTER 3

CONSTITUTION OF TENDER COMMITTEES

3.1. In the case of Tenders valued Rs.10 lakhs and over for the purchase of stores arranged by the Controller of Stores, a Tender Committee to consider the tenders should be constituted by the authority competent to accept the tenders.

Authority : Board's letter No. 20007/F(S)I/PW/1 dated 07.12.007(Annexure II/1-58)

3.2. The Tender Committee will have to be so constituted that officer holding power by virtue of his position as a member of the tender committee should not be the accepting authority also in such cases (Board's letter No.70/WI/CT/32 dt. 7/9th September 1970 – (Annexure II/3-01). In such cases, the executive member the Tender Committee shall put up the Tender Committee proceedings to the next higher authority for acceptance, notwithstanding the fact that the value of the offer is within the powers of that executive member of the Tender Committee.

3.3. The association of the Accounts Officers in Tender Committees is with a view to ensuring that the financial interests of the organisation are not lost sight of by the committee in its deliberations. The Accounts Officer is also expected to advise and ensure that various codal provisions/rules/regulations are being complied with and that any deviation in this regard is suitably advised for appropriate sanction bearing an overall management interest. The Accounts officer being an independent person is expected to look at the transactions in a dispassionate and objective manner. While the role of Accounts Officers in tender committees, auctions, etc., as outlined above, is well known, yet they should give due importance to their responsibility.

Authority: Board's letter No.74/AC.III/30/6 dated 29th June 1978—(Annexure II/3-02)

3.4. Preparation of T.C. Minutes : After the Tenders are opened, a detailed comparison statement should be prepared by the Stores Department and vetted by Accounts Department. The convenor of Tender Committee (Stores Member) has to fix the date in consultation with other Members for holding meetings. The T.C. Members must hold meetings and arrive at their recommendations. The minutes should be drafted by the convenor and any significant changes in the minutes should be done jointly by the T.C. Members. Noting on the Tender file by the T.C. Members as a substitute for the meetings should be strictly avoided .The Members of the Tender Committee are expected to have adequate knowledge and confidence to deal with the tender without referring the case to others working under them for scrutiny and comments. The Tender Committee Minutes should be drawn up by the T.C. Members. Preparation of T.C. Minutes by clerks is objectionable, although their assistance may be taken in dealing with the tenders. Complete records should be maintained on the file and secrecy of the tender ensured.

3.4.1. The independent committee of expert set up by the Railway Board in Feb.' 91 as recommended by the Public Accounts Committee (8th Lok Sabha) for investigating inconsistencies and irregularities in case of purchases has recommended that evaluation of tender, preparation of briefing notes, etc, need to be done with greater care and attention .The tender committee Member should carefully scrutinise the offers atleast of the bidder recommended for award of contract. Utmost care should be taken to examine all technical as well commercial aspects especially technical deviations quoted by the Tenderer.

3.4.2. i) When the tender cases are under examination, no authority other than those involved in the decision making process should be allowed to make queries or call for the reports except for calling the periodical progress status by the concerned authorities. This will ensure expeditious settlement of Tenders in a free & fair & transparent manner,

ii) The tender cases should not be handed over to or requisitioned by the authorities not involved in the decision making process at any time. During the pendency of the tender proceedings, tender papers should be in the custody of the convenor of the tender committee & should not be parted with to any one, till finalisation of the proceedings.

iii) Any representation /reference received during the finalisation of the tender committee proceedings may be forwarded to the TC/Convenor of TC for its examination on its merits and action as considered necessary.

iv) Any reference /complaint received in Railway Board at the level of Ministers/Board Members/Other higher-level officers or in the level of GMs/PHODs ahould simply be forwarded to the TC/Convenor of TC for its examination on merits and action as considered necessary.

v) The reply to CA-iii reference should be put up only after finalisation of the tender.

vi) While finalising the tenders, the tender committee minutes should be self contained & self-explanatory. The TC should clearly bring out the reasons in sufficient details of, passing over /ignoring any lower offer, reasonableness of rates of the recommended offer etc.

Authority : Board's letter No.84/RSG/771/1 of 23.02.1984 (Annexure II/3-03)
84/RSG/771/1 of 14.04.1984 (Annexure II/3-04)
93/RS(G)/645/1/PAC-165 of 11.03.1993 (Annexure II/3-09)
99/RS(G)/779/2 of 08.05.2003 (Annexure II/3-20)
2003/RS(G)/777/4/Pt.I dated 06.02.2004 (Annexure II/3-21)

3.5. Powers of purchase to HEADQAUARTERS, DEPOT / DIVISIONAL STORES OFFICERS :- The powers of purchase of Controller of Stores in various types of cases and the limits up to which they can be delegated to Lower Officers, the powers to approve quantities proposed to for purchases / indents, powers to sit on Tender Committees in terms of value of tenders powers to accept tenders in terms of value of tenders will be in accordance with the Board's letter No.70-F(S)/I/PW/1 dated 6th March 1979 (Annexure II/1-11) as modified *vide* letter No.

86/F(S)/I/PW-7/2 of 13.09.1994 (Annexure II/3-10)
85/F(S)/I/PW-7/1 of 19.11.1997 (Annexure II/3-11)
2001/F(S)I/PW7/2 dated 12.10.01(Annexure II/3-15)
2001/F(S)I/PW7/2 dated 09.01.2003(Annexure II/3-18)
2001/F(S)I/PW7/2 dated 27.01.2003(Annexure II/3-19)
2001/F(S)I/PW7/2 dated 07.07.2004 (Annexure II/3-23)
2007/F(S)I/PW/1 dated 07.12.007(Annexure II/1-58)
2007/RS(G)/779/1 dt.4.4.08 (Annexure II/1-59)
2007/RS(G)/779/1 dt.28.07.08 (Annexure II/1-64)
2007/RS(G)/779/1 dt 03.09.2008 (Annexure II/3-29)
2007/RS(G)/779/1 dt.16.10.08 (Annexure VI/6-12)

The powers to Depot / Divisional Stores Officers to procure item through normal mode of tendering is as per item no: 10 of Board's letter no: 2007/RS(G)/779/1 dated 04.04.2008.

3.5.1. Consequent on the abolition of G.O.I. stationery offices, the normal purchase powers will be applicable to stationary items also as advised vide Board's letter No.87/RS(G)/ 779/27 dated 30.12.1987 – (Annexure II/3-06).

3.5.2. It may be noted that: -

i) The total value of the tender will be the criterion to decide the competent authority for acceptance whether purchase proposals against the tender are put up in parts.

ii) Stores Member of the Tender Committee will put up the paper direct to the accepting authority.

iii) All purchase proposals valued over Rs. 50 crores are to be submitted to Railway Board for obtaining approval of the Minister for Railways.

Authority: Bd's letter No. F(X)II-2001/PW/6 dated 21.09.01 (Annexure II/3-13)
2001/F(S)/PW7/2 dated 20.12.2001 (Annexure II/ 3-16)
2002/F(FEX)1/1 dated 09.01.2002 (Annexure II/ 3- 17)
F(X)II-2007/PW/4 dated 14.11.2007 (Annexure IV/1-40)
2007/F(S)I/PW/1 dated 07.12.007(Annexure II/1-58)

iv) The level of the Tender Committee to consider the tendered offer will be decided based on the lowest acceptable offer as per the technical note, in cases where the lowest offer (s) as received is / are unacceptable on technical consideration.

v) The value of purchase against import contracts should be as CIF for determining the level of the Tender Committee and the approving authority, as advised *vide* Board's letter No. 87/RS(G)772/2 dated 20.08.1987 – (Annexure II/3-05) and Offers in foreign currency, are usually received on FOB or C&F basis. These offers are to be evaluated in the following manner to arrive at total cost of the offers for determining the level of tender committee and tender accepting authority : --

(a) CIF cost is to be calculated by adding freight as per rates of Shipping Corporation of India (SCI) (in case of FOB offers) & insurance charges as per Board's open cover policy. In case of C&F offers, only insurance charges are to be added.

(b) Assessable Value is to be calculated by adding Port landing charges @ one per cent with the CIF cost as per Customs Rules. Aggregate Customs Duty is to be calculated on the assessable value and the total landed cost is to be worked out by adding the assessable value with the aggregate Customs Duty.

(c) Thereafter, other charges as leviable and as required in terms of tender conditions (*viz,* training, installation & commissioning charges etc. as quoted, if any) are to be added to the total landed cost to arrive at the total cost of the offer.

(d) It is further clarified that indigenous offers shall continue to be evaluated on the basis of total cost including all duties & taxes etc., in terms of Board's letter no. 99/RS(G)170911 dated 03-05-2005. (Annexure I/4-23)

Authority : Board's letter No.85/F(S)I/PW/1 dated 28.02.1990 – (Annexure II/3-07)
99/RS(G)/709/1 dated 03.05.2005 (Annexure I/4-23)
2003/RS(G)/777/1 dated 08/08/08 (Annexure IV/1-41)

vi) While deciding the acceptability of tenders /contracts, the Excise Duty, Sales Tax & all statutory levies may be included in the value of the tender for determining the level pf competency of acceptance. However, the quantum of 'Option Clause' will continue to be excluded from the value of tenders. This would be applicable to Tender Committees of all levels.

Authority: Board's letter No. F(X) Ii/2004/PW7 dated 14.09.2004 (Annexure II/3-24)

vii) JAG level tender committee member in case of single SAG officer,

1. In case of only one FA&CAO, JAG level Finance officer will be member of Tender Committee upto Rs. 8 crores
2. In case of only one SAG Stores officer, JAG level stores officer will be member of Tender Committee upto Rs. 8 crores.
3. In case of only one SAG Level Officer in User Department, JAG level officer of user department will be member of Tender Committee upto Rs. 8 crores.

Authority: Board's letter No. 2007/RS(G)/779/1 dt.4.4.08 (Annexure II/1-59)

3.5.4. All purchase proposals not involving foreign exchange valued over Rs. 50 crores and purchase proposals involving foreign exchange valued over Rs. 50 crores are to be submitted to Railway board duly approved by GM for obtaining approval of the competent authority. Once Permission to import has been granted by GM, COS is authorized to invite all types of global tender upto his power of acceptance with Finance Concurrence and COS/ CMM can accept all types of global tenders & release of FE and payment through letter of credit, upto their power of acceptance for indigenous tenders.

Even if the initial value of lowest technically acceptable offer based on the tendered quantity is more than the acceptance powers of GM but the final proposal for purchase is within the acceptance powers of GM due to negotiation, the tender case need not be sent to Railway Board as the same is within the competence of General Manager to accept.

However in case, such contracts have ± 30% option clause & if the total value of the tender exceeds GM's powers of acceptance while exercising 30% Option Clause, the approval of the competent authority *i.e.* Railway Board is exercised in terms of 446-S and 447-S of Indian Railway Code for Stores Department.

The competent Tender Accepting Authority vested with powers to accept tender (based on Tender Committee recommendations wherever such is the case) does not change with the type of recommendation/decision in the tender *i.e* the decision on a tender committee proceeding either to award the contract or to discharge the tender has necessarily to be taken by the competent Tender accepting authority. All tender cases that are beyond financial

powers delegated to GMs should be submitted to Railway Board for obtaining approval of competent authority.

Authority: Board 's letter No. 92/F(FEX)1/1 of 28.05.1992/01.06.1992 (Annexure II/3-08)
2004/RS(G)/779/10 dated 15.02.2005 (Annexure II/3-25)
93/RS(G)/779/5/Pt.Ii dated 05.12.06 (Annexure II/3-26)
2004/RS(G)/779/10 dated 01.02.2007 (Annexure II/3-27)
2007/F(S)I/PW7/1 dt. 07.12.07(Annexure II/1-58)
2007/RS(G)/779/1 dt.4.4.08 (Annexure II/1-59)
2004/RS(G)/779/10 dated 03.04.2008 (Annexure II/3-28)

3.6. Spot Purchase Committee : Formation of Standing Purchase Committee at Divisional as well as HQ level for maintenance of ART/ARMV or urgently required consumable sanitation items may be done under GM's Powers. The standing Spot Purchase Committee so formed should , *inter-alia,* include, besides the Stores & Finance Officers, any one or more of the Mech/Elec/S&T/Medical Officers as per need & nature of equipments/Stores under purchase & other requirements.

Authority : 2002/RS(G)/779/12 dated 3.3.04 (Annexure II/3-22)

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PART – II

CHAPTER 4

CONSIDERATION OF TENDERS

4.1. Time : - Tenders should be considered expeditiously without any delay. [Board's letter No. 77/RS (G)/ 779/16 dated 7th April 1979—(Annexure II /4-20)]

Tenders should be finalised within the period of validity of offers.

4. l. l. From the number of audit paras being processed in Board's office, it appears that finalisation of Tenders in quite many cases is taking longer than the validity periods. Board have expressed concern on the non-finalisation of tenders within their original validity period. Ministry of Railways have reiterated that instructions should be issued to all concerned on the need for expeditious finalisation of tenders and as far as possible within the validity period to guard against the possibility of increases in prices and consequently incurrence of extra expenditure by the Government. Any delay in finalisation of tenders involving foreign exchange may lead to (1) non-utilisation of foreign exchange (2) Change in comparative position of offers due to fluctuation of exchange rate.

Authority : Board's letter No.79/RS(G)/779/16 dated 08.12. 1982-(Annexure II/4-27)
83/F(F(EX)3/1 of 26.10.1983 –(Annexure-IV/1-10)

4.1.2 Ministry of Railways also viewed seriously the delay in finalisation of tender as a result of which price of the stores was increased and extra expenditure was incurred. Board also desired that detailed guidelines be issued to all concerned for expeditious finalisation of tenders strictly within the original validity and this should be regularly monitored to avoid any slippage. Board have advised to settle AT/SLT cases less than 60 days and LT/BT cases less than 30 days. Further guidelines have been issued as follows:

***4.1.*3.** Technical evaluation should not be resorted to in a routine procedural manner; rather it should be done only in selected cases where deviations to the specifications have been indicated by the bidder & in case of procurement from sources for educational orders. Purchase Officers may get the description, specifications & drawings checked by technical departments before issue of tenders, wherever considered necessary. In cases where technical evaluation is necessary that should be carried out within the shortest possible time not exceeding two weeks in case of open tender & one week in case of limited tender from the date of such request. Tenders are to be issued within a maximum of 30 days from the date of the receipt of demands.

4.1.4. Monthly meeting to be held at the level of COS, FA&CAO(Stores) to associate to review AT & SLT cases upto Dy CMM level, pending more than 60 days & LT/BT cases pending more than 30 days. Monthly meeting to be held at the level of CMM, FA&CAO(Stores)/ DY.FA&CAO(S) to associate to review AT & SLT cases of Sr Scale level pending more than 60 days & LT/BT cases at SMM/AMM level pending more than 30 days. FA&CAO, DY.FA&CAO(S) to associate themselves in attending these review meeting. Consuming/ Technical Department and Accounts Department PHODs should hold monthly review meeting with their nominated HOD / DY.HOD to ensure that there is no delay on their part in settlement of tenders within the prescribed timeframe.

Authority : Board's letter No : 94/RS(G)/779/6 dated 25.08.1994 (Annexure-II/4-40)
99/RS(G)/779/5 of 15.06.1999 (Annexure II/4-46)
99/RS(G)/779/5 dated 05-03-2002(Annexure II/4-51)
2003/RS(G/777/4 dated 25.11.2003 (Annexure II/4-56)
2007/RS(G)/779/3 of 22.08.2007 (Annexure II/4-77)
2007/RS(G)/779/3 of 13.09.2007 (Annexure II/4-79)
2007/RS(G)/779/3 of 14.09.2007 (Annexure II/4-80)
2007/RS(G)/779/3 of 17.09.2007 (Annexure II/4-81)
2007/RS(G)/779/3 of 18.09.2007 (Annexure II/4-83)
2007/RS(G)/779/3 of 28.09.2007 (Annexure II/4-84)

4 . 2. Clarification : Clarifications should not be sought piecemeal from the Tenderers, Such clarification should not change the substance or price of the original offer. All the information necessary for consideration of offers should be called for at one time leaving no occasion for seeking further extension of time .

Authority : Bd's lr no:67-B(C)-PAC/III/72/16-17 dt. 29th/31st July 1967 (Annexure II/4-11)

4.2.1. In the first instance, the technical specifications/requirements should be carefully drawn up so as to clearly bring out the specific requirements of the tender. The Officers dealing with the evaluation of the tenders should make direct and to the point queries while obtaining clarifications from the bidders and get positive responses with regard to the compliance with or deviations from the specification. The questioning should be in such a manner as not to 1eave any erroneous impression on any bidder with regard to acceptability or otherwise of the bids submitted by him.

Authority : Board's letter No.87/RS(G)/779/12 dated 23.06.1987 – (Annexure II/4-33)

4. 3. Income Tax Clearance Certificate:-

No Income Tax Clearance Certificate (ITCC) will be required to be furnished by any person while filling a tender for purpose of obtaining commercial contracts etc. w.e.f 01-01-03.As regards the precondition regarding release of payments without insisting on ITCC, no ITCC would be issued by Income Tax Department to persons obtaining commercial contracts for any purpose.

Authority: Board's letter No. 2003/RS(G)/11/9 dated 9th June 2003 –(Annexure II/4-55)

4.4. Acceptance of offers from unregistered and untried firms through advertised tenders: Para 325-S of the Stores Code stipulates that when tenders are invited by Public Advertisement, the issue of Tender forms should not be restricted to firms whose names are on the list of approved suppliers (either approved by R.D.S.O. or by Railways themselves).

4.4.1. Such unregistered firms who tender, should furnish along with their quotation, the name and full address of their Bankers, the performance statement in the prescribed proforma regarding supplies made by them against contracts received from other Railways, D.G.S.&D and other agencies for similar stores in the past 3 years, details of equipment they possess for manufacture of the said stores including, quality control in a prescribed proforma, details of technical personnel employed, etc. Earnest Money and Security Deposit should be had from all unregistered firms, unless they are waived as per extent instructions by the competent authority. Therefore should the firm fail to furnish the above particulars, their offer should be

ignored. In case the firms fail to furnish the above particulars, and where *prima facie* the Railway feel that the firm is capable of complying the required stores, the capacity-cum-capability could be verified either by deputing their own representative or by using the agency of R.D.S.O., D.G.S. & D. or RITES. At least 80 per cent of the demand should be covered invariably on the registered / approved suppliers. The balance quantity up to 20 per cent could be covered on the unregistered firms whose capacity could not be tried by an educational order either but whose offers are competitive and *prima facie* the Railway is satisfied that they are capable of executing the order.

4.4.2. In all cases of educational orders, the Inspection agency should be carefully chosen to ensure *viz.,* in the case of safety items preferably RDSO should be utilised and for signalling safety items only RDSO should be utilised. If these educational orders are satisfactorily executed by the firm concerned, these firms should be placed in the list of approved .sources. Where educational order, however, fail, these firms should not be included in the approved list and shortfall in quantity to be procured should be covered on the approved/registered suppliers holding purchase orders /contracts by exercising the option clause wherever available.

4.4.2.1. Whenever purchase orders are placed on any firm on trial/Developmental basis, the same should be boldly indicated, with stipulations like "**Trial / Developmental order**". When the photo copies of such P.O.s are submitted by these firms to any other Zonal Railways/ Production Units, this will enable those, officers to know that such purchase orders are only Trial orders.

4.4.3. Railways may consider procurement of critical materials to the extent of 100 per cent from Registered Approved suppliers, in consultation with Finance where Railways may not be willing to undertake the risk of the failure on the part of the supplier to whom the educational orders have been placed, as only about 80 percent of the supply would have been assured by placement of the orders on Registered / approved suppliers and not more thanl/4th of the order could be placed as an educational order. The type of circumstances when such situation may arise may be *viz.,* delivery offered in the development orders is protracted, the item is of a complicated nature with likely delays in supply by the new supplier etc.

4.4.4. There may be also some cases where the administration may consider after due verification that the new supplier who has quoted competitive rate is having the required capacity-cum-capability and in those cases as well there is no objection to the Railway Administration placing bulk orders on these suppliers straightway in consultation with Finance and approval of competent authority .

Authority: Board's letter No. 77/RS(G)/779/17 dt 23/27th January 1979 –(Annexure II/4-19)
73/RS(G)/ 779/30/pt dated 22.01.1990 – (Annexure II/4-36)

4.4.5. Ordering On Approved Sources :

4.4.5.1. Railway procure some of the items from approved sources. List of approved sources may undergo a change after opening of tender. Status of firm is reckoned as on the date of tender opening. However if a firm is downgraded, removed, suspended or banned the same shall be taken into account while deciding the tender.

4.4.5.2. Wherever necessary, bulk purchase is to be made only from firms approved by RDSO/PUs/CORE etc for such ordering i.e Part I vendors.

4.4.5.3. Ordering on firms approved by RDSO/CORE/PUs as Part II vendors is to be limited upto 15% quantity normally.

4.4.5.4. Ordering on Part-II approved source can be beyond 15% or highest quantity of a past order for the tendered item successfully executed in the preceding 3 years in the same Railway unit or other Railway Units / PUs, whichever is higher, subject to (i) maximum of 25% of the net procurable quantity in the given procurement case and (ii) the tender committee/accepting authority being satisfied about the financial capacity, performance aspects, etc.

4.4.5.5. When more than one Part-II sources are within the zone of consideration on the basis of competitive price ranking with satisfactory past performance on that Railway, each Part-II sources may be considered for ordering in the same manner as indicated above. Aggregate quantity to be ordered on all Part-II approved vendors taken together, however, will not exceed 25% of the net procurable quantity, in a given procurement case.

4.4.5.6. All Part-II approved tenderers must submit attested photocopies of POs, inspection certificates and receipt notes/certificates related to the maximum quantity of the material under procurement, successfully supplied by them in any single order placed on them over the preceding three years by any Zonal Rly / PU. Such tenderers are to note that non-submission of such documents shall be taken as their not having any such past performance and their offers shall be considered further as per extant rules and no back reference in this regard will be made to them.

4.4.5.7. If there is no approved source in Part-I list and approved source exist in Part-II only, such Part-II firms will be considered for placement of Bulk quantity orders as well as without any quantity restrictions, otherwise applicable to Part-II firms.

4.4.5.8. If the tendering firm(s) is not approved by RDSO/PUs/CORE , as part I or Part II then they must submit their credentials details i.e Machinery and Plant, Testing Facilities, QAP, Technical Manpower, etc.

4.4.5.9. Offers from new suppliers may be considered for developmental / trial orders upto a maximum of 5% only after confirmation of their capacities /capabilities by RDSO/PUs/CORE. Failure to furnish requisite credentials details i.e Machinery and Plant, Testing Facilities, QAP, Technical Manpower, etc will make their offer liable to be ignored.

4.4.5.10. In case of developmental tenders for developing indigenous sources for imported items or where number of sources is considered inadequate, it is considered advisable even to permit differentia! rates within reasonable limits to different firms, as it is in the railway's interest to develop multi sources with appropriate quality norms.

4.4.5.11. OEMs can authorise its dealers to quote on their behalf provided the vendor takes full responsibility for the quality of the product including warranty obligations and the inspection of the product against Railway’s order is carried out at the manufacturer’s premises.

4.4.5.12. In cases where sources are not approved separately under Part II, but there is a need for placement of repeat development orders, the philosophy of ordering on Part II sources given above shall be applied.

4.4.5.13. The quantity to be procured from new development vendors should be restricted to the minimum which may be adequate for monitoring performance of the item.

4.4.5.14. During consideration of tenders for ordering on regular sources, due weightage should be given for the past performance both for quality and delivery in distribution of quantities wherever required, so as to ensure timely receipt of quality materials.

4.4.5.15. Items repeatedly failing and causing concern be identified by the approving authority and their specifications and sources revalidated.

4.4.5.16. In the cases where rates of Pt.ll approved vendors were lower than the original rate of the L1 Pt.l approved source, eligible and suitable for bulk ordering with whom a price negotiation is held and if, after price negotiation with the L1 Pt.l approved tenderer, their rate becomes lower than that of the lowest Pt. II approved tenderer, then another price negotiation should be held with the lowest Pt.ll approved tenderer subject to the condition that the firm's offer is otherwise suitable and eligible for placement of an order as per extant procedure. If the L1 or any other higher offer from Pt.II approved sources gets passed over due to valid reasons then the next higher tenderer(s) in the Pt.II category should be extended the same treatment, provided their rate was lower than the lowest rate from Pt.l approved tenderers, as per the original inter-se ranking of the rates.

4.4.5.17. In any case, the rate at which the PO on a Pt.II approved tenderer may be placed must not be higher than the lowest rate at which the P0 on a Pt.l approved tenderer will be placed.

Authority : Bd's letter No.99/RS(G)/709/1 of 16.09.1999 (Annexure II/1-39)
99/RS(G)/709/1 of 23.03.2000 (Annexure II/4-49)
2003/RS(G)/11/3 dated 08.05.2003 (Annexure II/4-54)
99/RS(G)/709/1 of 28.04.2004 (Annexure II/4-58)
99/RS(G)/709/1 dated 05.05.2006 (Annexure-II/4-61)
99/RS(G)/709/1 dated 13.06.2006 (Annexure-II/4-63)
99/RS(G)/709/4/Pt I of 19.07.2006 (Annexure II/4-64)
99/RS(G)/709/1 Pt. I of 29.06.2007 (Annexure II/4-74)
99/RS(G)/709/1 of 06.12.2007 (Annexure II/4-86)

4.5. Undue emphasis should not, however, be placed on Previous experience of contractors as it would cut across the very principle of inviting open tenders and by shutting off all new comers, it would tend to create monopolistic tendencies. In this context Board has also pointed out one particular case in one of the Railways Production units in which the administration put impediments in the efforts of an honest firm who was interested in developing an item. The new comers should be encouraged.

Authority : Board's letter No. 89/RS (G)/164/13 pt. dated 10.8.89 -- (Annexure II/4-35)

4.5.1. Considering of offer in respect of imported stores by Indian Agent without the principal's *pro forma* Invoice : Indian Agents while quoting on behalf of foreign principals are required to furnish the Principal's *Proforma* Invoice.

4.5.2. It has been decided that in cases where the Indian Agents do not submit the Principal's *Proforma* Invoice along with their quotation, the competent Purchase Officers in association with Finance will satisfy themselves about the reasonableness of the price quoted, the Agency Commission included in the price etc. In this connection, it is, however, clarified that as a matter of general principle, the Proforma Invoice should be invariably called for from the

Indian Agents and relaxation should be allowed only in exceptionally urgent cases, where it is not possible to obtain the invoice before the contract is placed.

4.5.3. An Indian Agent can not participate / represent on behalf of two different foreign suppliers/ manufacturers or quote on their behalf in a particular tender. This applies to offers for imported stores as well as for indigenous stores and irrespective of type of tender.

4.5.4. In determining the cost of an excisable product covered by the MODVAT scheme under Section 4(1)4(b) of the Act read with Rule 6 of the valuation rules, the excise duty paid on raw material also covered under MODVAT SCHEME is not to be included i.e., excise duty paid on raw material, if modvatted is not to be included in determining the cost of production of excisable product.

Authority : D.G.S.& D's Routine Note No.17 dated 3rd November 1982 received under Board's letter No.79/RS(G)/657/2 dated 1st January 1983 – (Annexure II/4-28**)**
2001/F(S) III/ST/5(Pt) dated 08.01.2007 (Annexure II/4-70)
99/RS(G)/779/2 dated 10.01.2007 (Annexure II/4-71)
99/RS(G)/779/2 dated 07.03.2007 (Annexure II/4- 72)

4.6. In all cases where the lowest or lower tenders are rejected, full reasons for the rejection should be recorded, as provided for in **Para 342-S** and **Para 402 (vi)-S** so that the reasons for such rejections would be available on file Refer also Board's letter No.68/WI/CT/15 dated 15th July 1968 (Annexure II/4-14) and Board's letter No.84/WI/CT/19 (Audit) 30th July 1984 (Annexure II/4-31).

4.6.1. While evaluating the tenders, the tender committees while taking into account the existing instructions on the subject, should first arrive at common base for all tenderers in respect of the various inputs indicated in the price variation clause quoted, so that the tenders are not vitiated on account of variations in the prices of various inputs. In fact before calling the tenders the price variation clause should be specifically settled and incorporated in the tender document, if necessary, so that all tenderers quote their rates as a common base. The lowest offer should not be ignored only on the plea of urgency, in case it is possible to arrange the required quantum of material in the interim period from alternate sources.

Authority: Bd's letter No. 89-BC-SC/40 of 20.05.1996 (Annexure II/4-42).

4. 7. Where warranted, the tendered quantity may be split and tender decided in favour of one or more firms on merits of each case in consultation with Associate Finance and with the approval of the authority competent to accept the tender having due regard to the following factors :--

i) Vital/Critical nature of the item;
ii) Quantity to be procured;
iii) delivery requirements;
iv) capacity of the firms in the zone of consideration; and
v) Past performance of firms;

Splitting should not be done merely with a view to utilising developed capacity of the different sources but should be for valid reasons to be recorded in writing for splitting the tendered quantity.

Splitting of the quantity irrespective of the difference in the rate should not attract the time preference factor.

Authority: Board's letter No. 76/RS(G)/779/36, dt 8th November 1979 (Annexure II/4-21)
79/RS(G)/779/41 dated 26th October 1980 (Annexure II/4-22)
79/RS(G)/779/41 dated 16th January 1981 (Annexure II/4-23)

4.7.1. Normally where splitting is done effort should be made to see that orders are placed at one rate , namely lowest acceptance rate. Differential rates can be considered on the merit of the each case. While splitting the tender quantity lowest acceptable rate can be counter offered to the higher tenders which does not amount to negotiations.

Authority: Bd's letter No. 76/RS(G)/779/36 of 29.11.1996 (Annexure II/4-43)

4.7.2. But it should not to be interpreted that making counter offer is mandatory before any consideration of differential rates when quantity is proposed to be split between more than one firm. The procedure of counter offer may be kept in view while splitting the tender quantity. However it is open to the Railway's to decide, depending upon the merit of the each case, to either counter offer the lowest acceptable rate while splitting the tender quantity, or place order on different rates.

Authority: Bd's letter No. 76/RS (G)/779/36 of 06.11.1997 (Annexure II/4-45)

4.7.3. The criterion for evaluation of offers/deciding inter-se-position of bidders should be clearly mentioned in the tender documents *i.e* in case of multi item or single item with multi consignees, as to whether inter-se-position will be decided item-wise and / or consignee wise or total value as a whole.

In case the stipulation as above has not been specified in the tender document, the inter-se-position of bidders shall be decided based on the total value of the tender for all items & all consignees and not on the basis of individual items or individual consignees.

Authority : Bd's letter No. 2006/RS(G)/779/2 dt. 20.07.2007 (Annexure II/4-75)
2006/RS(G)/779/2 dated 17.09.2007 (Annexure II/4-82)

4.7.4 If after due processing, it is discovered that the quantity to be ordered is far more than what L-1 alone is capable of supplying and there was no prior decision to split the quantities, then the quantity being fully ordered should be distributed among the other bidders in a manner that is fair, transparent and equitable.

4.7.5. While deciding in advance to have more than one source of supply, Railway should keep in view the various extant guidelines issued by Railway Board from time to time on the matter of splitting of the tender quantity and with special reference to.

a) Past Performance
b) Capacity
c) Delivery Requirement in the Tender
d) Quantity under procurement
e) Vital/Critical nature of the items

4.7.6. In all cases of pre-decided split ordering, the same should be indicated in the tender document. Further the conditions as below should also be given in the tender:

i) the Purchaser reserves the right to distribute the procurable quantity on one or more of the eligible tenderers. Zone of consideration of such eligible tenderers will be the right of the purchaser.

ii) Whenever such distribution/splitting of the tendered/ procurable quantity is made, the quantity distribution will depend (in inverse manner) upon the differential of rates quoted by the tenderers (other aspects *i.e.* adequate capacity-cum-capability, satisfactory past performance of the tenderers, outstanding orders load for the Railway making the procurement, quoted delivery schedule *vis-à-vis* the delivery schedule incorporated in the tender enquiry etc. being same/similar) in the manner detailed in the table below :

Price Differential between L1 and L2	Quantity distribution ratio between L1 and L2
Upto 3 %	60 : 40
More than 3% & upto 5%	65 : 35
More than 5%	At least 65 % on the L1 tenderer. For the quantity to be ordered on the L2 tenderer, TC/TAA should decide keeping in view conditions laid down in paras (iv) (b) (iii) and (iv) at Page 3 of Board's letter dated 15/10/2007

iii) If splitting of quantity is required to be done by ordering on tenderers higher than the L2 tenderer, then the quantity distribution proportion amongst the tenderers will be decided by transparent/logical/equity based extrapolation of the model indicated in Para 4.1 above.

iv) The purchaser reserves the rights to counter-offer the lowest acceptable rate for bulk ordering to the higher tenderer(s). In the event of rejection of such counter offer(s), the purchaser will reserve their right to decide on the quantity distribution ratio/proportion.

v) For cases where the Rlys/PUs have entered into ToT/JV agreements, the following clause should be stipulated as tender conditions in all such cases : --

"As the Rly has entered into ToT/JV agreement with ……. no. of firms, they reserve the right to place orders on all such ToT/JV agreement partners. However, for ration/proportion of quantity distribution among such agreement partners, conditions as detailed in Para 4.7.6 (ii), (iii) & (iv) with the exception of conforming to the condition, "the rate of the highest eligible tenderer within zone of consideration has to be, per-se, reasonable to the Purchaser" shall apply".

Authority: Board's letter No. 99/RS (G)/779/2 of 15.10.2007 (Annexure II/4-85)
99/RS (G)/779/2 of 15.02.2008 (Annexure II/4-87)

4.7.7. Procurement of M&P items:

Modified Tender Conditions tobe incorporated for procurement of M&P as per the recommendations of a Committee of 3 SAG level officers (COS/COFMOW, FA&CAO/COFMOW & CME /DLW) in addition to existing tender conditions are as follows:

1. ELEMENT OF FREIGHT FOR INDIGENOUS PURCHASE:

i. In case where the consignee are more (say more than 4 or so), tenderers are required to quote for the f.o.r. station of dispatch prices with an average freight for all consignees, which will be added to f.o.r. station for dispatch price to get f.o.r. destination prices.

ii. In case where the consignees are four or less, tenderers are required to quote f.o.r. station of dispatch price with an actual freight for each individual consignee, which will be added to f.o.r. station for dispatch price to get f.o.r. destination prices for each individual consignee.

2. TIMELY COMMISSIONING OF M&P:

In the event of contractors' failure to have M&P commissioned by the time or times respectively specified in the letter of acceptance or contract, Purchaser may withhold, deduct or recover from the Contractor as penalty, a sum @ 2 % (two per cent) of the price of M&P which the contractor has failed to commission as aforesaid for each and every month (part of a month being treated as a full month) during which the M&P may not have been commissioned, subject to an upper limit of 10% (ten per cent) of contract value.

3. WARRANTY:

(a) Warranty period for M&P will be 24(twenty four) months from the date of commissioning and proving out of M&P. A maximum period of 2 (two) weeks will be allowed for attending and rectification of faults during the warranty period.

(b) Maximum down time during the warranty period will be 2% (two per cent) for on line M&P and 10% (ten per cent) for of line M&P calculated on quarterly basis.

(c) A penalty of 0.5% (Zero point five per cent) per week of the contract value will be levied for delay in response time for attending and rectification of faults beyond specified time during the warranty period as detailed above.

(d) Maximum penalty to be levied on account of warranty failure will be 5% (Five percent) of the contract value calculated during whole of warrantee period and after that if there is any delay on the part of supplier, purchaser shall be entitled for encashment of WG Bonds. In such cases the bad performance of firm during the warranty period, the same should be recorded and circulated to all Railways. The same should be given due regard in deciding future orders on the firm and when evidence to the contrary is not available, the firm's offer may be even rejected.

4. ANNUAL MAINTENANCE CONTRACT:

(a) Tenderers are required to quote for post warranty Annual Maintenance for a period of five years after expiry of the warranty period of the M&P along with their offers.

(b) Tenderers are required to mention such AMC schedule of such Annual periodic maintenance along with offers giving the charges for AMC maintenance schedule and other details of items to be used in such preventive maintenance.

(c) The charges of Annual preventive maintenance schedule for five years along with the cost of items to be used in preventative maintenance schedule during these five years are payable to supplier and sum total of these charges would be included in the f.o.r. destination price quoted for M&P for the purpose of comparative evaluation of offer.

(d) Tenderers are required to give the cost of essential spares and service charges for each items of work of repair of M&P outside preventive maintenance contract. These

charges will not be included in the price of M&P for the purpose of comparative evaluation of offers.

(e) The terms & conditions of AMC must clearly specify the maximum down time and maximum response time.

(f) Tenderers who are OEM, must give undertaking for supply of spare parts for a period of expected life of the machine / equipment. Other tenderers must submit undertaking from OEM for supply of spare parts for a period of expected life of the machine/equipment.

FURTHER GUIDELINES ARE :

1) Turnkey contract in case of indigenous contract may be concluded for large and complex plants on case to case basis.

2) Inspection of M&P items will be carried by M/s RITES.

3) In case of bad performance of firm during the warranty period, the same should be recorded and circulated to all Railways. The same should be given due regards in deciding future orders on the firm and when evidence to the contrary is not available, the firm's offer may even be deleted.

4) Insurance up to ultimate consignee must be ensured.

5) For assessing the capacity/capability of the foreign firm, tender documents should include submission of Performance Statement giving details of same or similar equipments manufactured / supplied by tenderer in the last five years must be ensured in the Tender Documents. Tender Committee should examine the credentials, capacity / capability of firms & satisfactory performance of same / similar equipments manufactured / supplied by Tenderer to other customers.

6) For timely site preparation, all indentors should identify/ decide location of site for installation of M&P before submitting indents for procurement.

Authority: Board's no: 98/RS(G)/709/1 dated 30.05.2006. (Annexure II/4-62)
Board's no. 2008/ RS(G)/779/4 dated 30.04.2008. (Annexure VI/9-09)

4.8.1. Late tenders/delayed tenders/post tender offers should be totally rejected. Notwithstanding this general ban, Railways can seek Boards approval for consideration of late tenders/delayed tenders/post tender offers tenders from established /reliable financial advantage and with the personal approval of G..M. duly concurred in by F. A. & C.A.O. However this ban does not apply to late single tenders received against Proprietary Article Certificate.

4.8.2. Consideration of offers received by FAX :

i) Offer received through FAX may be considered in case of procurement of items through proprietary article certificate & single tender only subject to the firm submitting post confirmation copy on their letter head duly signed by the authorized person as per the tender conditions within 10 (ten) working days from the date of opening from indigenous firms and 21 (Twenty One) days from foreign firm against global tenders.

ii) However, for other type of tenders i.e. for Bulletin, Limited and Advertised/Open Tenders etc., offers received through FAX and found in the tender box at the time of opening of Tenders and complete in all respects and duly signed by the

authorized signatory should be treated as in time offer subject to the firm/firms submitting post confirmation copy duly signed by the authorized person as per the tender conditions within ten working days from the date of opening from indigenous firms and 21 (Twenty One) days from foreign firm against global tenders.

iii) All other offers received by FAX not covered in Para (i) & (ii) above shall be treated as invalid. The offers received by FAX as covered in Para (ii) above shall be deemed as unresponsive in case the confirmation copy is not received within the time stipulated in Para (ii) above.

iv) No purchase order shall be issued against the FAX offers without receipt of the confirmation copy of the same.

v) It shall be the sole responsibility of tenderers to ensure that the offers submitted by FAX are dropped in appropriate tender box in sealed cover/covers and within the prescribed time and date. The Railways shall not be responsible in any way for any delay in dropping the FAX offers in the appropriate tender box. Suitable guidelines may be included in "Instructions to Tenderers" as part of Tender documents, covering the offers by FAX in tenders as detailed above respectively.

4.8.3. (i) When tender cases are under examination, no authority other than those involved in the decision making process should be allowed to make queries or call for reports except for calling the periodical progress status by the concerned authorities. This will ensure expeditious settlement of Tenders in a free and fair and transparent manner.

(ii) The tender cases should not be handed over to or requisitioned by the authorities not involved in the decision making process at any time. During the pendency of the tender proceedings, tender papers should be in the custody of the convener of the Tender Committee and should not be parted with to any one, till the finalization of the proceedings.

(iii) Any representation/reference received during the finalization of the tender committee proceedings may be forwarded to the T.C./Convener of T.C. for its examination on its merits and action as considered necessary.

(iv) Any reference/complaint received in Railway Board at the level of Ministers/Board Member/ Other higher-level officers or in the Railways at the level of GMs/PHODs should simply be forwarded to the T.C./Convener of T.C. for its examination on merits and action as considered necessary.

(v) The reply to CA-iii reference should be put up only after finalization of the tender.

Authority: Board's letter No. 71/RS (G)/777 dated 1 st August 1981- (Annexure II/4-24)
71/RS (G)/777 dated 19th April 1984 – (Annexure II/ 4-30)
85/RS(G)/777/2 dated 8th November 1985 (Annexure II/4-32)
2003/RS(G)/777/5 dated 06-02-2004 (Annexure II/4-57)
2005/RS(G)/779/1 dated 09.11.2006 (Annexure II/4-68)
2005/RS(G)/779/1 dated 18.02.2008 (Annexure II/4-88)

4. 9. When in response to a call for Limited Tenders (as distinct from single & Open Tenders under rules in force) only one tender is received, fresh tender should be invited except in

urgent cases of purchases. The urgency has to be certified by JAG level officer for all purchase upto Rs.50,000/- and by SAG level officer for purchases above Rs.50,000/-.

Authority : Board's 1etter No. 49/145/1/S of 12.06.1950 – (Annexure - II/4-01)
2007/RS(G)/779/1 dt.4.4.08 (Annexure - II/1-59)

4. 10. These powers referred at 4 . 9 are to be exercised only if the Limited Tender enquiries had been issued to firms who had supplied the materials earlier or were likely to supply the materials and the prices obtained were reasonable. In all such cases, full reasons should be recorded justifying the course of action.

Authority: Board's letter No.76/F(S)I/PW-4/1 dated 5th October 1976 - (Annexure II/4-18)

4.10.1. Acceptance of deviation from IRS conditions of contract without prior financial concurrence:-

In direct acceptance case – one level higher than normal powers of acceptance but not below the level of JA Grade. In TC case – normal power of acceptance of tender.

Authority: Board's letter No 2007/RS(G)/779/1 dt.4.4.08 (Annexure - II/1-59)

4.11. General:- 4.11.1. The officers concerned who are empowered to open and accept tenders should be particularly careful in the matter of application of rules regulations pertaining to tenders. The members of the Tender Committee at the time of considering the tenders should invariably go through all instructions contained in this booklet as well as further instructions, if any, issued subsequently.

4.11.2. In addition to the generally known responsibilities the Tender Committees have a special responsibility to scrutinise carefully the rates tendered with reference to the scope of the various provisions in the agreement governing the contracts. Such a scrutiny should be done with the object of ensuring that no unintended benefit accrues to the contractors on the basis of certain clauses in the agreement which may be appropriate for one kind of contract and may be for another category,

4.11.3. Eligibility criteria: TC proceedings must bring out the eligibility criteria stipulated in the tender enquiry. TC also has to carefully and logically go through the offers and categorically comment as to whether the recommended tenderer really fulfills the eligibility criteria as laid down in the TC and therefore, qualify for such recommendations. Similar actions are also necessary while recommending passing over of the offer of any Tenderer.

4.11.4. In continuation of the CVC's directives regarding transparency in Tendering process, issued *vide* their letter dated 16/03/2005(circulated by Railway Board *vide* letter of even No. dated 13/04/2005) the CVC *vide* their letter No: 005/VGL/66 dated 09.12.2005 (Office Order no: 71/12/05), have advised that the Members of the Tender Committee should give an undertaking at the appropriate time, that none of them has any personal interest in the companies / agencies participating in the tender process and that any member having interest in any company should refrain from participating in the tender committee.

4.11.5. The competent Tender Accepting Authority vested with powers to accept tender (based on Tender Committee recommendations wherever such is the case) does not change with the type of recommendation/decision in the tender *i.e*. the decision on a tender committee

proceeding either to award the contract or to discharge the tender has necessarily to be taken by the competent Tender accepting authority.

Authority: Board's letter No. 57-B(C) 3024 dated 28th May 1959 - (Annexure II/4-03)
2004/RS(G)/779/10 dated 15.02.2005 (Annexure II/3-25)
2004/V-I/CVC/1/18 dated 02.01.2006 (Annexure II/4-60)
2003/RS(G)/777/4 dated 10.09.2007 (Annexure II/4-78)

4.12. Consideration of unsolicited offers against Limited/Bulletin Tender Enquiries:- Unsolicited offers against Limited Tender enquiries and offers from the firms against Bulletin Tender enquiries for which they are not registered with the Railways should be ignored. However, under exceptional circumstances, where it is felt necessary to consider such offers, on account of' inadequate competition, non-availability of suitable quotations from Registered suppliers, urgent demands, capacity/capability of the firms offering to supply the relevant items being known etc., the acceptance should be at the next higher level and in any case not below the rank of a Junior Administrative officer.

Authority: Board's lr. No.76/RS(G)/779/18 dt 26th May /11th June 1976 – (Annexure II/4-17)

4.12.1. In order to ensure that the instructions contained in the Board's letter dt 11.06.1976 are complied. It is suggested that while putting up the tender papers to the purchase officer for the decision, the purchase section/staff must specifically bring to the notice of the purchase officer, the status regarding registration of the tenders under the consideration zone *i.e.* trade group for which the firm is registered, monetary value ,validity of registration etc.

Authority: Board's letter No.76/RS(G)/164/16 of 20.11.1990 (Annexure –II/4-37)

4.13. Even in the case of open tenders, when only one tender is received, the Tender Committee should examine *inter-alia* whether the rate quoted is reasonable, as the only tender received need not necessarily be accepted straightway merely because it is in response to a call of open tenders.

4.14. Tender Committee should examine, while making the recommendations, all relevant factors, such as the existing workload on the lowest two or three tenders, their capacity to execute further work and also whether the rates quoted are reasonable and workable.

Authority: Board's letter No 60/Wl/DMF/10 dated 4th November 1960 – (Annexure-II/4-06)

4.15. In the evaluation and consideration of the tenders, the tender documents should be carefully scrutinised particularly in regard to the reasonableness of the rates and specially when changes have been made in the Schedule of invitation of tender.

Authority: Board's letter No.61/B(C)N/27 dt 28th February/ 1st March 1962
(Annexure II/4-07)

4.16. Particular care should also be taken to ensure that the rates quoted for individual items are realistic and are not abnormal and unworkable in respect of any item of work.

Authority: Board's letter No.63/TC.II/6 dated 13th September 1963 – (Annexure II/4-08)
and 83/RS(G)/777/1 dated 11th April 1983 - (Annexure II/4-29)

4.17. **While accepting conditions stipulated by the Tenderers, particularly conditions involving higher payment a realistic and practical assessment of the full utilisation of the benefit should be worked out for being adhered to.**

Authority: Board's letter No. 63/747/29/Track of 5th July 1968 (Annexure II/4-13**)**

4.18. In the case of tenders for supply of stores, when samples are required to be submitted along with the tenders, the samples shall be tested and the Tender Committee proceedings should contain their specific comments on the samples.

4.19. It is of paramount importance that in consideration of tenders, there should be no procedural lapses and particular attention is invited to the instructions contained in Railway. Board's letter No.63-AC III/28/4 dated 13th June 1963 - (Annexure II/2-04)

4.20. The capacity, credential and financial status of the tenderers should be investigated and only if these are found satisfactory, the contract should be awarded.

Authority: Para 1215-E and also Board's letter No.68/B(C)/PAC/IV/23/20 dated 25th October 1968 – (Annexure II/4-15)

4.21. In case of cartel, the directives as per Board's letter dated 05.08.02, 19.10.2006 and 12.12.2006 are to be followed.

Authority: Board's letter No. 2001/RS(G)/779/4 dt 05.08.02 (Annexure I/4-16)
2001/RS(G)/779/4 dt 05.08.02 (Annexure I/4-17)
2003/RS(G)/11/3 dated 19.10.2006 (Annexure II/4-66)
2001/RS(G)/779/4 dated 12.12.2006 (Annexure I/4-27)

4.22. All purchase proposals not involving foreign exchange valued over Rs. 50 crores and purchase proposals involving foreign exchange valued over Rs. 50 crores are to be submitted to Railway board duly approved by GM for obtaining approval of the competent authority. Once Permission to import has been granted by GM, COS is authorized to invite all types of global tender upto his power of acceptance with Finance Concurrence and COS/ CMM can accept all types of global tenders & release of FE and payment through letter of credit, upto their power of acceptance for indigenous tenders. These powers have been delegated personally to COS & FA&CAO. These powers are not to be delegated down below.

Even if the initial value of lowest technically acceptable offer based on the tendered quantity is more than the acceptance powers of GM but the final proposal for purchase is within the acceptance powers of GM due to negotiation, the tender case need not be sent to Railway Board as the same is within the competence of General Manager to accept.

However in case, such contracts have ± 30% option clause & if the total value of the tender exceeds GM's powers of acceptance while exercising 30% Option Clause, the approval of the competent authority *i.e.* Railway Board is exercised in terms of 446-S and 447-S of Indian Railway Code for Stores Department.

It has often. been observed that Railway/Production units refer the cases to Board giving only a few day's time for consideration. As consideration in Board's level involve processing of the case in Stores and Finance Directorates as well as by the Board, at least 30 days time should be invariably available, when the cases are referred to Board for approval.

Authority: Board's letter No 2004/RS(G)/779/10 dated 15.02.2005 (Annexure II/3-25)
93/RS(G)/779/5/Pt.Ii dated 05.12.06 (Annexure II/4-69)
2004/RS(G)/779/10 dated 01.02.2007 (Annexure II/3-27)
2004/RS(G)/779/10 dated 03.04.2008 (Annexure II/3-28)
2007/RS(G)/779/1 dt.4.4.08 (Annexure II/1-59)

4.23. While submitting proposals for purchase to the Ministry of Railways for approval, the Railway Administration should ensure that all the relevant documents (*viz.* the technical comments, evaluation statements, and other details based on which the Tender Committee recommended the proposal) are forwarded along with the Tender Committee Proceedings sufficiently in advance of the expiry of the validity in five copies for placing before an appreciation committee. Tender file should not be sent in original unless specifically called for by the Board.

Authority: Board's letter No.79/RS(G)/779/16 dt 25th November 1981(Annexure II/4-25) and 88/RS(G)/777/1 of 10th August 1988 - (Annexure II/4-34)

4.24. The proceedings of the Tender Committee should be signed by the Members of the Tender Committee including the Accounts Officer. One copy of the Proceedings of the Tender Committee signed by the Members with the decision approval of the competent authority thereon should be forwarded to the concerned Finance Section.

4.24.1. Higher level tender Committee: - Function of - Where a lower Tender committee remit the tender cases to the higher level Tender Committee, the higher level Tender Committee should not take the view that they need not go into recommendations of the lower level Tender Committee as accepted by the relevant competent authority. In such circumstances, the higher level Tender Committee must deal with the case as one entity and not piece-meal so that the Tender cases as a whole may be examined *de-novo*.

Authority: Board's letter No.72/W1/CT/12(P) dt 11th December 1981 (Annexure-II/4-26)

4.24.2. Even when the level of the Tender Committee is decided based on the lowest acceptable offer as per the technical note it would be incumbent on that Tender Committee to examine individually all the offers lower than the lowest technically acceptable offer and make appropriate recommendation in each case for consideration of the accepting authority.

4.24.3. A tender offer can be passed over only with the approval of the accepting authority based on the recommendations of the Tender Committee and not otherwise.

Authority: Board's letter No.85/F(S)I/PW/7/1 dated 28.02.1990 – (Annexure-II/3-07)

4.25. Delivery : - Clauses 0601 to 0700 of I.R.S. conditions of contract enumerate the conditions with regard to the time and date of delivery. It will be seen therefrom that the time and date of delivery are the essence of the contract and the supplier is required to supply the stores not later than the dates specified in the contract.

4.26. The delivery terms provided in the contract should not be vague and specific date/dates should be indicated in the purchase orders by which supplies should be completed by the suppliers both in the case of 'entire' and 'severable' contracts so as to allow no room for ambiguity.

4.27. Contract for the sale of goods to be delivered by instalment may be :–

a. the entire contract; or

b. a severable contract;

The fact that the contract is devisible in performance does not affect the matter. The following stipulation of delivery may be indicated as an example for (a) above: -

"Delivery to commence after 45 days from the date of receipt of the order and to be completed within 3 months at the rate of 20,000 units per month (*i.e*) 30th April 1968 or earlier".

The delivery date in contract for the type (b) above, is generally indicated as follows : -

Delivery date "7410 units by 15th February 1968,
8510 units by 31st March 1968".

Authority: Board's letter No. 73/RS(G)/779/59 dt 12th November 1973 (Annexure-II/4-16)

4.28. Incorporation of any protective delivery clause while entering into a contract which will render the Administration unable to enforce risk purchase against the firm should not be accepted by the Railway Administration.

Authority: Board's letter No. 58-B(C)/3072 dated 15th May 1958 – (Annexure-II/4-02)

4.29. Movement of traffic/materials by Rail/Road/Air meant for Railways own use:

It has been decided by the Board that powers delegated *vide* Board's letter No. 89/RS/G)/363/5 dated 09.02.1995 (Annexure-II/4-41)be made permanent subject to the following conditions. Full powers are delegated to the purchase officers for calling for supplies by Road for tenders falling within their powers of acceptance :--

(a) In case of pre-inspected material the payment shall be made on receipt of goods with Inspection Certificate. Otherwise payment should be released only on receipt and acceptance of the material. Payment will be made on receipt of Goods in good and satisfactory condition by the consignee.

(b) Transit risk will be to the contractor's account;

(c) Bulk movement of the steel and POL should be only by Rail;

(d) Octroi duty, if any shall be borne by the supplier;

Authority: Board's letter No. 87/RS(G)/779/26 of 14.05.1993 (Annexure II/4-39),
87/RS(G)/779/26 of 21.02.1997 (Annexure II/4-44) &
89/RS(G)/363/5 of 09.02.1995 (Annexure II/4-41), &
89/RS(G)/363/5 of 04.11.1999 (Annexure II/4-47)
89/RS(G)/363/5 of 28.04.2000 (Annexure II/4-50)
2004/RS(G)/779/9 dated 09.12.2004 (Annexure II/4-59)
2004/RS(G)/779/9 dated 08.11.2006 (Annexure II/4-67)

4.29.1. Delegation for hiring of material handling equipment by depot officers:-

Dy.CMM/Depot upto Rs. 20,000/- per case with monthly limit of Rs. 2 lakhs.

SMM (Depot-Independent Incharge) upto Rs.10,000/- per case with monthly limit of Rs.1 lakh.

AMM (Depot-Independent Incharge) upto Rs. 5,000/- per case with monthly limit of Rs. 50,000/-.

Authority: 2007/RS(G)/779/1 dt.4.4.08 (Annexure II/1-59).

4.29.2 Air-lifting of Railway Stores :

Full powers for air-lifting of stores is delegated to GMs in all cases in which the CIF cost of the import is within the powers of procurement delegated to them. Further, COS has been delegated full powers for air freighting lifting of items in import contracts upto their level of acceptance of the tenders. These powers are to be exercised personally by GM and COS as the case may be, with personal concurrence of FA&CAO. These powers are not to be delegated downwards.

Authority: Board's letter No 98/F(FEX)17/1/Airlifting dated 26.03.2008(Annexure-II/4-89)

4.30. Negotiations: - The selection of contracts by negotiations is an exception rather than the rule and may be resorted to only under the following circumstances :--

a. Where all the tenders are considered to be unreasonably high in value and it is felt that re-tendering would not secure better advantage to the Railways; and /or

b. Where the lowest tender is technically not acceptable or is rejected because of unsatisfactory, credentials, inadequacy of capacity or unworkable rates, and the next higher offer to be considered in accordance with the established procedure is found to be unreasonably high.

c. Where in the case of proprietary items of stores, the price quoted is considered to be unreasonably high.

4.30.1. It should be ensured that, except where a single quotation has been received in response to call of Open Tenders, the number of tenderers to be called in for negotiation is not less than two.

4.30.2. The decision whether to invite fresh tenders or to negotiate and in the latter case, with whom to negotiate, should be taken by the competent authority after obtaining the recommendations of the Tender Committee. The Tender Committee has to make a careful examination of all aspects including physical and financial capacity of firms in regard to various reasons for which any tender is overlooked and only the remaining tenderers are called for negotiations.

Authority: Board's letter No. 67/WI/CT/32 dated 25th May 1968 - (Annexure II/4-12)

4.30.3. After the competent authority has decided to call specific Tenderers for negotiation, the following procedure should be adopted:-

a. The tenderers to be called in for negotiations should be addressed as laid down in Board's letter No. 61/WIII/CT/24 dated 31st October, 1965 (Annexure-II/4-10**)** so that the rates originally quoted by them shall remain open for acceptance in the event of failure of the contemplated negotiations.

b. Revised bids should be obtained in writing from the selected tenderers at the end of the negotiations as indicated in the Annexure to Board's letter No.61/WII/CT/24 dated 31st October 1965 (Annexure-II/4-10**)**

c. In case however, any of the selected Tenderer prefers to send a revised bid instead of being present at the negotiation, the offer should be taken into account.

d. The revised bids so obtained should be read out to those tenderers or such of the representatives of the tenderers as are present, immediately after completing the negotiations. Board's letter No. 64/W5/DL/SE6 dt 21st July 1964 – (Annexure –II/4-09).

e. In no case, including where a ring is suspected, should negotiations be extended to those who had either not tendered originally or whose tender was rejected because of unsatisfactory credentials, inadequacy of capacity or unworkable rates or (in the case of other than Stores Tenders only) whose tender was not accompanied by Earnest Money.

f. Firms submitting late/delayed/post tender/offers should not be called for negotiations as these should be totally rejected.

Authority: Board's letter No. 67/WI/CT/32 dated 25th May 1968 - (Annexure II/4-12)
71/RS (G)/777 dated 1 st August 1981- (Annexure II/4-24)

Note.--

1. The above instructions regarding negotiations should be followed in respect of all contracts works, stores, etc.

2. The above instructions may not be applied rigidly to tenders for specialised works or equipment where tenderers may quote according to their specifications and design for various reasons such as improvement in technology etc, and it may become necessary to discuss technical and other details with them to select the most suitable offer. Such cases would necessarily be very few and far between and the procedure of conducting negotiations should be decided on the merits of each case in consultation with the Financial Adviser & Chief Accounts Officer.

Authority: Board's letter No.67/WI/CT/32 dated 25th May 1968 – (Annexure II/4-12)

4.30.4. However, it should be noted that negotiations are to be held as an exception not as a rule. Holding negotiations when the rates received are considered reasonable, replaced negotiation in the same case are considered unnecessary procedure. There are occasions when negotiations are held, to start with, on the plea of rates being un-reasonably high. After holding negotiations (sometimes repeatedly), the rates are certified as reasonable, in spite of reduction obtained being insignificant. In several such cases the original ranking of the tenderers got altered, leading to complaints and also doubts. Therefore appropriate action should be taken to avoid unnecessary rounds of negotiations in both works and Stores Tenders.

Authority: Bd's letter No. 90CE-1/CT/1 of 12.12.1990 (Annexure II/ 4-38)

4.30.5 Negotiation is to be conducted only with the lowest technically acceptable tender.

Authority: Bd's letter No. 99/RS(G)/779/2 dated 01.03.2000 (Annexure-II/4-48)

4.30.6.

(a) Normally there should be no negotiation. Selection of contractors by negotiations should be an exception rather than the rule and may be resorted to only in the exceptional circumstances laid down in the Board's earlier letters. Before conducting negotiation, adequate care should be taken to scrutinize the rates received to avoid infructuous instances of negotiations.

(b) There should be no compromise to transparency, equity or fair treatment in acceptance of tenders. Prescribed time-frame of settling tenders is to be strictly adhered to.

(c) In case it is decided to call for negotiations, the negotiations will be held only with the lowest acceptable tenderer (L-1), who is technically cleared/approved for supply of bulk quantity and on whom the contract would have been placed but for the decision to negotiate.

In cases where small scale units, registered with NSIC quote in competition with others and fall within the price preference range as per extant Government orders, negotiations will be held with the lowest acceptable tenderer in each category *viz.* the lowest tenderer of SSI Unit, which falls within the purchase preference, as well as the lowest tenderer of the competitive basis.

4.30.7. Counter Offer to L-1, in order to arrive at an acceptable rate shall amount to negotiation. However, any counter-offer to L-2, L-3 etc. (at the rates accepted by L-1) in case of splitting of quantities, as pre-disclosed in the tender, shall not be deemed to negotiation. However, in the cases where the rate of highest tenderer within the zone of consideration, per-se is reasonable and a counter offer is made only to economise the purchase, then the same may be done simultaneously to all tenderers within the zone of consideration.

Authority: Bd's letter No.99/RS(G)/779/2 Pt.1 dated 16.04.2003 (Annexure II/4-53)

4.30.8 Board have issued instructions/ clarifications to previous letters on negotiation and pre-decided split ordering and counter offers *vide* their letter dated 27.06.2008, 22.10.2008.

Authority: Bd's letter No. 99/RS (G)/779/2 of 1.3.2000 (Annexure II/4-48)
99/RS (G)/779/2 of 14.11.2002 (Annexure II/4-52)
99/RS (G)/779/2 of 27.06.2008 (Annexure II/4-90)
99/RS(G)/779/2 of 22.10.2008 (Annexure II/4-91)

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PART II

CHAPTER 5

PURCHASE FROM SMALL SCALE INDUSTRIES/ KVIC/ WOMEN'S DEVELOPMENT CORPORATION

a. The items of stores, other than textile items reserved for purchase from Handloom sector required by the Central Government Departments could be categorised under 2 broad heads, namely.

   (i) Those reserved for exclusive purchase from KVIC/Women's Development Corporations/Small Scale Sector Units; and

   (ii) Others not so reserved.

The first category would comprise of items in respect of which the demand can be fully met by the KVIC/Women's Development Corporation/Small Scale Sector units or any combination of these sectors and such items of stores would be reserved for exclusive purchase from them.

b. Till now 409 items were reserved for exclusive purchase from the Small Scale Sector. Based on the recommendations of the Standing Review Committee the list has been revised which consist of 358 items to be reserved for exclusive purchase from SSI sector. The list is enclosed along with the Board's letter.

Authority: 95/RS(G)/363/1 of 12.06.1998 (Annexure - II/5-07)

c. Other things being equal, where KVIC/ and or Women's Development Corporations are in a position to meet the requirements, purchase would be made from KVIC or Women's Development Corporations or both, taking into consideration any preference of the purchaser. For this purpose, Women's Development Corporations or Organisations recommended by the Department from time to time would be entitled to this preference.

d. All items of handspun and hand-woven khadi would continue to be reserved for exclusive purchase from KVIC. All items of handloom textiles would continue to be reserved for exclusive purchase from KVIC and to the extent KVIC cannot supply these would be required to be purchased through ACASH.

e. In respect of unreserved items of stores purchases will be made by open tender or limited tender (for urgent requirements), as the case may be. Where a large scale private Sector unit is not competing, the purchase preference would be in favour of KVIC/Women's Development Corporation etc./Small Sector Units or public sector units in that order. To the extent the requirements can be met by KVIC or Women's Development Corporation etc or both purchase may be made from them, taking into consideration any preference indicated by the Purchaser.

Authority: Board's letter No.89/RS (G)/363/5 date 16th November 1989 (Annexure II/5-01)
95/RS (G)/363/1 of 07.04.1995 (Annexure - II/5-03),
95/RS (G)/363/1 of 29.09.1995 (Annexure - II/5-04),
89/RS(G)/363/5 Pt. of 06.10.1995 (Annexure - II/5-05)

f. The items notified for purchase from handloom sector which are reserved for exclusive purchase from ACASH (Association of Corporations and Apex Societies of Handlooms) on single tender basis should be strictly adhered to.

g. Board letter dated 03.03.2008 have advised to keep KVIC, New Delhi on the panel of likely suppliers/approved suppliers for supply of stationery items such as file covers, file boards, envelops etc. and tender enquiry for such items may invariably be sent to KVIC at the following address :--

Khadi Gramodyog Bhawan,
Khadi & Village Industries Commission,
(Ministry of Micro Small & Medium Enterprises),
K. Block, Choudhary Building,
Connaught Circus, New Delhi— 110001.

Authority: Bd's letter No. 89/RS (G) /363/5 of 04.08.1997 (Annexure - II/5-06)
No. 2008/RS(G)/113/1 dated: 03/03/08 (Annexure II/5-17)

h. The following items of upholstery and linen should be procured exclusively from handloom/khadi variety :--

1. Bed sheets and pillow covers for use in –
   a) 1st AC coaches in all trains
   b) AC coaches in all trains
   c) Rest Houses
   d) Running Rooms / Retiring Rooms
   e) Railway Hospitals
2. Linen & upholstery material for use in Restaurants and Deluxe Trains, catering Units
3. Upholstery material for Railway Offices, Rest Houses, Running Rooms/Retiring Rooms
4. Face Towel, bath Towels, to be used in trains, Rest Houses, running room/retiring rooms.
5. Woolen Blankets for Trains, Rest Houses, Retiring Rooms, Running Rooms & hospitals

i) While procuring the above materials of Khadi/handloom variety, their sizes should be suitably reviewed so as to take into account the margin towards shrinkage of such items.

ii) These instructions will not be applicable for the curtain cloth to be used in AC Coaches since the same are to be required to be of fire retardant quality.

iii) The specification for the above should be as per Railway Board's guidelines. Till the time the specifications are formulated, procurement may be made as per existing specifications.

Authority: Bd's letter No. 90/RS (G) /113/1 of 08.06.1990 (Annexure -II/5-02)
2004/RS (G) /113/1 of 09.06.2004 (Annexure -II/5-08)
2004/RS (G) /113/1 of 24.06.2004 (Annexure -II/5-09)
2004/RS (G) /113/1 of 04.08.2004 (Annexure -II/5-10)
2004/RS (G) /113/1 of 14.10.2004 (Annexure -II/5-11)
2004/RS (G) /113/1 of 26.10.2005 (Annexure -II/5-12)

PART II

CHAPTER 6

e-PROCUREMENT

1.0. Implementation of web based e-procurement system was approved by Railway Board during the year 2006 and a sum of Rs.20.30 Crores has been sanctioned in supplementary Demands for Grants 2006-07. COS/Northern Railway will be controlling the budget.

Authority:DRS/IC lr No.2006/RS(PF&EC)/e-Procurement/3 dt. 15.09.06. (Annexure-II/6-02)

1.1. All registered vendors should be advised to possess Digital Signature and also to advise the details. For fresh registration / renewal of vendors possession of digital Signature has been made mandatory.

Also railway users (from Stores, Accounts and Engineering Department) will be required to digitally sign the documents while issuing tender, opening tender box, issuing purchase order etc. and hence sufficient number of Digital Signature Certificate with moderate level of trust with Railways/ PU name (such as class II b of (n) Code Solutions) for officers / staff may also to be procured.

Authority: AM(RS) *vide* D.O.No. 2005/RSPF/EC/E-Procurement/3 dated 09.05.2006 (Annexure-II/6-01).
CRIS letter No: CRIS/GM-P(V)/EPS/2 dated 12.01.2007 (Annexure-II/6-05).

1.2 The e-procurement project is implemented in two phases and the following units were selected for implementation during Phase-I. CRIS/NDLS was nominated to set up a centralized data centre at New Delhi with a Disaster Recovery site :--

S. No.	Railway / Production Unit
1.	Central Railway
2.	Northern Railway
3.	Southern Railway
4.	South Central Railway
5.	Western Railway
6.	North Central Railway
7.	South East Central Railway
8.	West Central Railway
9.	Diesel Locomotive Works
10.	Diesel Modernisation Works
11.	Integral Coach Factory
12.	Rail Coach Factory
13.	Rail Wheel Factory

1.3. All the Zonal Railways to complete a list of essential activities for e-procurement implementation.

Authority: AM/RS *vide* D.O.No:2006/RS(G)/509/7 dated 16.05.2007 (Annexure-II/6-09)
Board's letter no: 2007/DRS(M)/EPS/01 dated 24.08.2007 (Annexure-II/6-13)
NR JPOno: CMM/C/C/e-Procurement/2004-05 dt 27.04.2007 (Annexure-II/6-06)

1.4 An action plan for implementation was drawn by Northern Railway and circulated to all Railways *vide* CMM/NR letter No. CMM/C/e-Procurement /2006-07 dated 25.05.07. Each Railway / PU may issue JPO on similar lines with the JPO of NR.

Authority: NR letter no: CMM/C/E-Procurement/2006-07 dt. 25.05.2007 (Annexure-II/6-11)
Board's letter no: 2007/DRS(M)/01 dated 27.04.2007 (Annexure-II/6-07)

1.5. e-procurement is rolled out in Indian Railways as per the following schedule :--

Railway / Production Unit	Ireps starting date
Central Railway	15.09.2008
North Central Railway	10.09.2008
South Central Railway	20.09.2008
South East Central Railway	22.09.2008
Southern Railway	15.09.2008
West Central Railway	03.10.2008
Western Railway	20.09.2008
Diesel Locomotive Works	15.10.2008
Integral Coach Factory	20.09.2008
Diesel Modernisation Works	10.10.2008
Rail Coach Factory	15.09.2008
Rail Wheel Factory	10.10.2008

Authority: Board's letter No. : 2008/RS(M)/EPS/01 dated 09.09.2008. (Annexure-II/6-21)

1.6. e-procurement has been rolled out in the remaining Zonal railways/ Production units under phased manner.

PART –III / CONCLUSION OF CONTRACTS

CHAPTER 1

ACCEPTANCE OF TENDERS

1.1. The acceptance or rejection of tenders is left entirely to the discretion of the authority entrusted with this duty . Reasons for departing from the recommendations of the tender committee should be invariably recorded by the accepting authority. If the Finance Member finds some financial impropriety in the award of contract, he can report the matter to F.A. & C.A.O. Though the final decision would rest with the accepting authority, he may obtain the opinion of Associate Finance at the appropriate level if necessary before making a final decision.

Authority: Railway Board's lr. No. 74ACIII /30/6 KW of 28.12.1983 – (Annexure III/1-02)

1.2. No time should be lost in entering into contracts with the contractors by placing purchase orders on the firms, after approval of the Tender Committee Recommendations by the competent authority.

1.3. Contracts should be placed within the validity period of the accepted offers.

1.4. Advance acceptance letters may be issued to the firm only in the cases where the validity of the offer of the firm is shortly to expire, within which period, contracts cannot be placed or where some unavoidable delays are anticipated to place firm contracts after the finalization of the tenders and not as routine measure in all cases. Advance letters of acceptance should be in a prescribed Standard *Pro forma.*

1.5 Contracts should be specific and unambiguous in respect of Sales Tax, Excise Duty, Discount, Income Tax (Works contract and Fabrication) terms of delivery, Inspection, payment condition, guarantee etc.

1.6. The quantity and rates should be clearly indicated in figures as well in words. The contract should be signed by the competent authority.

1.7. Purchase order costing over Rs.50,000/- or those accompanied by Import License, etc., or covering cases of price preference for earlier delivery ,etc., should be sent to the suppliers under registered acknowledgement due covers. All Purchase orders irrespective of the monetary value should invariably be accompanied by an acknowledgement slip, and the return thereof should be watched for a period of 10 days or so from the date of issue of the purchase order. In the event of this acknowledgement not forthcoming from the firm, they should be reminded to expedite return of the acknowledgement.

1.8. All the conditions stipulated by the tenderers in the original tender should be carefully scrutinised. Where the terms and conditions quoted by the tenderers are inconsistent with the I.R.S. conditions of contract or otherwise unacceptable should be first persuaded to withdraw these terms and conditions. In the event of failure of firms to agree to our suggestion, the quotation should either be rejected or accepted with the sanction of the competent authority on the merit of the case. In any event the position should not be left obscure or confused.

Powers for acceptance of deviation from IRS conditions of contract without prior financial concurrence: In direct acceptance case – one level higher than normal powers of acceptance but not below the level of JA Grade & in TC case – normal power of acceptance of tender.

Authority: Boardìs Ref: 2007/RS(G)/779/1 dt.4.4.08(Annexure-II/1-59)

1.9. Where special terms and conditions are accepted, they should be incorporated in the Tender Committee recommendations and in the contract issued which should ultimately contain no more or no less than what is contained in the accepted tender or mutually agreed to, in the post tender correspondence or negotiations with the tenderer. Incorporation of the terms and conditions which are not in the tender or which have may not have been specifically agreed to by the Tenderer will not create a legally binding agreement. (Para 13-C of the D.G.S.& D. Contract Manual - circulated under D.G.S.& D. 's O.O.No.18 of 1st January 1976 – (Annexure III/1-01)

1.10. When the firms quote against our tenders in their own letter-head, they should, however, be asked to sign the tender documents (sent by the Administration or subsequently on payment) as a token of their acceptance of the I.R.S. conditions of Contract before placing the orders on them.

1.11. The agreement executed or the purchase order issued by the Stores Department should be checked by the Accounts Department with reference to the recommendations of the Tender Committee and decision of the competent authority thereon and the original accepted tender. In cases where the advice of the Tender Committee is not accepted, it should be seen that full reasons for departing from the recommendations of the Tender Committee are recorded by the accepted authority. In respect of purchase orders valuing less than Rs.4 lakhs (and Rs. 8 lakhs in case of Safety Items) test check is conducted monthly by the nominated Accounts officer concerned and results are submitted to F.A. & C.A.O. The bills of the Contractors/Firms should be passed expeditiously by the Accounts Department with reference to the audited agreement/purchase order.

1.12. The pre-check limit by Finance for purchase order is raised to Rs.4 lakhs (and Rs. 8 lakhs in case of Safety Items). Splitting of Purchase Orders to bring them within this limit will be viewed very seriously. However; even within this monetary limit, Finance Vetting will become necessary if I.R.S. conditions of contract are not complied with.

Authority: Board's letter No. 2007/RS(G)/779/1 dt.4.4.08(Annexure-II/1-59)
2007/RS(G)/779/1 dt.28.07.2008(Annexure-II/1-64)

1.12.1. A purchase order valued below Rs. 10 lakhs where it is not examined by the Tender Committee, the vetting of Purchase order and scrutiny as laid down in cases where splitting of tendered quantities is resorted to, may be done concurrently by finance to avoid delays in placement of orders, as is being done already on some of the Railways.

Authority: Bd's letter No. 83/F (S)/I/I/PW-7/1 of 02.05.1991 (Annexure III/1-04)

1.13. Any deviation from tendered specification subsequent to the awarding of the contract whether minor or otherwise should have the approval at the level of the Competent Authority, who was the accepting authority of the Tender Committee proceedings.

Authority: Board's letter No. 89/RS (G)/779/12 dt 27th Sept. 1989 (Annexure III/1-03)

1.14. Reduction in Finance vetting stages in procurement :--The following finance vetting stages are dispensed with:-

(i) Vetting of Advance Acceptance letter in Tender Committee cases. However, a standard format detailing the contents of Advance Acceptance letter be evolved by the Railways to avoid legal implications later on in due consultation with Finance & legal Branch.

(ii) Wherever an amendment having financial implication is processed, the amendment letter and the proposal should be simultaneously got concurred / vetted by Finance to cut down delay.

(iii) The case wherein sanction of GM for foreign Exchange is involved, the Tender case may be put up to GM at one stage only for approval of Tender Committee Recommendations as well as sanction of Foreign Exchange.

Authority: Board's letter no: 99/RS(G)/779/5 Pt.I dated 28.08.2003(Annexure-III/1-05)

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PART III

CHAPTER -2

PAYMENT TERMS

2.1 Payment: - The normal mode of payment,

i) 100 per cent after receipt and acceptance of stores at the consignee's end.

ii) 95 percent supported by proof of despatch and inspection certificate issued by the nominated inspection agency as specified in the contract and balance by 5 per cent on receipt and acceptance of stores.

***Note* :-- Proof of dispatch: -** Proof of dispatch should be termed to mean the Railway Receipt in original. Motor Lorry receipt should not be accepted as proof of dispatch for making advance payment.

Authority: Board's letter No.76/RS (G)/164/48 of 17th March 1978 **– (**Annexure III/2-02)

Advance Payment on the basis of qualified Railway Receipts should be discouraged as far as possible; but under extenuated circumstances; the Railways can agree to advance payment against such Railway Receipts after adopting adequate safeguards in consultation with Financial and Legal Advisors.

Authority: Board's letter No.72/RS (G)/779/64 of 18.06.1974 forwarded under cover of Board's letter of even No dated 28.05.1987 – (Annexure III/2-07).

2.1.1. The advance payments should be made only against the original copy of the Inspection Certificate marked "**copy for payment**". The supply order should also mention clearly that the payment should be claimed on the basis of the "**Copy for the payment** " foil only.

Authority: Board's letter No. 87/RS (G) /379 / 13 of 03.08.1987- (Annexure III/2-08)

2.2. Controller of Stores is empowered to authorize 100 per cent Payment on proof of inspection and dispatch in respect of Public Sector Undertakings within his Powers of purchase.

2.3. Controller of Stores is also empowered to authorize100 % payment on proof of inspection and dispatch up to a limit of Rs.50,000/- in respect of plant and machinery, special tools and proprietary articles obtained from Government or non-government agencies.

2.3.1. (a) COS/CMM is empowered to accept proposals for Single Tender from Stock Yards/Buffer Imports of main producers in respect of Steel items for Import/indigenous steel up to a value of Rs. 3 Crores and 2 Crores respectively , without going into formalities of Tender Committee Examination. They can also allow 100% advance Payment in case of Purchase of steel on Single tender basis within the powers of purchase.

Authority: Board's letter 87/RS(G)753/2 of 30.12.1987 (Annexure II/1-17)
2007/RS(G)/779/1 dt.4.4.08(Annexure-II/1-59)

With the decontrol of steel prices , the local purchase of stockyard items from SAIL, TISCO, IISCO & RINL should be done as per the following procedure;

(i) after obtaining quotations price lists from all the local stockyards.

(ii) At the lowest possible reasonable price subject to availability of items,

(iii) Non availability of items from the most economical stockyard on the day of purchase should be recorded in writing by the COSs/CMMs if purchase is effected from the higher offer.

The provision of purchase of stockyard item as mentioned above is valid upto 13/12/2010.

Authority: Bd's letter No. 87/RS(G)753/2 of 15/19.10.1992 **(**Annexure II/1-29**)**
87/RS(G)753/2 of 30.11.2007 (Annexure II/1-57).

2.4. COS/CMM are empowered to purchase oil and lubricants marketed by Public Sector Undertakings in Single Tender basis upto Rs. 3 crores and Rs.2 crores in each case with finance concurrence and to make 100% advance payment without going into the formalities of tender committee's examination. Limited Tender to be called in place of Single Tender in case prices are not government administered.

Authority: Board's letter No 2007/RS(G)/779/1 dt.28.07.2008 (Annexure II/1-64)

2.4.1. Under unavoidable circumstances, Railway can make the payment of advance to the Public Sector Undertakings through demand draft but no expenditure should be incurred on account of commission, being Government Drafts.

Authority : Board's letter No.76/RS (G)/753/2 dt 13.06.1983 – (Annexure III/2-05).

2.5. Procurement of Non-ferrous Metal through Centralised Canalising agency :
The General Managers are authorised to sanction an advance payment up to a maximum Rs.2 crores for purchase of non-ferrous metals from MMTC other Public Sector undertakings for procurement through the Centralized canalizing Agency. These powers may also be delegated to C.O.S. up to a limit of Rs.25 lakhs.

Authority: Board's letter No. 76/RS (G)/753/2 dated 7th August 1984 – (Annexure III/2-06)
87/RS (G)/753/2 of 15/19.10.1992 (Annexure II/1-29).

2.6. 100% advance payment to suppliers on delivery by road ex-godown and against *pro forma* invoice.

2.6.1. In general, 100 % advance payment against proof of lorry receipt of Road Transport/ ex-godown should not be accepted and where it is unavoidable, necessary safeguards like Bank guarantee may be taken in consultation with F.A. & C.A.O. for shortage, non-conformity to contract specifications etc.

2.6.2. Where it is not possible to insist upon the firms to accept Standard terms of payment, 100 per cent payment on *pro forma* Invoices may be accepted only in the case of firms of repute, for specified period, say One year by evolving suitable conditions in consultation with F.A. & C.A.O. and with the sanction of General Manager.

Authority: Board's letter No.79/RS (G)/753/1 dated 08.04.1981 – (Annexure III/2-04)
2007/RS(G)/779/1 dt.4.4.08(Annexure-II/1-59).

2.6.3 The power to make 100 % advance payment against *pro forma* Invoice with finance concurrence is : In direct acceptance case – CMM - upto Rs. 5 lakhs & COS - upto Rs. 10 lakhs. In TC case – COS upto his power of acceptance

Authority: Board's letter No : 2007/RS(G)/779/1 dt.28.07.2008(Annexure-II/1-64)

2.7. DRM's are empowered to accept 100% payment up to a limit of Rs. 5000/- in each case for the purchase of spares of machinery and plant items or Proprietary in nature, after ensuring sufficient Safe guards like Bank Guarantee etc.

Authority: Board's letter No. 87/RS (G)/753/1 of' 29.02.1988 (– (Annexure III/2-09)
87/RS (G)/753/1 of' 9.5.97 (Annexure III/2-12)

2.8. Acceptance of conditions for payment of advance along with orders : In supercession of Board's letter 79/RS(G)/753/1 dated 21.04.1979, in supply contracts, no advance need to be given to the contractors by railways.

Authority : Board's letter No. 2005/RS(G)/779/1 dated 02.11.2006 (Annexure III/2-15)
79/RS(G)/753/1 dated 21.04.1979 (Annexure VI/3-06)

2.9. In order to minimize delay in supply, installation and commissioning of M&P, an Expert Committee was appointed by the Board to study the purchase conditions and objectively examine these with a view to identify, analyse and suggest measures which contribute to delay in supply, installation and commissioning of sanctioned machinery and plant. The findings and recommendations of the committee are circulated by the Board for guidance and compliance in all procurement cases of Machinery and Plant.

Authority: Bd's letter No. 93/M(M&P)/1063/36 of 25.06.1996 (Annexure III/2-11)

2.10 Payment Terms for M&P items:

(i) Payment to foreign supplier: Payment against foreign supplies shall be made through Letter of Credit. All charges, including the confirmation charges of L.C, levied by foreign banks, shall be borne by the supplier. The standard payment terms subject to recoveries if any, under the liquidated damages clause and general condition of contract will be as under:-

(a) 80% of the payment against irrevocable L.C on proof of inspection certificate and shipping documents within 30 days of receipt of shipping documents as specified.

(b) Balance 20% payment within 90 days after installation / commissioning and proving out test of M&P subject to submission of bank guarantee for an amount of 10% of contract value, as warranty security.

(ii) **Payment against indigenous supply:** The standard payment terms subject to recoveries in any, under the liquidated damages clause and general condition of contract will be as under:-

(b) 80% of the payment on proof of inspection certificate and Rail / Road Challan to be made within 30 days of receipt of documents as specified.

(c) Balance 20% payment within 90 days after satisfactory installation / commissioning and proving test of M&P subject to submission of bank guarantee for an amount of 10% of contract value, as warranty security.

Authority: Board's no: 98/RS(G)/709/1 dated 30.05.2006(Annexure-II/4-62).

2.11. a) Consents of the tenederers should be obtained to accept payments payments through EFT & for that suitable terms & conditions in the tender & purchase

orders should be incorporated as per Board's letter No 2005/RS(G)/779/1 dated 20/07/2005 & 25/08/2005.

b) The tenderers should provide necessary details of the Bank A/c duly certified by the concerned bank & the same should be re-iterated in the purchase order.

Authority: Bd's letter No. 2005/RS(G)/779/1 of 20.07.2005 (Annexure III/2-13)
2005/RS(G)/779/1 of 25.08.2005 (Annexure III/2-14)
2005/RS(G)/779/1 of 16.05.2007 (Annexure III/2-17)

3.0. Payment due to Price Variance Clause : In contracts, which have staggered delivery schedule, but cannot be made severable *i.e.* without having fixed schedule for the intermittent supplies, the PVC claims be restricted to be completed in that period, as indicated in the delivery schedule, irrespective of whether the supply has been made subsequently within overall delivery schedule of the contracts. To avoid such situations, contracts should normally be made severable. However where definite time schedule for the intermittent supplies cannot be given for any reason, following clause be incorporated in the contract :

"In case of failure on the part of supplier to arange supplies as per delivery schedule/instalments fixed in advance, save force majeure conditions or delays attributable to Purchaser, the Purcahser reserves the right to levy liquidated damages which shall be levied as per Para 702 (a) of IRS Conditions of Contract for the delayed quantity which have remained unsupplied for the period".

Similar provisions need also be made in contracts placed against global tenders.

Authority: Bd's letter No. 2006/RS(G)/779/12 of 22.03.2007 (Annexure III/2-16)

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PART –III

CHAPTER 3

VARIATION CLAUSES

3.1. Acceptance of price variation clauses:- In respect of imported stores, price variation in respect of exchange rate and customs duty may be accepted subject to production of documentary evidence. (Board's letter No. 55/645/4/RE(G) dated 28th March 1957 –(Annexure III/3-01)

3.2. As far as possible, firms should be asked to quote firm prices without any variation till completion of supply.

3.3. In respect of indigenous stores, variation in Excise Duty and Tax may also be accepted subject to production of documentary proof.

3.4. "**Wages Escalation clause**" in Stores contracts for indigenous stores: -

"Wages Escalation clause" may be accepted in consultation with F. A. & C. A .O. subject to the following important conditions :--

i) Wages escalation clause may be accepted only for supply of indigenous stores, in very special cases and only if the tenderers insist on the same.

ii) The base month and the date should be indicated by the tenderisers along with the wage structure, at that time, per month, of the permanent worker which shall comprise of the following items: -

a). Basic wage;

b) Dearness allowance;

c) Employer's contribution to Provident Fund;

d) Employer's contribution to Employee's State Insurance Schemes; and

e) Employer's contribution and payments in any other scheme which may be instituted by the Government in respect of above and made during the base month and specifically approved for inclusion in the wages escalation clause;

iii) The wages escalation, when the wage structure of the minimum rated direct worker varies from that of the base month in respect of the above referred items, is applicable for a month of full normal working days and working hours as per standing order of the factory. The date from which escalation applicable after the date of wage increase should be pre-determined. Prorata adjustment of variations in wage structure is to be made if the effective payable days in a month falls below the normal/working days.

iv) The wages escalation should be applicable only as a result of direct Governmental action, adjudication or legislation either Central or State. The expression 'direct Governmental action' shall not include a settlement which has not been arrived at in the course of conciliation proceedings and the expression "adjudication" shall Include only that arbitration award in respect of which a notification under sub-section 3-A of Section 10-A of the Industrial Dispute Act, 1947 is issued.

v) The expression 'direct worker' shall cover only those permanent and temporary persons employed by the contractor (excluding casual/contract labour).

vi) The number of direct workers in each category on base date would form the base for the calculation;

vii) The increments in any time scale would not be taken into account.

viii) If deliveries are not made according to the schedule and are delayed owing to any circumstances whatsoever, and a wage increase is awarded mean while, such increase will not be admitted normally unless specifically agreed at the time of extension.

ix) The Contractor should furnish the total man hours involved in the manufacture of the items and the escalation on this man hour duly certified by the Chartered Accountants should be furnished. This shall be subjected to further scrutiny, if considered necessary, of the contractor's books by the Chief Costs Accounts Officer of the Ministry of Finance.

x) There should be a price- de-escalation clause to cover such contingency, if any;

xi) For all contracts, over the value of Rs, 5 lakhs or in case of contracts where different wages escalation clause is proposed to be accepted, Board's prior approval should be obtained.

3.4.I. Other things being equal preference should be given to the tenderer whose wages escalation is likely to be less.

Authority: Board's lr No. 70/RS(G)779/46 dt 18th May /7 June 1976 – (Annexure III/3-06)

3.5. Acceptance of Sea freight variation clause: - Where tenderers insist on inclusion of Sea freight variation clause, in their contracts for the supplies various stores, these may be accepted by the General Manager in consultation with their FA&CAOs wherever the firms whose offers are otherwise competitive insist on the inclusion thereof. These powers should not be redelegated to any subordinate authorities.

Authority: Board's letter No.67/RS (G) 145/3 dated 25th August 1967 – (Annexure III/3-02)

3.6. Acceptance of material price escalation clause in contracts entered with the various firms:- In all high value contracts for supply of stores where the raw material content like steel, non-ferrous etc are substantial, a pre-determined price variation clause with an upper ceiling limit may be prescribed in consultation with Legal and Financial Advisers for incorporation in the Tender enquiry itself, so as to obtain competitive rates.

Authority: Board's letter No.74/RS (G) 379/1 dated 25th June 1979 – (Annexure III/3-08)

3.6.1. Verification claims against Material price Escalation Clause of contracts entered into with the various firms : In order that a proper verification the claims is made against the "**Material Price escalation clause**" (as is done respect of contracts entered into by the Railway Board), it is desired that all claims made against "**Material price escalation clause**" be verified by the F. A. & C.A.O. of the concerned Railway with reference to firm's records rather than rely on the certificates issued by firm's auditors. To achieve this end, a suitable clause providing for the tenderers to produce complete records, when ever called for, for examination /verification of their claims under escalation be incorporated in the tender enquiry and have that clause incorporated in contract.

3.6.2. Where the firms refused to accept stipulation in regard to production of their records for verification of claims under escalation by FA&CAOs, may be examined on merits in terms of **Para 419-S** and **Para 420-S** and decision taken in the matter in the best interest of Government.

Authority: Board's letter No. 69/RS (G)/145 of 21st April 1969 – (Annexure III/3-03) and No. 69/RS (G)/145 of 8th February 1972 -- (Annexure III/3-05)

3.7. Book Examination Clause : Inclusion of the '**Book Examination Clause'** in the Stores Contract has been under consideration of the Board. The matter has been examined and it has been decided that in all the tenders valued Rs. 75000/- and above, a "**Book Examination Clause**" as indicated in Board's letter No. 82/RS(G) 777/2 dated 18th March 1983 (Annexure III/3-12) may be included in the Special Conditions of Contract.

Authority: Board's letter No.82/RS (G) 777/2 dated 27th January 1983 – (Annexure III/3-11) and No. 82/RS (G)777/2 dated 18th March 1983 – (Annexure III/3-12)

3.8. A Committee appointed by Government under the Chairmanship of D.G.S. & D have recommended in respect of the following items :--

1) Wages escalation clause;

2) Steel price variation clause;

3) Metal variation clause for insulated cable and wires;

4) Metal variation clause for A.C.S.R. Conductors.

Recommendation is reproduced below: -

"Now that there has been stabilisation of prices, it is not considered necessary that price variation should be allowed as a matter of course. The issue was also discussed in Secretary's Staff Meeting held on 7th June 1977. It has been decided that the various price variation clauses prescribed vide o.o no: 15 dt 01.01.1976 including those clause which have been now modified should be treated as guidelines which should be kept in view by purchase officers at the time of consideration of tenders. The purchase officers may decide on merits of each case the need for incorporation of price variation clauses and allow variations only where it is considered absolutely unavoidable, in consultation with Finance".

3.9. Consequent to the de control of Steel prices, the JPC pricing system has been abolished and the rates are now being fixed by various producers themselves for their range of products for steel items.

3.9.1. In such cases the price variation clause (PVC) is as per the following:

(i) PVC may be incorporated using the wholesale price index (WPI) as published by the Economic Adviser to the Government of India in the department of Industrial Development, Ministry of Industry which is also reproduced in the Indian Trade Journal.

(ii) PVC may be based on an appropriate sub-group in the whole sale price index (WPI) from among a) Iron & Steel b) Foundries for casting and forging and structural c) Pipes, wire drawing and other d) Ferro-Alloys. The indices of the

sub-group nearer to the in-put for the product being purchased may be adopted in the PV clause as the WPI suitably aggregate the prices of all manufacturers.

(iii) A clause on the lines indicated below may be included in the tenders/ contracts carrying price variation clause:

"Tenderers desiring variation in price arising from change in steel/pig iron prices may quote their rates on the understanding that the base rate will be adjusted for variation in the WPI sub-group index relating to (to be specified from out of (a) to (d) above) as existing 2 months prior to the month of inspection over that which was prevailing one month prior to the month of tender opening. Admission of any claim in this regard will be subject to the supplier furnishing all the supporting details."

Authority: Bd's letter No. 87/RS(G) 779/9 of 17.11.1992 **(**Annexure III/3-16**)**

3.9.2. In view of the representations from the Railways the tenders are not quoting PVC on the basis of WPI, the PVC is modified, as PVC in respect of steel items should be based on the ruling price of SAIL

Authority: Bd's letter No. 87/RS (G) 779/9 of 01.05.1997 **(**Annexure III/3-19**)**

3.9.3. Since MMTC is not issuing circular in respect of Non-ferrous items due to decentralization it has been decided that PVC is incorporated in contracts, pertaining to non-ferrous items based on price of HCL/HZL/MMTC. This arrangement has been extended *vide* Bd's letter dated 13.05.1996 and as a permanent measure vide Bd's letter dated 01.05.1997.

Authority: Bd's letter No. 87/RS (G)/779/9 of 22.08.1995 (Annexure III/3-17),

No. 87/RS (G)/779/9 of 13.05.1996 (Annexure III/3-18) &

No. 87/RS (G)/779/9 of 01.05.1997 (Annexure III/3-19)

3.10. Steel price variation clause: (where no raw material assistance is required by the supplier and where delivery is not linked to the receipt of raw material.)

3.10.1. Clause to be incorporated in the invitation to tender and contract: Tenderers desiring variation on price of steel/pig iron may quote their prices based on joint Plant Committee price of Rs…….. per tonne ruling on the date of quotation.

In the event of variation in the Joint Plant Committee prices on which the quotation is based adjustment in the contract price will be regulated with the reference to the date of tendering for inspection of stores and will be applicable only to the stores tendered for inspection after. . . . . (here insert the agreed time lag factor) from the date of variation in the price of steel/pig iron are effective. The price variation will be applicable only on the finished Weight.

Note : --1. The above clauses also covers cases where assistance is rendered for raw materials on other than manufacturing basis.

2. In the case of imported steel the price quoted by any canalising agency apart from Hindustan Steel would be taken into account for the purpose of price variation.

3. JPC price is now superceded by SAIL's price.

3.11. Metal variation clause for insulated cables/wires : In case variation in prices is desired the price variation will be allowed in the manner indicated below: -

Prices quoted will be treated as based on the following prices of copper, lead and aluminium: -

Copper	Rs. X per MT	Classed X
Lead	Re. Y per MT	Classed Y
Aluminium	Re. Z per MT	Classed Z

(X, Y and Z rates. to be shown in the tender enquiry shall be the latest MMTC or any other concerned canalising agency rates for copper and lead and primary manufacturer's rates for aluminium as available).

For any lot supplied, price adjustment will be made on the basis of actual price variation as certified by auditor subject to the ceiling on the basis of the "Effective sale price ex- godown fixed by MMTC, STC or any other concerned canalising agency in the case of copper and lead and the prices of the primary manufacturers in the case of aluminium for the quarter preceding to the quarter in which the said lot was offered for inspection as indicated in the inspection note. For determining the quantum of escalation per KM of cable, the theoretical net weight in kg. of metal per KM of cable should be indicated.

For every rise or fall of Rs.10 per MT In the basic price of copper /lead aluminium the amount of adjustment in price per km of cable will be . . . . . paise. No adjustment in contract price will be made if the variation up / down the aforesaid basic rate of metal(s) is less than Rs.10 per MT.

***Note*:** - It should be noted that -

i) No escalation claim less than Rs.100/- shall be entertained;

ii) No claim oftener than once in 6 months shall be preferred;

iii) Rs. 10/- per MT apply separately to copper/lead and not collectively

iv) The ceiling- of Rs.100/- will apply to entire contract and not unit price.

3.12. Metal variation clause for A.C.S.R. Conductors : In case variation in price is desired, price variation in regard to aluminium and steel wire will be allowed on the following basis :--

Aluminium contract with out any assistance for -release of aluminium with assistance on replenishment basis: - Price quoted will be treated as based, on the current ex-works price of Rs .... per MT. (Here indicate the rate fixed by the Government for aluminium Ingots EC, Grade) inclusive of Excise duty. In the event of any variation in this rate, price adjustment will be allowed on the following basis: -

a. For any lot of A.C.S.R. conductors supplied, the price adjustment shall be on the basis of the rate of aluminium ingots as fixed by the Govt. and ruling 30 days prior to the date on which the said lot was offered inspection as indicated in the Inspection Note.

b. The successful tenderers shall produce in support of their claim for variation a certificate from their Internal Auditor accompanied by duly attested copies of vouchers or by the photo state copies thereof, certifying that aluminium actually

been purchased at the rates claimed and the certificate should contain the following information :--

i) Date of despatch of aluminium from the source of supply with the particulars of essentiality certificate issued by the purchaser;

ii) Price of aluminium on the date as at (a) above with the particulars of the relevant price notification by the department of Mines under the aluminium price control order.

iii) The particulars of the purchase orders placed.

Authority: Bd's lr No.77/LS/66/DGS&D's O.O.5 dt. 3rd Sep 1977 –(Annexure III/3-07)

3.13. Acceptance of variation in Railway freight: : This should be treated as UNUSUAL CONDITION OF CONTRACT and should be dealt with under the powers vested with General Manager in consultation with Accounts in terms of para 419-S

Authority: Board's letter No.69/RS(G)/145 dated 5th June 1969 – (Annexure III/3-04).

3.14. Price variation clause: - Price variation clause may be accepted keeping the following guidelines in view: -

3.14.1. For material intensive components, where normally firms insist on only material variation clause, it may be provided. However, in such cases, quantum of material input *viz.*, Controlled item/items with price notification only like JPC/SAIL price for steel, MMTC price for non-ferrous items etc., should be computed and the price variation per unit of product should be specified in relation to variation in price for input for each convenient slab say Rs.100 one tonne/ or Rs.1, 000/- per tonne.

3.14.2. For labour intensive contracts like fabrication contracts like fabrications, con tracts, with major portion of raw materials supplied by Railways, wage variation clause alone may be provided. However, such wage variation clause should be linked with the published indices like the relevant consumer price index for industrial workers for specifying the quantum of variation in the price of the product for each point rise or fall in indices. In this connection the instructions contained in Board's letter No.70/RS (G) 779/46 of 7th June 1976 - (Annexure III/3-06) may also be kept in view. Ordinarily, attempts should be made to persuade the supplier not to claim wage variation clause.

3.14.3. For other items, composite standard formula (such as that published by IEMA) covering important items and wages can be provided. But in cases where such a standard formula may not readily apply, an appropriate price variation clause may be provided broadly on the following lines: -

i) The fixed element may have a weight of 15 to 20 per cent.

ii) Variation in material cost may be allowed a weight of 40 to 60 per cent.

iii) The weight for wage variation may be 20 to 45 per cent also keeping in view the guideline given in para 3 above.

iv) The total weight of the three elements should be 100 per cent.

3.14.4. The weight ages can be worked out by obtaining a broad price break up from the supplier and analysing it thereafter.

3.15. Price variation clause may be accepted in Stores Contracts irrespective of delivery period but a specific provision indicating the period after which the effect of change in the parameters included in the price variation clause, may be made to work out the revised prices. The time lag between the date of change in the parameters and the date of their becoming effective for operation of price variation clause should take into account the likely inputs at old prices being used for manufacture and supply of the contracted items.

3.16. As regards definition of high value for incorporating a price variation clause, generally contracts above Rs.2 lakhs in value may be considered as high value contracts. However, wherever the Railway Administration consider it necessary to incorporate price variation clause even in respect of contracts below this limit, they may do so after taking proper care to safeguard Railway's interest.

Authority: Board's letter No.70/RS (G) 779/46-dated 13th March 1981- (Annexure III/3-09)
70/RS(G)/779/46 dated 11th January 1982 – (Annexure III/3-10)

3.17 Price Fall Clause : The fall clause shall be applicable only to Rate Contracts and shall not be applicable to fixed quantity, Contracts including Running contracts. Hence the fall clause may be deleted from the IRS conditions of the Contract. For the purpose of making it applicable to Rate Contracts, the same may be included in the special conditions of the Contract.

3.18. However, there can be instances where the Purchaser, as a matter of abundant precaution, decides to stipulate Fall Clause in the purchase orders for purchases of such stores as are usually dealt with by centralized procurement agencies. Similar actions may also be taken by purchaser in case of certain very high value tenders in a situation where other Railways also deal with tender cases for such materials, concurrently.

Therefore, in such a situation the concerned officers should apply their mind adequately, while deciding to stipulate Fall Clause in Fixed Quantity Purchase Orders/Running Contracts. The same should be done with the consent of the tenderers, by making Fall clause a tender condition and having such a condition pre-facto accepted by the tenderer.

3.18.1 Text of Fall Clause:

1. "The price charged for the stores supplied under the Contract by the contractor shall in no event exceed the lowest price at which the contractor sells the stores or offer to sell stores of identical description to any persons/organizations including the purchaser or any Department of Central Government or any Railway Office or any Railway undertaking, as the case may be, during currency of the contract. The lower price will be applicable to supplies made after the date of coming into force of such reduction or sale or offer to sell at a reduced rate."

2. "If at any time during the said period the contractor reduces the sale price, sells or offers to sell such stores to any persons, organizations including the purchaser or any Department of Central Government or any Railway Office or any Railway Undertaking as the case may be at a price lower than the price chargeable under the contract, they shall forthwith notify such reduction or sale or offer of sale to the purchaser and the price payable under the contract for the stores supplied after the date of coming into force of such reduction or sale or offer of sale, shall stand correspondingly reduced."

3. The Contractor shall furnish the following certificate to the concerned Accounts Officer along with each bill for payment of supplies made against the contract.

"I/We certify that there has been no reduction in sale price of the stores of description identical to the stores supplied to the Government under the contract herein and such stores have not been offered / sold by me/us to any person / organization including the Purchaser or any Department of Central Government or any Railway Office or any Railway Undertaking as the case may be, up to the date of bill, at a price lower than the price charged to the Government under the contract."

Authority: Board's letter No. 86/RS(C)/779/16 dated 21.12.1988 – (Annexure III/3-15)
86/RS(C) 779116 dated 04.12.1986 – (Annexure III/3-13)
DGS&D's O.O.No. 99 dated 10.11.1988 – (Annexure III/3-14)
2008/RS(G)/779/8 dated 02.06.2008 (Annexure III/3-20)

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PART-III

CHAPTER -4

PRICE PREFERENCE

ACCEPTANCE ON PRICE PREFERENCE

4.1.1. (a) In supersession to all the previous instructions, the purchase preference given to domestic supplier over the duty paid price of import is withdrawn.

Authority: Bd's letter No 95 / RS (G)/768/1dt 17.08.1995 (Annexure III/4-14)

4.1.2. The above instructions will not apply to contracts financed I.D.A. where separate guidelines as per agreements entered into with them have been issued.

4.2. Procedure for purchase of stores from Small Scale Industries recognised by the National Small Industries Corporation but registered with Railway Administration: -

A suitable and reasonable price preferential up to a maximum of 15 per cent shall be given to the Small Scale Industries Units (as recognised by the National Small Industries Corporation) over the Large Scale Industrial Units, irrespective of it being a PSE or a non-PSE, the actual quantum being decided in case, strictly on merits in consultation with Finance.

It must be ensured that Price Preference and Purchase Preference clauses are incorporated in the tender documents/tender notices.

Authority: Board's letter No. 56/363/13/RS/(G) dated l st May 1959 - (Annexure III/4-01)
61/RS(D)/167/3 dated 4th May 1961 – (Annexure III/4-04)
85/RS (G)/363 /2 dated 12th October 1987 – (Annexure III/4-09)
85/RS (G)/363/2 of 28.10.1991(Annexure III/4-13)
85/RS (G)/363/2 of 16.11.1998 (Annexure III/4-15)
95/RS (G)/363/1 of 11.09.2000 (Annexure III/4-17)
95/RS (G)/363/1 of 07.03.2001 (Annexure III/4-19)
95/RS (G)/363/1 of 31.08.2001 (Annexure III/4-21)

4.2.1. Price preference for purchases of Stores from KVIC/Women's Development Corporation: - KVIC and Women's Development Corporation will also be entitled to price preferences up to 15% over the lowest acceptable offer from the large Private Sector Units.

Authority: Board's letter No. 89/RS (G)/363 /15 dated 16.11.1989 –(Annexure III/4-12**)**

4.2.2. KVIC/Women's Development Corporation/Small Scale Sector will have 5% price preference over the Public Sector undertakings.

Authority: Board's letter No. 83/LS/66/1 dated 21.01.1984 – (Annexure III/4-08)
No. 89/RS (G)/ 363/5 dated 16.11.1989 – (Annexure III/4-12)

4.2.3. Price Preference to products of Small Scale industries :

ADVANCE CORRECTION SLIP TO THE INDIAN RAILWAY STORES CODE, VOLUME-I (REVISED EDITION) 1990 ACS-11

Substitute the Para 304 A with the following :--

Price Preference to products of Small Scale Industries:

For this purpose, Railway purchases for the items of stores other than textile items reserved for purchase from Handloom Sector, may be categorised under 2 broad heads:-

(i) Those reserved for exclusive purchase from KVIC / Women's Development Corporation / Small Scale Sector Units.

(a) At present 409 items are reserved for exclusive purchase from KVIC / Women's Development Corporations / Small Scale Sector Units.

(b) Items falling under this category shall be subject to revision from time to time by Railway Board, as per guidelines issued by Department of Supply, Government of India.

(ii) Others not so reserved.

Authority: Board's letter No 98/RS(G)/779/10(CS) dated 30.05.2000. (Annexure III/4- 16)

4.2.4. Promoting Sale of Coir Products : Railways may encourage use more of eco-friendly coir products in preference to other products particularly eco-offensive synthetic goods.

Authority : Railway Board's lr : 95/RS (G)/ 363/1 dated 13.07.2001 – (Annexure III/4-20)
Letter of Ministry of Industries, department of SSI and Agro and Rural Industries No : 5(3)/96-Coir dated 13th March'1996.

4.3. Price Preference for earlier delivery: - When the materials are required urgently, higher offers with earlier delivery Period can be accepted in preference to the lowest offers with prolonged delivery period.

4.3.1. Orders are to be placed enclosing the usual time preference clause, clearly mentioning that the offer had been accepted in preference to the lowest acceptable offer of M/S……..at Rs…….with delivery period of…..……and in the event of failure of supply as quoted, the supply will be subject to acceptance at the lowest acceptable rate received against the tender.

Authority: Board's letter No.56/796/RS((G) dated 18th February 1960 (Annexure III/4-02)

4.4. The firm's specific acceptance for placing the order on time preference basis as mentioned above should be obtained by incorporating the special condition as per clause (A) in the Tender Enquiry stage itself.

Authority: Board's lr No. 56/796/RS (G) dated 23rd February 1961 – (Annexure III/4-03)

4.5. As per Board's letter dated 24.01.2008, there will not be purchase preference for products and services of CPSE with effect from 31.03.2008 except for preferential purchase policies framed for specific sectors separately.

Authority: Board's letter no: 92/RS(G)/363/1PEs dated 26.09.2000(Annexure III/4-18).
92/RS(G)/363/1 PEs dated 26.08.2003 (Annexure III/4-22).
92/RS(G)/363/1 PEs dated 24.11.2004 (Annexure III/4- 23)
92/RS(G)/363/1 PEs dated 28.07.2005 (Annexure III/4-24)..
92/RS(G)/363/1 PEs dated 24.01.2008(Annexure III/4-25).

4.6. Special conditions to be incorporated in all tenders : A question has recently arisen as to whether the policy of price preference to SSI and Public Sector Undertakings are to be discontinued in the light of Supreme Court Judgement. It is however confirmed that the policy of price preference continues to be valid and in order to meet the legal requirements, a special clause as mentioned below should be incorporated in Special conditions of Tender in all tenders dealing with the procurement of stores.

"The Purchaser reserves the option to give a purchase/price preference to the offers from Small Scale/Cottage Industries Units, over those from other firms, in accordance with the policies of the Govt. from time to time. The price preference above cannot however be taken for granted and every endeavour need be made by them to bring down cost and achieve competitiveness".

Authority: Bd's letter No. 80/RS (G) 779/63 Pt III dated 26.05.1989 – (Annexure III/4-11)
99/RS (G)/ 363/1 Pt I dated 31.08.2001 – (Annexure III/4-21)

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PART-IV

IMPORTS

1.1. In the context of the system of dual rate of exchange (i.e. partial convertibility of the Rupees) introduced in 1992 two rates of exchange came into existence. (1) Official rate of exchange and (2) Market rate of exchange. Subsequently, the official rate of exchange was abolished and only one rate to exchange remained. Government of India's policy of imports was also liberalized. The system of release of foreign exchange from free resources was discontinued. All the production units and zonal Railways have to meet their requirements of foreign exchange from market. The revised procedure is as under:-

(a) Railways will obtain their foreign exchange requirements from the market

(b) However, the standard financial procedures governing the standard authorisation of rupee expenditure including internal financial clearance for incurring foreign exchange expenditure will be applicable.

(c) Consequent on the liberalization of imports, earlier restriction in vogue *vide* Railway Board's letter No. 82/F(FEX) 1 dt. 13.01.1986, restricting the powers of GMs for release of foreign exchange upto Rs. 10 lakhs in each case with annual ceiling of Rs. 1 Crore has been abolished. GM's have full powers upto their powers of import*, i.e*. Rs. 50 crores at present.

Authority: Board's letter No: 2007/F(S)I/PW7/1 dated 7.12.07 (Annexure II/ 1-58)

(d) In the case of imports all purchase proposals not involving foreign exchange valued over Rs.50 crores and purchase proposals involving foreign exchange valued over Rs. 50 crores are to be submitted to Railway Board for obtaining approval of the competent authority.

(e) Authority: Board letter no: 2007/F(S)I/PW7/1 dated 7.12.07 (Annexure II/ 1-58)

(f) Foreign Exchange payment made and commitments entered into during each month both in rupee terms and in foreign currency will continue to be advised to Board. This statement should reach Railway Board by the 10th of the succeeding month.

(g) As regards transaction financed by lateral/multilateral credits etc. all the extant procedures for obtaining Board's approval etc. including foreign exchange release will continue. Similarly contracts proposed for imports from countries covered under Rupee Payment Agreement are also to be forwarded to Board's office as in the past.

(h) Despite relaxation of the procedure for foreign exchange, import of material/components and equipment etc. should be restricted to only inescapable circumstances and keeping in view the continued scarce foreign exchange reserve of the country.

(i) Earlier system of DGTD clearance has become irrelevant, as there is only a negative list of items, which cannot be imported without prior clearance from Government. If any item in the negative list needs to be imported, the proposal should be sent to Railways Board.

Once permission for import has been granted by GM,

(j) COS can invite all types of Global tenders – upto his powers of acceptance with FA&CAO's Concurrence. These powers are not to be delegated down below.

(k) COS/CMM may accept all types of Global Tenders and release foreign exchange payment through letter of credit / TT – upto their power of acceptance for indigenous tenders which is RS. 15 crores and Rs. 2 crores respectively.

Authority: Bd's letter No. 92/F/FEX/1/1 of 28.05.1992/ 01.06.1992 (Annexure II/3-08)
2002/F(FEX)1/1 dated 28 /02/2003 (Annexure IV/1-38)
2004/RS(G)/779/10 dated 01.02.2007 (Annexure II/3-27)
F(X)II-2007/PW/4 dated 14/11/2007 (Annexure IV/1-40)
2007/F(S)/PW/1 dated 07-12-2007 (Annexure II/1- 58)
2007/RS(G)/779/1 dated 04.04.2008**.** (Annexure II/1- 59)

1.2. GMs of Production Units may in addition grant permission for invitation of tenders on Single/Limited/Global tenders basis for procurement of components and materials required for their production Programme as approved by Railway Board without any monetary limit on the estimated foreign exchange expenditure.

1.3. This system of clearance from indigenous angle from DGTD, Department of Electronics etc. has been abolished. At present there is only one negative list of items, which cannot be imported without prior clearance from Govt. of India.

Authority : Bd's letter No. 84/Dev, Cell /ILMI/Policy of 11.02 1986 (Annexure IV/1-13)

1.4. In respect of purchases where the foreign exchange content is estimated to be in excess of Rs. 3.5 lakhs, Tenders should always be called for duly sending Tender Notice to the Local Official representative (Embassies of Trade Commissioners) of the Member Countries of World Bank and Switzerland following the bidding and contracting procedure laid down by the world Bank.

1.5. Currency for bidding : Currency for payment and evaluation of bids shall be as following under the prescribed I.D.A. procurement procedure: -

1.5.1. Currency of bidding : Price in the quotation should be in the currency of the bidder or in U.S Dollars or in any other currency widely used in international trade except for expenditure incurred in India which should be stated in Indian Rupees.

1.5.2. Currency of payment : The contract price will be normally paid in the currency of currencies in which the price is stated in the successful tender. However, purchaser reserves the right to effect payment of equivalent amount in the currency or currencies of the country of origin of the goods in case the price is stated in other currencies. The equivalent amount will be calculated on the basis of rates of exchange prevalent on the date of payment.

1.5.3. Earlier criteria for evaluation and comparison of bids in import tenders, was exchange rate ruling at the time of decision of notifying the award to the successful bidder i.e. date of making the recommendations of the Tender Committee. This procedure was applicable for world Bank/ADB tenders as per Railway Board's letter No. F (LN) 71/5/1 dt 10.06.1971 was also made applicable to all imports including imports from free resources. This procedure has since been modified with effect from August' 94 and the revised procedure is as follows:

" to facilitate evaluation and comparison, the purchaser will convert all bid prices expressed in the amounts in various currencies in the Bid price as payable, to the local currency of the purchaser's country at the B. C. selling market exchange rate established by the State Bank of India in the purchaser's country for similar transaction as on the date of Bid opening"

Authority: Bd's letter No. 92/F(FEX) 1/1 of 10.08.1994 (Annexure IV/ 1-29)
[No. F(LN) 71/5/1 of 10.06.1971]
96/RS(G)/11/13/Misc/ pol. Of 22.12.1997 (Annexure IV/ 1-35)
99/F(FEX) 1/1 of 03.02.1999 (Annexure IV/1-36)

1.5.4. The Ministry of Finance (DEA) have issued instructions regarding the methodology to be followed and discount and exchange rates to be adopted for the evaluation of tenders which are accompanied with financial packages. They had also circulated the discounting rates for the quarter April to June '89.

Authority: Bd's letter No. 89/F/EX/1/1 of 30.05.1989 (Annexure IV/1-19)

1.5.5. The value of purchase against import contracts should be taken as CIF for determining the level of the Tender Committee and the approving authority.

Authority: Bd's letter No. 87RS(G)/772/2 of 20.08.1987 (Annexure II/3-05)

1.5.6. Procedure for Procedure for determination of the level of tender committee and tender acceptance authority in case of offers received in foreign currency (on FOB/C&F/CIF basis) is clarified as below vide Board's letter dated 8.8.08.

In the meeting of Controllers of Stores, held in the office of Railway Board on 6th of June, 2008, a question was raised by one of the Zonal Railways whether the offers received against a Global Tender in foreign currency (FOB/C&F/CIF) should be evaluated on the basis of all inclusive landed cost for determining the level of tender committee and tender acceptance authority, as per Board's letter No. 99/RS(G)/709/1 dated 03-05-2005, or should be evaluated on CIF basis as directed in Board's letter No. 87/RS(G)/77712 dated 20-08-1987. The matter has been examined in consultation with associate finance and accordingly, it is clarified that for all tenders:

(i) Offers in foreign currency, are usually received on FOB or C&F basis. These offers are to be evaluated in the following manner to arrive at total cost of the offers for determining the level of tender committee and tender accepting authority:

(a) CIF cost is to be calculated by adding freight as per rates of Shipping Corporation of India (SCI) (in case of FOB offers) & insurance charges as per Board's open cover policy. In case of C&F offers, only insurance charges are to be added.

(b) Assessable Value is to be calculated by adding Port landing charges @ one percent with the CIF cost as per Customs Rules. Aggregate Customs Duty is to be calculated on the assessable value and the total landed cost is to be worked out by adding the assessable value with the aggregate Customs Duty.

(c) Thereafter, other charges as leviable and as required in terms of tender conditions (viz, training, installation & commissioning charges etc. as quoted, if any) are to be added to the total landed cost to arrive at the total cost of the offer.

(ii) Conditions as detailed in Para (i) above are to be included in the evaluation criteria in the tender conditions.

Authority: Board's letter no: 2003/RS(G)/777/1 dated 8.08.2008 (Annexure IV/1- 41)

1.6. GMs have been delegated with powers to sanction expenditure under foreign exchange upto Rs. 50 crores in each individual case on CIF basis. This delegation is personal of the GM and need to be exercised in consulation with the FA & CAOs. It will not be permissible to have the sanction under this delegation initially issued by DGM and countersigned subsequently by GM.

1.6.1. Utmost care should be exercised in sanctioning the foreign exchange expenditure, which should only be in respect of items, which are absolutely essential and inescapable.

Authority: Bd's letter No. 77 /F(EX) 24/DP/13/Part II of 04.12.1973 (Annexure IV/1-02)
82/F(F.Ex) 1/1 of 12.01.1986 (Annexure IV/1-12)
2007/F(S)/PW/1 dated 07-12-2007 (Annexure II/1-58)

1.7. The Tenders involving foreign exchange should be finalised expeditiously. The delays in finalization of tenders result in non-utilisation of Foreign exchange earmarked for the purpose, change in comparative position of the offers to the fluctuation the exchange rates and the possibility of the firms not extending the validity of their offers.

Authority: Bd's letter No. 83/F(F.EX) 3/1 of 26.10.1983 (Annexure IV/1-10) &
87/F(F.Ex) 1/3 of 19.05.1989 (Annexure IV/1-18)

1.8. Shipment

1.8.1. As per general policy of the government, contracts for imports from abroad may be finalised on F.O.B./F.A.S basis and those for export from India on C&F basis and prior concurrence obtained form the Ministry of Shipping and Transport (Chartering Wing-Transchart) before making any departure therefrom.

1.8.2. A set of specimen shipping clauses to be incorporated in various types of contracts for imports and exports of general liner, and bulk cargoes is indicated in the annexure to Board's letter No. 77/RS (F) 794 dated 5 th August 1982 for guidance. It should be ensured that the prescribed shipping clause is incorporated in the contracts.

Authority: Bd's letter No. 77/RS(F) 794 of 05.08.1982 (Annexure IV/1-08)

1.8.2.1. For shipment from USA it is further clarified that Govt. cargos can be shifted by any of the member line of the conference (INDPAKCON) Provision to be made in the purchase orders on FAS vessel basis regarding recovering wharfage charges by the carriers from the USA suppliers as per the following clause.

"All Charges to FAS vessels including wharfage charges similar to Terminal handling charges will be on seller's account"

Authority: Bd's letter No. 87/RS (G)/779/28 of 17.08.1993 (Annexure IV/1-26)
[O.M. No. SC-19011/1/93-ASO II of 22.06.1993]
O.M. No. SC-18013/1/92-ASO II of 25.05.1993 (Annexure IV/1-23)
O.M. No. SC-22011/1/94-ASO II of 13.07.1994 (Annexure IV/1-28)

1.8.2.2. For shipment of Govt. cargo from other than USA, necessary stipulation may be made in the purchase order that shipment should be arranged by conference line vessel and Indian line vessel wherever possible.

Authority: O.M.No. SC-22011/1/94- ASO-II of 15.02.1995 (Annexure IV/1-31)

In the changed context of economic liberalization the ocean transportation of cargo under the control of Government/Public sector undertakings the policy regarding ocean transportation of cargo is reviewed as follows:

(i) Government policy for import contracts to be finalized on FOB/FAS basis and for exports on CIF basis in respect of Government owned/Controlled cargoes on behalf of Central Government Departments/State Government Departments and Public Sector Undertaking under them and centralized shipping arrangements through the Ministry of Surface Transport (Chartering Wing) in association with the concerned user Ministry/Department/PSU may continue.

(ii) Prior permission is required to be obtained from Ministry of Surface Transport on a case to case basis in case of any departure from the above policy. However Ministry of Surface Transport shall ensure disposal of such requests within four working days on receipt of the complete information/request from the concerned Ministry/PSU.

(iii) Ministry of Surface Transport, Chartering Wing to ensure full utilisation of suitable Indian Vessels in case they are able to meet the indenter's requirements at competitive rates and are able to maintain the time schedule.

(iv) in case of import of bulk quantities like fertilizers, coal, food grains etc. where freight element is substantial, a representative from Ministry of Surface Transport may be invited to participate in the discussions for advising on the shipping aspects of import/export contracts.

(v) Ministry Surface Transport should make all out full effort to finalise vessels, Indian or foreign , at the most competitive rates and before fixing the vessels, prior approval of the indenting department/PSU should obtained.

(vi) In order to make imports and exports cost effective and for judicious use of foreign exchange, Ministries/Departments should ensure imports on FOB/FAS and exports on CIF basis failing which necessary No objection certificate (NOC) should be obtained from Ministry of Surface Transport (Chartering Wing) while applying for release of necessary foreign exchange for the purpose of chartering foreign vessels and for making freight payment in foreign currency.

(vii) The tendering system to be followed by Ministers/Departments/PSUs will be standardized. The Cabinet Secretariat will initiate appropriate action in this regard.

Authority: O.M. No. SC-11014/1/94-ASO. II/Vol. III of 27.02.1996 (Annexure IV/1-33)

1.8.3. With a view to ensure compliance of the shipping clause incorporated in the contracts, the following stipulation may also be made in the letters of credit relating to imports from U.K. including Northern Ireland (also EIRE), the north continent of Europe (west Germany), Holland, Belgium, France, Norway, Sweden, Denmark, Finland and from the France and Western Italian Ports of the continental seaboard of the Mediterranean and Adriatic ports:-

" L/C negotiable against production of complete set of clean bill of lading etc. and certificate by M/s Schenker & Co. G.M.B.H. Hamburg or their accredited local load agents, certifying that shipment has been arranged in accordance with the instructions of the Ministry of shipping and Transport(chartering wing) (TRANSCHART). New Delhi".

1.8.4. All the public Sector undertaking s/Projects, Purchasing/Selling Organization under the Administrative control of Ministries/Department concerned have to follow the prescribed procedure for arranging shipment of their cargo thro' chartering wing (TRANSCHART), Ministry of Shipping, & Transport and incorporate the prescribed clause in the contracts and also make necessary stipulation in the letters of credit.

1.8.5 Two Copies each of all the contracts-whether F.O.B/FAS or C&F/C.I.F/ F.O.R/ Turnkey in respects of both imports as well as exports along with cargo particulars in the prescribed Proforma enclosed (in duplicate) should be sent to the Ministry of Shipping & Transport (Chartering Wing) as soon as the same are finalized for taking further necessary action with regarded to the shipping arrangements.

Authority: Bd's letter No. 77/RSF/794 of 05.08.1982 (Annexure IV/1-08),
O.M. No. SC-22011/1/94-ASO 11 of 15.02.1995 (Annexure IV/1-31)
85/RSF/794/5 of 05.12.1995 (Annexure IV/1-32)
[O.M. No. SC-11011/1/86-ASO 11 of 26.06.1995]
96/RSF/794/1 of 14.12.1999 (Annexure IV/1-37),
[O.M. No. SC-18013/1/98-ASO 11 of 16.11.1999]

A consolidated monthly statement indicting brief details of the contracts finalized for import during each month should be furnished to the Chartering Wing of the Ministry of Surface Transport by the 15 th of the following month on a regular basis in a prescribed Proforma. A monthly statement should be prepared in two parts, one in respect of FOB/FAS imports and the other in respect of C&F/CIF imports.

Authority: Board's letter No 85/RSF/794/5 of 13.10.1987 (Annexure IV/1-14)

1.8.6. A stipulation should invariably be made in the Tender Notice as well as in the contracts to be placed on F.O.B. basis to the effect that port liner terms charges wherever applicable will be to the seller's account.

Authority: Bd's letter No. 77/RS(F)794 of 28.09.1979 (Annexure IV/1-06)

1.9. Insurance: - Insurance of the consignment should be done in India by operating the Railway Board's open cover policies.

1.9.1. The basis for calculation of payment of Insurance premium under clause of the marine Insurance cover is as under:

FOB/FAS + 10% where the contract is F.O.B./FAB basis or C&F only where the contract is C&F basis.

Authority: Bd's letter No. 94/FS (POL) /IS/6 of 11.10.1994 (Annexure IV/1-30)

1.9.2. Based on the Principal Director of Audit. Findings regarding loss on account of failure to obtain proper certificate of short landing and timely follow up of Insurance claims of certain materials, remedial steps taken by DLW is communicated in the letter dt. 30.06.93 These aspects should be observed.

Authority: Bd's letter No. 92/BC-DLW/2 of 30.06.1993 (Annexure IV/1-25)

1.10. Detailed procedure in regard to payment in respect of release of foreign exchange under IBRD Loans/IDA credit has been indicated in Board's letter No. F (LN) 61/ 12 of 26.02.1962

1.11. Payment through letter of credit in respect of purchase involving foreign exchange can also be accepted in exceptional cases where the sellers insist for such terms of payment.

1.12. Agency Commission: - Agency commission wherever payable on contracts placed on foreign suppliers should be paid in non-convertible Indian Rupees at the T.T buying rate of exchange ruling on the date of placement of contract/order as quoted by State Bank of India. The amount towards agency commission so calculated in Indian Rupees is not subject to variation.

Authority: Bd's letter No. 75/RS(G)/145 of 14.07.75 (Annexure IV/1-03) &
82/F(F.Ex) 1/1-pt.1 of 28.03.1989 (Annexure IV/1-16)

1.12.1. The purchase shall have the right to retain the Agency Commission till after the guarantee contemplated in the warranty clause is successfully discharged.

Authority: Bd's letter No. 65/749/39/RS (G) of 13.09.1966 (Annexure IV/1-01)

In respect of contracts for WTA and items of similar nature where commissioning installation and proof testing are not involved, the agency commission will be paid to the Indian Agents for each installment of supplies made by their Principals, after receipt at the Indian Ports on the basis of a certificate to be obtained by the paying authority from the port consignee.

Authority: Bd's letter No. 89/RS (G)/779/6 of 16.06.1993 (Annexure IV/1-24)

1.12.2. Quotation of agency commission in respect of imported goods: In all cases of imported goods the quantum of agency commission should be determined carefully with reference to the nature of the imported stores, country of origin etc. in cases where the commission appears to be on the high side, the specific question of reduction of percentage of commission quoted and consequently the F.O.B. price of the contract should be taken up with the firm. Negotiations may also be held with the firm for the purpose if and where considered necessary. In cases where the agency commission exceeded 5 per cent and it is not possible to bring down further, specific approval of the General Manager with the concurrence of the FA & CAO should be obtained before the tender is finally decided and the purchase order placed on the firm, in all such cases *i.e.* where agency commission exceeding 5 per cent has been accepted specific reasons for the higher percentage should be clearly indicted in all application for release of foreign exchange made to the Board.

Authority: Bd's letter No. 82/F(F.Ex) 24-1/CLW/11 of 16.11.1982 (Annexure IV/1-09)

1.12.3. The above guidelines will not be applicable for World Bank Financed Tenders.

1.12.4. All the particulars relating to the agency commission in the contracts for import of goods services/works be reported to the Enforcement Directorate of Ministry of finance, to prevent the leakage of foreign exchange and tax evasion on agency commission. Sufficient copies of the relevant contracts and their amendments should invariably be marked to them.

Authority: Bd's letter No. 89/RS (G) 779/6 of 26.04.1989 (Annexure IV/1-17)

Board on the above instructions the following clause should be incorporated in the Tender documents while floating tenders for the import of Railways items/ equipments. "Foreign firms quoting direct against the enquiry and who want Indian Agents/Associates an/or servicing facilities in India should indicate in their offer the name of their Indian Agents/Associates or the representatives they have for servicing in India. They should quote net F.O.B./FAS price, exclusive of the amount of remuneration or commission provided for the Indian Agents/Associate. It should be understood that the purchaser will indemnify the supplier against payment of such commission to the Indian Agents/Associates in rupees, in India in respect of a contract arising out of invitation to tender, where the Indian Agents/Associates' remuneration or commission covers a part of the price against the tender".

Besides the above, the following particulars should be called from the tenderer/or the foreign firms with a stipulation that the Tenders which do not comply with the above stipulations are liable to be ignored :--

i. The precise relationship between the foreign manufacturer/Principals and their Indian Agents/Associates;

ii. The mutual interest which the manufacturer/Principal and the Indian Agents/Associates have in the business of each other:

iii. Any payment, which the Agent/Associate receives in India or abroad from the manufacturer/Principal whether as a commission for the contract or as a general retainer fee:

iv. Indian Agent's Income-tax permanent Account number:

v. Past performance.

In case, where it is felt that for the stores being imported, neither the Indian Agent nor after-sales service is required, the following clause may be added :--

"Manufacturers are advised that we would prefer to deal direct with them without the inter session of an Agent and therefore, they are advised to quote direct".

Authority: Bd's letter No. 89/RS(G)/779/6 of 13.11.92 (Annexure IV/1-21)

1.12.5. One Agent cannot represent two suppliers or quote on their behalf in a particular tender both for indigenous and import tenders.

Authority : Bd's letter No. 99/RS(G)/779/6 of 13.11.92 (Annexure IV/1-21)

1.13. Air lifting : Airlifting should be done by Air India flight and Airfreight should be paid in Indian Rupees.

Authority: Bd's letter No. 92/F(FEX)1/1 of 24.05.1993 (Annexure IV/1-22)
98/F(FEX)/17/1 Airlifting dated 28.02.2003(Annexure IV/1- 38)

1.13.1. Air freighting should be done through Air India Flights and if so done, it is open for the Railway Administrations to either use Air India Booking Office directly or use other booking agents who will engage Air India flights. In selecting the booking agency the Railway Administrations may keep the economy aspect in view and if they are able to engage the Air India flights through Booking Agency at less then the authorized rates by way of freight etc. there can be no objection arranging the booking through booking agents.

Authority: Bd's D.O letter No. 80/RSF/794 of 12.09.1980 (Annexure IV/1-07)

1.13.2. In the proposals for airlifting of imported materials, the cost difference between the sea-freight and airfreight should be indicated as also the saving in time by resorting to the airlifting. Airlifting should be limited to a minimum inescapable quantity required in exceptional and urgent circumstance of extreme urgency, Railway should take timely procurement action to avoid the need for airlifting. For airlifting proposals complete justification should be given bringing out the following:-

(i) Reasons/circumstance in which the item could not be procured earlier and airlifting has become inescapable.

(ii) In case of delay in initiation of procurement action or its finalisation, whether responsibility can be fixed, and if so action taken/proposed to be taken for the same.

(iii) Remedial action taken to avoid such delays in future.

Authority: Bd's letter No. 82/F(Ex)1/1 of 12.09.1988 (Annexure IV/1-15)

1.13.3. However, these instructions would not apply to items which necessarily have to be airlifted on account of short shelf-life or their delicate/sophisticated nature or considered too small for transportation by sea.

Authority: Board's letter No. 84/F(Ex)/5/2 of 21.08.1984 (Annexure IV/1-11) &
82/F (EX) 1/1 of 12.09.1988 (Annexure IV/1-15)

1.14. The delegation for airlifting of stores is- Full Powers to GM in all cases in which the CIF cost of the import is within the powers of procurement delegated to them.

Further, COS has been delegated full powers for air freighting of items in import contracts upto their level of acceptance of the tenders.

These powers are to be exercised personally by GM and COS as the case may be, with personal concurrence of FA&CAO. These powers are not to be delegated downwards.

Authority: Board's letter no: 98/F(FEX)17/1/Airlifting dated 26.03.2008(Annexure II/4-89)

1.15. In supersession to all the previous instructions, the purchase preference given to domestic supplier over the duty paid price of import is withdrawn.

The above instructions will not apply to contracts financed by I.D.A. where separate guidelines as per agreements entered into with them have been issued.

Authority: Bd's letter No 95 / RS (G)/768/1dt 17.08.1995 (Annexure III/4-14)

1.16. Inclusion of Clause regarding Overseas training in the Tender Documents for procurement of M&P Equipments:- Clause regarding the overseas training in tenders for contracts should bot be incorporated as a matter of course. In case where such training is

considered absolutely necessary a clause should be included in the tender documents that the bidders will quote the rate for particular machine/equipment "with" and "without" training component. This will facilitate payments separately for the equipment and cost of training.

Authority: Bd's letter No. 86/F(F.Ex)105/Trg/7 dated 09.08.89 (Annexure IV/1-20)

1.17. Furnishing of EMD/Bid security in respect of Import tender : With a view to safeguard the Railway's interest adequately against losses, the limit of EMD/Bid Security in import tenders are as under :--

(a) For tenders value upto Rs 10 Crores	2% of the estimated tender value subject to ceiling of Rs. 10 lakhs.
(b) for tender valued above Rs. 10 Crores	2% of the estimated tender value subject to of Rs. 20 lakhs.

Authority: Board's letter No. RS(G)779/9 of 19.5.94 (Annexure IV/1-27)

1.18. Inclusion of clause in global tender : To protect Railways interest due to exchange rate variation the following clause may be incorporated in the Bid documents as well as while granting DP extension in Global Tenders:-

" That any additional expenditure incurred by the purchaser on custom duty, freight charges as also extra cost which may arise on account of variation in exchange rate during the extended delivery schedule shall be borne by the Contractor".

Authority: Board's letter No. 97/RS(G)779/18 of 02.12.1997 (Annexure IV/1-34)

1.19. Items purchased by IRCON/RITES/Wagon Builders from Europe for making their use on Indian Railways System, should be pre-inspected by Railway Advisor –Berlin/Dy Railway Advisor-Paris in order to ensure the same level of Quality Assurance as IR system.

Authority : Board's letter No 99/RS(G)/379/1 dated 23.05.03(Annexure IV/1-39)

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PART-V

CHAPTER 1
ENFORCEMENT OF CONDITIONS AGAINST DEFAULTING SUPPLIERS

EXTENSION OF DELIVERY PERIOD

1.1. No extension of delivery date is to be granted as a matter of routine unless it is specifically asked for by the supplier. Extension of delivery date amounts to changing the terms of the original contract and such an extension can be only with the consent of both the parties (i.e. the purchaser and supplier)

1.1.1. A proforma for extension of delivery period had been circulated *vide* Board's letter No.86/RS (G) 779/37 of 16.06.1987 (Annexure V/1-09)

1.2. However, in a few cases it may be necessary to grant extension of delivery period suomoto in the interest of the, administration because of the sources of supplies being limited or as otherwise inescapable. In such cases it is necessary to obtain an acceptance absolute or unqualified to all the terms and conditions of the extension from the supplier (D.G.S. & D's contract Manual).

1.3. No correspondence should be entered into with the supplier after expiry of the contract delivery period which has the effect of keeping the contract alive. When it is necessary to obtain certain information regarding past supplies etc., it should be made clear that calling for such information is not intended to keep the contract alive and does not waive the breach and that is without prejudice to the rights and remedies available to the purchaser under the terms of the contract.

1.4. Delivery terms stipulated in contracts should be specific in terms of quantities/instalments and the period/time /indicated to the point of date, month and year. Vague and ambiguous terms such as 1,000/5,000 Nos. per month, "2/16 weeks from the date of receipt of order" and the like should be scrupulously avoided as these will not be legally binding (D.G.S. & D's Contract Manual).

1.5. The extension of delivery dates may be sanctioned at the discretion of the authority, which accepted the tenders provided -

a. that the rate in the contract was not accepted against other lower tenders in consideration of the date of delivery ;

b. that he is satisfied that the delay will not cause loss or damage or in case of special purchases, the indenting party certifies that no loss on account of late delivery would be sustained; and

c. that in any case which does not satisfy any or both of the above conditions, such sanction shall be given only in consultation with his Financial Adviser and after taking legal advice, if necessary.

Authority: Para 445-S and Board's lr No.86/RSG/779/8 of 29.02.1988 – (Annexure V/1-10)

1.5.1. In respect of tenders accepted by Railway Board or GM, the Controller of Stores (Co-ordinating HOD) would be the Competent Authority to grant extension in delivery period, where the contractor fails to deliver the stores within stipulated delivery period. He will also be the

competent authority to impose or waive penalties in such cases, with the concurrence of the Financial Adviser and Chief Accounts Officer.

Authority: Board's letter No.86/RS(G)/779/8 dated 22.02.1990 – (Annexure V/1-11)

1. 6. Acceptance of the stores despatched after the expiry of delivery period by the consignee.

1.6.1. In the case of part quantity tendered at the fag end of the delivery period, provision should be made to reserve the Government's right to cancel the balance quantity without any further reference to the Contractor at his risk and expense. If the part quantity tendered is acceptable extension of delivery period may be granted with liquidated damages and usual denial clauses. If the Stores tendered for inspection are not acceptable, enabling provision should be made to cancel the contract in respect of the same at the risk and expense of the contract.

1.6.2. In cases where the full quantity has not been tendered for inspection and the purchaser chooses to grant extension in delivery period the same would be subject to liquidated damages and usual denial clauses.

Authority: Board's letter No.73/RS(G)770/59 dated 22nd January 1977 (Annexure V/1-03**)**

I.6.3. If the contractor makes supplies locally after the expiry of delivery period, the supplies should not be accepted unless the contractor has obtained extension in delivery period from the Purchaser with or without any penal clause. As regards the supplies from outside contractors if the contractor despatches the stores after the expiry of delivery period, the consignee should after the receipt of the R.R. send an intimation to the contractor stating that the action taken by him in despatching the goods after the expiry of delivery is at his own risk and responsibility and that the consignee is not liable for any demurrage, wharfage and deterioration of goods at the destination station and in his own interest and contractor should get extension in delivery period from the purchasers . A copy of the communication sent to the Contractor should also be sent. to the Purchaser.

(**Authority: -** Board's lr No. 78/RS(G)779/59 dated 22nd April 1977 – (Annexure V/1-04**)**

1.6.4. With the decision to delete the last sub-para of clause No.0702-B of IRS conditions of contract (ACS No.121) relating to the extension of the delivery date up to the period of 21 days, it has been decided to permit the Depot /Inspecting Officers to exercise their discretion in accepting supplies in respect of orders valued up to Rs. 3,00,000 on application by the supplier provided the initial delivery period does not exceed six months. In other cases prior extension of the delivery period from the purchase officer is necessary.

Authority: Board's letter No 98/RS(G)/779/10(CS) dated 25.02.2003 (Annexure V/1-13)
2007/RS(G)/779/1 of 28.07.2008 (Annexure II/1-64)

1.6.5. The Depot Officer/Inspecting Officer/Consignee may exercise the powers at their discretion in accepting delayed supplies in respect of both indigenous and imported stores as per the following limits:-

Value of order	Time Limit
a. Orders valued upto Rs.3,00,000/-	upto **6** months
b. Orders valued over Rs. 3,00,000/- to Rs. 6,00,000/-	upto 21 days provided the initial delivery period does not exceed 6 months.

For all other orders, valued over Rs. 6,00,000/- prior extension of delivery period from the Purchase Officer will be necessary. Other Conditions as stipulated in Board's letter dated 27th February 1980 under reference will remain in force.

Authority: Board's letter No. 86/RS(G)779/12 of 02.01.1987 **(** Annexure V/1-08)
2003/RS(G)/779/1(1/03) of 21.02.2003 **(** Annexure V/1-12**)**
73/RS(G)/779/59 dated 27.02.1980 (AnexureV/1-05)
2007/RS(G)/779/1 of 28.07.2008(Annexure II/1-64)

1.6.6. This time limit is not to be allowed in respect of the following categories of contracts/orders :--

i) Contracts where higher prices have been paid for earlier delivery.

ii) Contracts for supply of stores subject to severe market fluctuations

iii) Contracts in which provision is made for recovery of pre-estimated damages

1.6.7. In respect of such contracts, the purchase officer should specifically mention in the purchase order that the grant of extension of time limit of 6 months/21 days will not apply by inserting the following clauses :--

"The authority available to the Depot Officer/Inspecting Officer/consignee to extend the delivery period will not apply in respect of this Purchase Order".

Authority: Board's lr No.78/RS (G) 779/59 dated 27th February 1980 – (Annexure V/1-05)
78/RS(G)779/59 dated 20th June 1980 – (Annexure V/1-07)

1.7. Acceptance of supply of stores. Excess/short of the quantity stipulated on purchase orders : The Depot Officer are authorised to accept the excess/short supplies of the ordered quantity upto a limit of 5 per cent of the value of contracts or Rs. 3,00,000/- whichever is less subject to the total value of the receipt not exceeding the normal purchase powers of the Controller of Stores.

1.8. The purchase order may be treated as completed if the deliveries are short/in excess upto 5 percent of the total value of the contract or Rs.25,000/- whichever is less and the payment may be made without issue of formal amendments to the purchase order and without reference to their indentors provided the total value of supplies does not exceed the normal purchase powers of controller of Stores.

1.9. These instructions will not apply to excess/short supplies against orders placed by officers under their powers of local petty purchase in terms of **Para 711-S** in which cases the limit of 5 per cent will apply.

Authority: Board's lr No.57/779/8/RS(G) dated 21st December 1959 – (Annexure V/1-01)
80/RS(G)779/22 dated 16th June 1980 – (Annexure V/1-06)
2007/RS(G)/779/1 of 28.07.2008(Annexure II/1-64)

1.10. Situations may arise wherein contracts at a higher rate has been accepted in consideration of earlier delivery passing over a lower rate on account of prolonged delivery.

1.10.1. The contractors, whose higher rate has been accepted in consideration of earlier delivery date may be given proportionate reduction in rate depending on the period of supply or the lowest rate passed over on account of prolonged delivery.

1.10.2. Although rights are reserved under the terms of the contract to enforce recovery to the fullest extent the purchase officer can exercise discretion to recover the price difference on a proportionate basis in relation to the delivery period offered by the lowest acceptable tenderer in accordance with the following formula :--

$$\text{Amount of price preference} = \frac{\text{Price diff. per unit} \times \text{No. of units delayed} \times \text{No. of days of delay}}{\text{Difference (in days) in delivery offered by the Supplier on whom the contract was placed and that of the lowest acceptable tenderer.}}$$

1.10.3. However, in cases, where supply is made after the date of delivery offered by the lowest acceptable tenderer whose offer has been ignored, the entire amount of price preference should invariably be recovered.

Authority: Board' s letter No. 56/796/RS(G) dated 30th April 1962 (Annexure V/1-02)

1.11. Extension of delivery period in entire/severable contracts:-. According to legal advice in the case of a severable contract each instalment constitutes a separate contract, but this is not so in the case of' an entire contract though a delivery schedule has been provided. In the case of severable contracts (i.e.) contracts providing delivery in instalment and not delivery schedule, extension in delivery period are necessary for each instalment separately as according to legal advice if stores are accepted after the expiry of the delivery date of a particular instalment without extension in delivery period being given, reserving our rights to levy liquidated damage, the Government will not be legally entitled to claim the liquidated damages.

In the case of an entire contract providing delivery schedule it is not however, necessary to grant extension in delivery period in the case of delay in intermediate instalments and such extension would be necessary only in case of delay beyond the final date for completion of delivery.

Authority: Board's lr No.73/RS (G) 779/59 dated 12th November 1973 – (Annexure II/4-16)

PART- V

CHAPTER 2

LEVY OF LIQUIDATED DAMAGES

2.0. The remedies in case of breach laid down in the contract documents are: -

a. Cancellation of the contract and recovery of any loss or damage which the Railway may sustain by reason of such failure on the part of the contractor, or

b. Purchase elsewhere at the contractor's risk or

c. Recover from the Contractor as agreed Liquidated Damages and not by way of penalty, a sum equivalent to 2 % (Two per cent) of the price of any stores (including elements of taxes, duties, freight, etc) which the Contractor has failed to deliver within the period fixed for delivery in the contract or as extended for each month or part of a month during which the delivery of such stores may be in arrears where delivery thereof is accepted after expiry of the aforesaid period, subject to a maximum of ten percent of value of the delayed supplies.Upper limit for recovery of liquated Damages in Supply Contracts will be 10 % (Ten Per cent) of value of delayed supplies irrespective of delays, unless otherwise provided, specifically in the contract.

There should normally be no system of waiver of Liquidated Damages and imposition of Token Liquidated Damages for delayed supplies in supply contracts. System of wavier of Liquidated Damages and imposition of Token Liquidated Damages for delayed supplies in supply contracts will strictly be an exception rather than rule and only in situations where the circumstances leading to delays in supplies were beyond the control of supplier. (Token LD is 10 % of the above 2%)

The authority who has approved the tender may be given full powers to impose or waive these penalties in respect of contracts entered into under his own powers and in the case of tenders accepted by GM, C O S would be the competent authority.

When waiving a penalty, the reasons for doing so must be fully recorded on the relevant files and the Stores Bill forwarded to the FA & CAO suitably endorsed.

Wherever extensions to contracted delivery period are granted subject to the levy of LDs, a copy of extension letter should invariably be endorsed to the indentor asking him to indicate clearly whether any loss or inconvenience as been suffered by him on account of belated supplies within a target date be specified in the endorsement. If there had been inconvenience, indentor should attempt to quantify the same and advise the amount.

Authority: Para 132 (4)-S and
Board's letter No. 58/RS(G)775 dated 31st October 1974 – (Annexure V/2-06**)**
86/RS (G)/779/8 dated 29.02.1988 – (Annexure` V/1-10)
2003/RS(G)779/9 dated 04.03.2008 – (Annexure V/2-11**)**
2003/RS(G)779/9 dated 28.04.2008– (Annexure V/2-12**)**
2003/RS(G)779/9 dated 20.10.2008– (Annexure V/2-13**)**

2.1. Additional guiding principles for levy of liquidate damages.

2.1.1. When firms apply for extension of contract delivery period and it is decided to extend the same subject to recovery of liquidated damages for delay in supplies, contractors must be given a warning to this effect in writing at the time of granting extensions. It is not correct to grant extensions without any mention of the liquidated damages if it is proposed to recover such charges eventually.

2.1.2. It is also not correct to grant extension of delivery period by merely stating that the extension is granted "**without prejudice**" to the rights of the purchaser under the terms and conditions of the contract" as this would mean that all the options given in the conditions of contract would be available to the Purchaser on the expiry of the extended delivery period and would not amount to exercise of the option to recover liquidated damages from the original date of delivery period to the date of actual supply.

2.1.3. Liquidated damages accrue only in case of delayed supplies. Where or in so far as no supplies have been made under a contract, upon cancellation, recovery of only the loss occasioned there by can be made, not with standing the fact that prior to the cancellation one or more extensions of the delivery period with reservation of right to liquidated damages were granted.

2.1.4. Where price preference has been given for earlier delivery, no liquidated damages can be recovered in addition to the amount of price preference for the period of delay up to the delivery date offered by the lowest acceptable Tenderer.

2.1.5. Government Establishments/Departments, as distinct from Public Sector Undertakings, undertaking contract work should not be dealt with as ordinary contractors and they should not generally be penalised for late delivery in terms of the conditions of the contract and claims for loss on re-purchase should not be enforced against them. Serious cases of defaults should, however, be brought to the notice of the Head of the Department or the State Government concerned.

2.1.6. Public Sector undertakings should be treated on a different footing from that of the Government Establishments/Departments. Relaxations allowed to Government Establishments / Departments, as above will not apply to Public Sector Undertakings as a matter of course. Each case should be decided on merits and the decision to waive the recovery of liquidated damages or risk purchase expenditure should be taken with the sanction of competent authority, in consultation with associate finance.

2.1.7. In regard to contracts requiring raw materials, the distribution of which is controlled by Government no liquidated damages should be levied unless wilful default is established. Each case will have to be examined independently and necessary amendment to delivery period, without levy of liquidated damages should be issued in cases where the delay was not attributable to the contractor.

2.1.8. In the case of supply orders placed against the rate contracts, normally the delivery date stipulated in the supply order is not binding on the supplier and there fore, no liquidated damages could be levied for non-supply or delay in supply against such orders. However, in cases, where delivery date is stipulated in the relevant order have been expressly agreed to by the supplier in writing before placing the relevant order, liquidated damages can be recovered from the supplier on account of delay in delivery beyond the stipulated delivery date, provided the Government has not in any way interfered with the supplier's discretion to meet the said supply order by directing the supplier to give priority to some other supply orders.

2.1.9. Cases where liquidated damages are to be recovered should be reported to the D.G.S & D for settlement in the case of rate contracts placed by him.

2.1.10. In the case of educational or development contracts, liquidated damages are not leviable. However, the nature of such contracts should be declared at the time of placing them.

2.1.11. The levy of liquidated damages, which will be determined on the merits of each case will in any event be limited to 10 per cent of the value of the delayed supplies, irrespective of the period of delay.

2.1.12. Liquidated damages should be calculated on the contract price including the element of sales tax, excise duty, freight, etc.

2.1.13. No liquidated damages in respect of delays in supplies within the grace period of 21 days will be leviable where Depot/ inspecting Officer/Divisional Officer (who is a direct consignee) has extended delivery period accordingly.

2.1.14. Liquidated damages are leviable only for the guaranteed portion of delivery of contract. To cite an example, if delivery terms stipulated "**six months after receipt of Import Licence**" the guaranteed portion of delivery commences after receipt of the Import Licence.

Authority : Board's letters No.581775/RS(C) dated 19th November 1962 (Annexure V/2-01)
58/RS (G) 775 dated 10th May 1967—(Annexure V/2-02)
68/RS (G) 775 dated 7th June 1968—(Annexure V/2-03)

2.2. COS may waive operation of clauses relating to 'Liquidated damages', 'Risk Purchases' and 'Arbitration') appearing in the valued up to Rs. 5,00,000/- at the post contract stage so as to avoid disproportionate administrative expenditure in small recoveries. For cases upto Rs. 5,00,000 COS's approval is to be taken.

Authority : Board's letter No. 77/RS (G)779/29 dated 23/5/83- (AnnexureV/2-09)
2007/RS(G)/779/1 of 28.07.2008(Annexure II/1-64)

2.3. To write off loss due to risk purchase, general damages, liquidated damages,

COS- upto Rs. 1 lakh, CMM-upto Rs. 50,000/- and Dy.CMM-upto Rs. 25,000/-

These powers should be exercised with utmost care only and only when all other modes of recovery except through arbitration and legal action have been exhausted. Suitable administrative action should be taken against defaulting firm.

Authority : Board's letter No. 2007/RS(G)/779/1 of 28.07.2008(Annexure II/1-64)

2.4. Purchase officers may be permitted to deal with all cases of delayed deliveries where no loss or inconvenience is involved as well as where inconvenience only has been felt without obtaining prior concurrence of the Finance. This power shall be exercised to the extent of the powers delegated under second sub-para of para 132-S but while doing so, the reasons therefor must be fully recorded on the relevant files.

Authority : Board's letter No.78/RS(G)775 dated 9th September 1968 – (AnnexureV/2-04)

2.5. In case of non-severable contracts where staggered deliveries have been indicated, it may happen that supplies are not received according to the delivery schedule. In such cases, it may be necessary for arranging emergency purchase of limited quantities to bridge the gap in supplies.

2.5.1. In such cases, having regard to the fact that the deliveries indicated under the contract are non-severable, no question of liquidated damages or enforcement of Risk purchase on the original contractor would arise so long as there has been no delay on the part of the original contractor in the completion of supplies with reference to the total delivery period.

Authority: Jt. Director, Finance (Stores) Railway Board, New Delhi -D.O. Letter ASF/RP/478 Dt.4.6.81 enclosing lr.No.81/F.S.(I)PW.7/ 2 of 20.06.1981 – (Annexure V/2-08**)**

2.6. General Damages: - Where liquidated damages cannot be levied in a contract according to legal opinion, general damages may be levied.

Authority: Board's letter No. 70/RS(G)779149 dated 23rd February 1971 (Annexure V/2-05)

* * *

PART –V

CHAPTER 3

RISK PURCHASE

3.1. Repurchase should be on identical terms of the original contract such as mode of tender, specification, terms of payment, inspection authority, conditions regarding liquidated darnages, arbitration etc. The intention is that the terms of new contract should not be more onerous or more liberal than those of the original contract except to the extent of the time of supply.

3.2. The risk purchase must be effected under the same or as nearly as practicable in the circumstances similar conditions of competition as the original purchase, so that it is made at lowest market rate. The defaulter should not be excluded where the contract is broken by delay in supply. If the defaulter submits a tender it must be considered. He is entitled to an opportunity to minimise his loss. When repurchase is effected by a limited tender enquiry, the defaulter must also be addressed. Where the quotation of the defaulter is the lowest, he should be called upon to furnish a security deposit to ensure against the second default. The amount of security also can be enhanced in suitable cases where the defaulter's quotation and the next best quotation indicates that the loss is more than 10 percent subject to the defaulter accepting these special terms. He has the first claim for consideration and if he is excluded, it would end in a risk of being denied the risk purchase extra expenditure exceeding his offer.

Authority: Board's letter No.58/777/RS (G) of 17th July 1958 – (Annexure V/3-01)

3.2.1. As per legal advise obtained from the Legal Directorate of Railway Board notice of risk tender irrespective of whether it was open or limited tender should be served on the defaulting contractor so that it be in his knowledge that is was a tender at his risk and cost against the contract rescinded earlier .It is also required to be ascertained that there should not any change in the scope of the work and the quantities of left over work and the conditions for risk tender should be identical with that of original tender.

Authority: Board's letter No. 88/CE-1/Ct/31 of 29.01.1996 (Annexure-V/3-05)

3.3. The Risk purchase should be effected within 6 months for common items (*i.e.* items easily available) and 9 months in respect of stores not easily of stores not easily available in the market and where procurement difficulties are experienced.

Authority: Board's lr No.64/RS (G) 779/49/App.VI/AB/EM of 18th November 1976 (AnnexureV/3-02)

3.3.1. The non-completion of the risk purchase within the prescribed period of 6/9months may lead to extra expenditure. In order to avoid such instances provisional claims should be lodged on the defaulting firms in cases of risk purchase within the mandated period without waiting for execution of the order.

Authority: Board's letter No.86-BC-/7 dated 14.07.1988 – (Annexure V/3-04)

3.4. A copy of para 48(A) of the D.G.S. & D's Contract Manual is reproduced below for information -

3.4.1 Care should be taken to see that the re-purchase A/T is placed after normal cancellation of the A/T in respect of which there has been a breach. Whole or part of the outstanding quantity should be cancelled from the AT (a contract can be cancelled in part only when it is an

instalment contract in which case the instalments in default could be cancelled. Where the contract is not an. instalment contract a portion can be cancelled only in the sense that the entire outstanding is cancelled. If the whole quantity is out standing, the whole quantity must be cancelled and not a portion thereof). Normally re-purchase tenders should be issued after the breach of contract. An exception may be made where the stores were urgently required or were not readily available in the market. In such cases stand-by tenders may be invited previous to the date of the breach with a view to minimise the inconvenience caused due to delay in performance of the contract.

3.4.2. The defaulting contractor should also be given an opportunity to quote against the repurchase tender unless it is established that the breach of the original contract due to his inability to supply goods of the contract description or repurchase has to be effected on spot delivery in view of the urgency created, consequent on the default and it has been established that the defaulter cannot comply with this requirement. This is so even though it may not be incumbent on Government to do so under the conditions of contract. Where it becomes necessary to place a risk purchase contract on the defaulting contractor in order to safeguard against a second default, he may be called upon to furnish a security deposit up to 10 percent of the value of the contract. In case where the indentor desires to make local purchase at the risk and expense of the defaulting contractor, the procedure laid down for authorising him to make such local purchase should be carefully and scrupulously followed.

3.4.3. Risk purchase should be on identical terms as the original contract such as specifications, terms of payment, inspection authority, conditions regarding liquidated damages, arbitration etc. Where the original AT provides for submission of a sample by the firm for testing prior to bulk supply, a similar condition should also be incorporated in the repurchase contract. The intention is that the terms of the new contract should not be more onerous or more liberal than those of the original contract except to the extent of the time of supply, *i.e.* such shorter time for supply of the articles would be permissible under the law provided of course a reasonable time is given. It may be added here that even if the first purchase has been effected by negotiation or as a result of limited tender enquiry, a repurchase contract should be as far as practicable be effected by advertised tender. This saves a lot of objection and is likely to help the Government in recovering damage and costs etc. There is however, no objection to the issue of a limited tender enquiry since according to the conditions of contract the manner and method of such purchase will be in the entire discretion of the Secretary.

3.4.4. Even though according to legal requirements, the recovery of risk purchase loss could be effected only after materialisation of supplies against the risk purchase contract, as soon as the risk purchase agreement is entered into, a demand notice should be served on the defaulting Contractor asking him to deposit the extra expenditure -involved. Simultaneously action should also be taken to withhold payment if any, due to the Contractor against other contracts. In cases where we are able to withhold payments and defaulting Contractor challenges the recovery we may leave it to him to refer the matter to arbitration or initiate legal proceedings. In cases where we are unable to recover the amounts due by withholding payments or other wise arbitration/legal proceedings should be initiated irrespective of the fact whether the supplies against the risk purchase contract have materialised or not. Since the arbitration/legal proceedings are protracted, it may be that in most of the cases, by the time we have to produce evidence, supplies against risk purchase contract might materialise and we would be able to comply with the legal requirements. In cases, where the risk purchase contract is not completed we have to endeavour to produce evidence in regard to the market

value of the stores on the date of breach since the difference between the contract rate and the market rate on the date of breach (i.e. general damages) is the measure of damages for breach of contract.

3.4.5. Cases are not uncommon where the second contractor *i.e.* the Contractor on whom a risk purchase is placed also fails to supply the stores and where risk purchase has to be arranged at the risk and cost of the second contractor. To illustrate it more clearly, suppose the Government have entered into a contract with a contractor 'A' for supply of certain stores. 'A' fails to deliver the stores and the contract is cancelled and a risk purchase agreement is entered into with a second contractor 'B' at a higher rate, 'B' also fails to supply and fresh risk purchase agreement is entered into with a third contractor 'C' still at a higher rate than that at which the contract on 'B' was placed. 'C' supplies the stores and obtains payment as per the terms of the contract entered into with him. Now the question arises as to what should be the quantum of damages recoverable from 'A' and 'B' respectively.

3.4.6. Suppose the stores to be supplied against the contract in the illustration given above are of an ordinary commercial nature *i.e*. stores which are readily available in the market in that case, we can legally recover from the Contractor 'A' only the difference between the rate at which the original contract was placed on him and the market rate on the date on which he committed the breach. So far as 'B' is concerned, the actual extra expenditure incurred (*i.e.* the difference between the contract prices in the contracts placed on 'C' and 'B') in risk purchase can be recovered.

3.4.7. In cases the stores to be purchased are not of ordinary commercial nature *i.e.* stores to be fabricated according to the D.G.S.&D specifications etc. which have not got a ready market the purchaser is entitled to recover from 'A' the difference between the contract price on him and that of 'B' and from 'B' the difference between the contract price of on 'B' and that of 'C'.

3.4.8. In rate contracts, the time for delivery is not fixed by mutual agreement and is not the essence of the contract. That being so, under section 46 of the contract act, the goods have to be delivered within reasonable time. What is reasonable time is question of fact depending on the circumstances of the case. But where there has been unreasonable delay in delivery, the direct demanding officer has undoubtedly the right to give the Contractor notice fixing reasonable time for delivery of the goods and making time in the essence of the contract. The notice should state that delivery within the time fixed shall be the essence of the contract and if the goods are not delivered within the period fixed (by the notice) the supply order shall be cancelled under clause 14 of the D.G..S. & D. General conditions of contract and the undelivered goods shall be purchased at the risk and cost of the contractor as provided in that clause.

3.4.9. As the right of the cancellation rests in the Secretary under the said clause14,the Direct Demanding Officer should not himself proceed to cancel the supply order in the event of default and proceed to make risk purchase. He should report the default to the D.G.S. & D. who should then take further action to cancel the supply order and effect or authorise a risk purchase.

3.5. Running Contracts : The Running Contracts are entered into for supply of definite quantities within a specified period. The procedure applicable in cases wherein acceptable of tender are placed by the D.G.S. & D. but supplies do not materialise within the delivery dates will therefore apply in such cases. D.G.S. & D. will have to take suitable action on receipt of intimation, about non-supply/delay in supply.

3.5.1. If after intimating the D.G.S. & D. about the failure of supply in respect of a supply order placed against a rate contract/running contract or an acceptance of tender, the indentors make direct purchase without waiting for an authorisation from the D.G.S. & D. it may not be possible to recover from the defaulting contractor any extra expenditure incurred in such purchases.

3.6. There are occasions where firms registered with Railways are removed from the approved list for a certain period due to repeated failures and such reasons. At the time of their removal of the approved list there may be outstanding orders with the firms. After the expiry of the delivery period such orders should be cancelled waiving the risk purchases. Such cases of waiver should be personally sanctioned by C.O.S. before the issue of risk purchase tenders to ensure that the removal of the firm from the approved list has been done for good and sufficient reasons. Restoration of such firms in the list of approved suppliers should also be sanctioned by COS. The particulars of waivers if any of the risk purchase should be indicated when such cases are put up to him.

Authority : Board's letter No.77/RS (G) 779/29/ptI-dated 24.07.1987 – (Annexure - V/3-03)

4.0 Deletion of Clause for Risk Purchase in certain cases :

a) Risk Purchase clause may be deleted for all orders for safety items, as levy of 10% security deposit has been made compulsory in all such orders (except in case of Vendors registered with NSIC upto monetary limit of their registration for the items ordered). Whenever such contracts are rescinded, security deposit shall be forfeited. Such failure shall be recorded & will be considered by railways on merit in future cases.

b) In respect of orders for materials other than safety items, where 10% security deposit has been taken from firms, Risk Purchase clause may be deleted & in case of default by such firms, the Security Deposit shall be forfeited.

c) In such cases as covered above, the quantities unsupplied shall be procured independently without risk & cost of the original firm/supplier.

d) Adverse performance of such firms may be recorded & to be intimated to the approving authority & also to be taken into account in future tender cases on merit.

e) Such cases which are not covered under the above para, Risk Purchase provisions shall continue for them as per existing guidelines.

Authority: Board's letter No.2001/RS (G)/ 779/14 -dated 21.09.2007 – (Annexure - V/3-07)

5.0. Clarification on whether Risk Purchase action is permissible as per rules if the firm refused to supply quantity ordered under 30 % option clause, within the delivery period.

As per Board's letter dated 23.03.2006, 30 % option clause can be exercised within the terminal Delivery Period, even if firm completed the supplies ahead of the terminal delivery period.

As per Board's letter dated 16.01.2007, Railway is free to take penal action for breach of contract appropriately, such as charging General Damages / Risk Purchase Action etc. within enforceable period as defined in the contract, as per Railway Board's letter No. : 79/ RS(G)/657/2 dated 01.01.1983.

Authority: Board's letter No.2006/RS (G)/ 779/2 -dated 16.01.2007 – (Annexure - V/3-06)

PART –V

CHAPTER 4

RECOVERY OF RISK PURCHASE LOSS, GENERAL DAMAGES, LIQUIDATED DAMAGES etc.

4.1 The purchase officer should address a separate letter to the firm making demand of the sum due to the Government consequent upon the default of the firm.

4.2 Independent of this, the purchase officer should address the F. A. & C.A.O. of the Railway concerned requesting him to advise whether any bills of the defaulting firm are pending in some other contracts, duly enclosing a copy of the demand notice issued to the firm.

4.3 If the firm fails to deposit the sum within the time specified in the demand notice and if some bills of the same firm are pending in some other contracts, the F. A. & C.A.O should advice the concerned purchase officer about the said bills and the details of the sum payable and in the meantime, defer payment of such bills till further instructions from the concerned purchase officer.

4.4 It should be ensured that no part of the correspondence exchanged between the F. A. & C.A.O. and the concerned purchase officer is endorsed to the defaulting firm.

4.5 Immediately after receiving the intimation from the F.A & C.A.O about the pending bills of the defaulting firm in some other contracts, and if the contract is governed by an arbitration clause, most expeditious steps should be taken to refer the dispute to arbitration.

4.6 If the defaulting firm objects to the reference to the Arbitration but it is found that the Arbitration clause is, included in the terms and conditions applicable to the contract, in that case, a petition under section 20 of the Arbitration Act should be filed.

4.7 The purchase officer should ensure that immediate steps are taken to file the above-referred petition in consultation with Law Officer, because the amount payable in other contracts cannot be kept deferred indefinitely by the Accounts Officer. Similarly most expeditious steps have to be taken to get the interim injunction from the competent court otherwise, there is no defence for deferring payments in other contracts indefinitely.

4.8 F. A. & C.A.O has also to be advised suitably the orders issued by competent Court.

4.9 Under the provisions of the revised clauses 2400, 2401, 2402 and 2403 of I. R. S. conditions, the purchaser will have the right to withhold the amount representing a claim on sum due to suppliers till such time the Government's claim is got adjudicated by the appropriate authority in accordance with the terms and conditions of the Contract.

4.10 The relevant clauses of the I.R.S. conditions are reproduced below:

2400 Withholding and Lien in respect of sums claimed.

2401 Whenever any claim or claims for payment of a sum of money arises out of or under the contract against the Contractor, the Purchaser shall be entitled to withhold and also

have a lien to retain such sum or sums in whole or in part from the security, if any deposited by the Contractor and for the purpose aforesaid, the Purchaser shall be entitled to withhold the said cash security deposit or the security, if any, furnished as the case may be and also have a lien over the same pending finalisation or adjudication of any such claim. In the event of the security being insufficient to cover the claimed amount or amounts or if no security has been taken from the Contractor, the Purchaser shall be entitled to withhold and have lien to retain to the extent of the such claimed amount or amounts referred to supra, from any sum or sums found payable or which at any time thereafter may become payable to the Contractor under the same contract or any other contract with the Purchaser or the Government pending finalisation or adjudication of any such claim.

It is an agreed term of the contract that the sum of money or moneys so withheld or retained under the lien referred to above, by the Purchaser will be kept withheld or retained as such by the Purchasers till the claim arising out of or under the contract is determined by the Arbitrator (if the contract is governed by the Arbitration clause) or by the competent court as prescribed under clause 2703 herein after provided as the case may be and the contractor will have no claim for interest or damages whatsoever on any account in respect of such withholding or retention under the lien referred to supra and duly notified as such to the Contractor.

2402 For the purpose of clause 2401, where the Contractor is a partnership firm or a limited company, the Purchaser shall be entitled to withhold and also have a lien to retain towards such claimed amount or amounts in whole or in part from any sum found payable to any partner / limited company, as the case may be, whether in his individual capacity or otherwise.

2403 Lien in respect of claims in other contracts: - Any sum of money due and payable to the Contractor (including the security deposit returnable to him) under the contract may withhold or retain by way of lien by the Purchaser or Government against any claim of the Purchaser or Government in respect of payment of a sum of money arising out of or under any other contract made by the Contractor with the Purchaser or Government.

It is an agreed term of the contract that the sum of money so withheld or retained under this clause by the Purchaser or Government will be kept withheld or retained as such by the Purchaser or Government till his claim arising out in the same contract or any other contract is either mutually settled or determined by the arbitrator, if the contract is governed by the arbitration clause or by the competent court under clause 2703 herein after provided, as the case may be, and that the Contractor shall have no claim for interest or damages whatsoever on this account or on any other ground in respect of any sum of money withheld or retained under this clause and duly notified as such to the Contractor.

4.11. If no bills of the defaulting firm are pending with the Railway/Production units involved, FA&CAOs of other Railways/Production Units may be addressed and suitable follow up action taken as indicated above.

4.12. The above procedure should be followed in the case of recovery of Risk Purchase loss, General Damages, Liquidated Damages or recoveries effected by F.A.&.C.A.O. from pending bills of the Contractors in respect of loss or shortage of supplies of stores reported by the Consignee.

Authority: Board's letter No.75/RS (G) 775 dated 25th June 1975 – (Annexure V/4-01)

4.13. Recovery of risk purchase loss and General Damages : The existing instructions with regard to recovery of risk purchase loss and General Damages has been considered at length in consultation with the Ministry of Law and Ministry of Supply and it has been decided that the following procedure should be adopted for claiming risk purchase loss and General Damages.

1.	In case where valid risk purchase has been made	Full risk purchase loss has to be claimed.
2.	Risk purchase of the stores to the same specifications as that the cancelled A/T but at lower rate.	The legal advice is no general damages can be claimed as no loss has been suffered. The case should be closed with the approval of the next higher officer and integrated Finance but the question of taking suitable Administrative decision against the firm will have to be considered where necessary.
3.	Cases where the risk purchase has been made at the same rate.	The legal advise is no general damages can be claimed as no loss has been suffered. The case should be closed with the approval of the next higher officer and integrated finance but the question of taking suitable administrative decision against the firm will have to be considered where necessary.
4.	Where the risk purchase has been made at a very high rate.	should in this case also full risk purchase be claimed if a valid risk purchase has been, made but to be on the safer side general damages should also be claimed in the alternative.
5.	Where risk purchase is not made where due to the withdrawal of the demand by the indentor or where the purchase has been made to a different specification.	General damages should be claimed if it is possible to establish the market rate if not the case should be closed with the approval of the next higher officer in consultation with Finance.
6.	Where no loss has been suffered but the suppliers can be held responsible for the breach and indentor has reported inconvenience which however could not be quantified in terms of money	The legal advice is that no general damages can be claimed as no loss has been suffered. The case should be closed with the approval of the next higher officer in consultation with Finance but the question of taking suitable administrative decision against the firm will have to be considered necessary.

Authority: D.G.S.&D's office order No.95 dated 2nd November 1982 forwarded under Board's letter No.79/RS(G)657/2 dated 1st January 1983 – (Annexure II/4-28)

4.13.1. C& AG's report brought out that the quantum outstanding claims on account of risk purchase against the defaulting firms have risen due to the following reasons: --

(a) After addressing the defaullting firms, no follow up action is taken in most of the cases.

(b) The accounts wing of Railways not taking effective steps.

(c) Non –observance of proper procedures.

(d) Non –implementation of Arbitration Award.

Hence the Board desires the following steps should be taken to ensure that there is no avoidable loss to the Railways :--

(a) All cases where risk purchase has been made and the extra amount incurred has to be recovered from the defaulting firm, should be entered in a register which should be reviewed every month at level of ACOS/SSO and consolidated position put up to the concerned Dy. COS.

(b) Accounts department of Railways should effectively monitor all cases where risk purchase recoveries are involved and the monthly position put up to the Dy. FA & CAO should write to all other Railways/Other Government Departments for witholding payments to the extent, the recoveries are due from, the defaulting firm.

(c) To ensure tht risk purchase action is taken in time, all cases where purchase orders have to be cancelled due to default on the part of the contractor, the risk purchase tenders should be floated on top priority. For this purpose a register should be maintained to be monitored by the ACOS/SSO who should put up the register to Dy. COS at the end of the month.

(d) Wherever arbitrtion awards are made in favour of Railways the same should be pursued effectively and monthly progress watched to ensure their speedy implementation.

Board also desires that all cases of non-replacement of rejected stores by the defaulting firms, especially where the advance payment made to them have not been recovered, should be pursued vigorously and FA & CAO's should write to other Railways, other Governmet Departments to withhold the payment of such contractors to the extant the amount is due from them in respect of the rejected stores.

Authority: Bd's letter No. 88-BC-RLYS/4 of 07.09.90 (Annexure V/4-02)

PART VI

CHAPTER 1

EARNEST MONEY, SECURITY DEPOSIT & GUARANTEE BOND

1.1. Earnest Money and Security Deposit :

1.1.1. The amount of Earnest Money to be deposited should be sufficiently large' to be a security against loss, in the event of the contractor failing to furnish the required security within the appointed time after acceptance of his tender, or until such time as the sums due to him from a sufficient guarantees, as the case may be (**Para 339-S**).Payment of Earnest Money Deposit / Security Deposit by the tenderers / Suppliers in cash should be avoided.
Authority: 2004/RS(G)/779/1 dt 30.11.2006

1.1.2. The Earnest Money and Security Deposit should be in any of the following forms :--

i) Deposit receipt, Pay Orders, Demand Drafts, Guarantee Bonds issued by nationalized or Scheduled Commercial Banks, Bonds of Indian Railway Finance Corporation and KRCL Bonds.

ii) In addition to above mentioned forms of payment, Security Deposit may be paid in the form of Government Securities & a deposit in the Post Office Savings Banks also.

iii) The Bonds of Indian Railways Finance Corporation (in case of Bonds issued under non-cumulative interest scheme, post dated interest warrants should be submitted along with the bonds and the interest warrants could be given back as and when the interest becomes due) & KRCL Bonds.

iv) The payment of EMD /Security Deposit in the form of Pay Order/Demand Draft should be made in favour of FA&CAO/SR. DFM.

v) In regard to mode of payment of EMD & SD, no relaxation in the above provisions will be given to any one.

Authority: Board's letter No. (X)I-82/18/2 of 18.02.1987 – (Annexure VI/1-12)
F(X)II-63/BN-2 (Pt) Vol.II dt 6/19 Dec. 1974 (Annexure VI/1-06)
F (X)I-82/18/2 of 05.11.1993 (Annexure VI/1-16)
2004/RS(G)/779/11 of 30.11.2006 (Annexure VI/1-21)

1.1.3. While calculating the Earnest Money, the amount should be rounded of as under:

(a)	Amount of Earnest Money less than Rs. 1000/-	should be rounded off to the next higher ten rupees.
(b)	Amount of Earnest Money more than Rs.1000/-	should be rounded off to the next higher hundred rupees.

This will be applicable to all contracts except in the case of Sale Contracts and Auction sales etc. where the existing instructions will continue to apply.

Authority: Board's letter No. 78/WI/CT/43 (Policy) of 22.12.1978 – (Annexure VI/1-09)

1.1.4. EMD, SD validity: EMD should remain valid for a period of 45 days beyond the final bid validity period**.** Security deposit should remain valid for a minimum period of 60 days beyond the date of completion of all contractual obligations of supplier.

1.1.5. When the suppliers undertake to keep the offers open for a particular period if the offer is withdrawn or revised within the validity period, the Administration gets a right to forfeit the Earnest Money Deposit. Whenever contracts are rescinded, Security Deposit shall be forfeited.

1.1.6. The right of the tenderer to get back the Earnest Money commences from the date of non-acceptance of the tender and EMD of the unsuccessful bidders should be returned to them within 30 days after expiry of final bid validity. EMD should be refunded to the successful tenderers on receipt of security money. After completion of all contractual obligations, SD should be returned to the successful supplier within 60 days.

1.1.7. The Earnest Money shall be taken from all tenderers against advertised tenders subject to the following exemptions :--

a) Vendors registered with NSIC upto the monetary limit of their registration for the item tendered

b) Vendors registered Railways upto the monetary limit of their registration for the items tendered

c) Vendors on approved list of RDSO/PUs/CORE/Railways etc. for those specific items for which they are on approved list

d) Manufacturers and their accredited agents

e) Other Railways, Govt Departments

f) The amount of EMD to be taken in advertised tenders, wherever applicable, will be 2% of the estimated tender value subject to an upper limit of

   i) Rs. 5 Lakhs for tenders valuing upto Rs. 10 Crores

   ii) Rs. 10 Lakhs for tenders valuing above Rs.10 Crores

1.1.8. Security Deposit :

a) Safety Items : The security deposit /Performance guarantee shall be taken from all firms for contracts for all items placed against **advertised tenders and Global tenders.**

For procurement of Safety items above Rs. 10 lakhs, SD is shall be taken in ST, LT & SLT also.

For procurement of Safety items upto Rs. 10 lakhs the existing rules on SD shall apply *i.e* SD shall be taken from all firms subject to existing exemptions as given for advertised & global tenders, *i.e,* Vendors registered with NSIC upto the monetary limit of their registration for the items ordered or Vendors registered with Railways upto the monetary limit of their registration for the items ordered / trade groups for items ordered or vendors on approved list of RDSO / PUs / CORE / Railways etc. for those specific items for which they are on approved list or other Govt. Departments on their specific request and on merit of the case.

b) Other than Safety Items : The Security deposit shall be taken from all firms for items other than safety items placed against advertised tenders, ST, LT, SLT and Global tenders subject to following exemptions :

(i) Vendors registered with NSIC upto monetary limit of their registration for the items ordered/trade groups of items ordered

(ii) Vendors registered with railways upto monetary limits of their registration for the items ordered/trade groups of items ordered or vendors on approved list of RDSO/PUs/CORE/Railways etc. for those specific items for which they are on approved list or other Railways, Govt. departments on their specific request and merits of the case as considered by tender committee.

c) The usual security deposit, should, however be taken in case the contracts placed on unregistered/unapproved firms or for items for which a particular firm is not registered/approved

d) The amount of SD to be taken, wherever applicable, will be 10% of the total value of contract subject to upper ceiling of Rs. 10 lakhs for contracts upto Rs. 10 Crores & Rs. 20 Lakhs for contracts above Rs. 10 Crores.

1.1.9. Upper Limit on amount of EMD & SD may be enhanced suitably for tender cases/contracts valuing beyond the acceptance powers of GMs/AMs. However, the same should be clearly specified in tender documents & purchase orders/contracts

1.1.10. For global tenders the instructions issued vide Board's letter No. 93/RS(G)/779/9 dated 19.05.1994 will continue to be followed. However, upper limit could be enhanced suitably as indicated above

1.1.11. For procurement of M&P, the detailed guidelines as contained in Board's letter No. 98/RS(G)/709/1 dated 30.05.2006 may continue to be followed.

1.1.12. In case of PSUs, EMD is waived for PSUs for the group of items that are manufactured by them, also for PSUs owned by Ministry of Railways, PSUs that are registered with Production Units of Railways, Zonal Railways, CORE/ALD, RDSO or with NSIC. Where PSU is not willing to or unable to pay the earnest money, the same will be considered for waiver in consultation with the Associate Finance. Security Deposit should be paid by PSUs except those owned by Ministry of Railways, registered with Production Units of Railways, Zonal Railways, CORE/ALD, RDSO or NSIC, for supply of those specific items for which they are registered with them. In deserving cases, in consultation with Associate finance SD may be waived.

1.1.13. Earnest Money need not be taken from other Railways, Government Departments, S.S.I. Units recognised by N.S.I.C, Manufacturers and there accredited agents and firms borne on Railways list of approved suppliers in respect of single limited and open tender enquiries.

1.1.14. The usual Earnest Money should be taken from unregistered firms in all cases

Authority: Board's letter No. 57/155/1/RS(G) of 12.04.1961—(Annexure VI/1-01)
63/RS(G)155/1 of 30.04.1964 – (Annexure VI/1-02)
85/RS(G) 363/2 of 12.10.1987 – (Annexure III/4-09)
93/RS(G)/779/9 datd 19.05.1994 – (Annexure IV/1-27)

2003/RS(G)/779/5 dated 10.09.04 – (Annexure VI/1-17)
2004/RS(G)/ 779/11 of 24.07.2007 – (Annexure VI/1-22)
2004/RS(G)/ 779/11 of 19.02.2008 – (Annexure VI/1-23)
2004/RS(G)/ 779/11 of 06.08.2008 – (Annexure VI/1-25)
2004/RS(G)/ 779/11 of 15.10.2008 – (Annexure VI/1-26)

1.2. Unless otherwise agreed between the purchaser and the contractor, the contractor shall within 14 days of the acceptance of Tender, deposit with the Railway a sum of 10% of the total value of contract subject to upper ceiling of Rs. 10 lakhs for contracts valuing upto Rs. 10 crores & Rs. 20 lakhs for contracts valuing above Rs. 10 crores. Upper limit on amount of EMD &SD may be enhanced suitably for tender cases/contracts valuing beyond the acceptance powers of GMS/AMs. However the same should be clearly specified in tender documents and purchase orders/contracts.

(Clause 0500 of I.R.S. conditions of contract)

Authority: 2004/RS(G)/ 779/11 of 24.07.2007 – (Annexure VI/1-22)

1.2.1. If the contractor, having been called upon by the purchaser to furnish security fails to make and maintain a security deposit within the specific period, it shall be lawful for the purchaser -

a) to recover from the contractor the amount of such security deposit by deducting the amount from the pending bills of the Contractor under the contract or any other contract with the purchaser or the Government or any person contracting through the purchaser or otherwise howsoever; or,

b) to cancel the contract or any part thereof and to purchase or authorise the purchase of the stores at the risk and cost of the contractor and in the event the provisions of clause 0702 of the I.R.S. Conditions of contract shall apply as far as applicable.

(Clause 0502 of the I.R.S. Conditions of contract)

1.2.2. No claim shall lie against the Purchaser in respect of interest or cash deposits or Government securities or depreciation thereof.

(Clause 0503 of the I.R.S. Conditions of contract)

1.2.3. The purchaser shall be entitled and it shall be lawful on his part to forfeit the said security deposit it in whole or in part in the event of any default, failure or neglect on the part of the Contractor in the fulfilment of performance in all respects of the contract under reference or any other contract with the purchaser or any part thereof to the satisfaction of the Purchaser and the Purchaser shall also be entitled to deduct from the said deposits any loss or damage which the Purchaser may suffer or be put to by reason of or due to any act of other default, recoverable by the Purchaser from the contractor in respect of the contract under reference or any other contract and in either of the events aforesaid to call upon the contractor to maintain the said security deposit at its original limit by making further deposits, provided further that the purchaser shall be entitled to recover any such claim from any sum then due or which at any time there after may become due to the Contractor under this or any other contract with the Purchaser.

(Clause 0504 of I.R.S. Conditions of contract)

1.2.4. Security deposit need not be taken from other Railways, Government departments and S.S.I. Units recognised by the N.S.I.C. in respect of single, limited and open tenders.

1.2.5. The usual security should however be taken in case contracts are placed with unregistered firms/or for items for which the particular firm is not registered in respect of all tenders.

1.2.6. Where the unregistered farms are unwilling to pay security deposit and registered firms are usually to pay security deposit in respect of items for which they are not registered, the Controller of Stores may in consultation with F. A. & C.A.O exercise powers vested in the General Manager vide para 3 of Board's letter No.56/148/1/RE dated 17th December 1956. These powers may also be exercised by CMMs in consultation with F .A. & C.A.O.

Authority:-Board's letter No. 57/155/IRS(G) dated 12th April 1961 – (Annexure VI/1-01)
63/RS(G)155/1 of 30th April 1964 -- (Annexure VI/1-02)
86/RS(G)155/1 dated 11.09.1987 -- (Annexure VI/1-14)

1.2.7. The period of limitation for refund of Earnest Money as well as Security Deposit is 3 years as contained in Article 113 of the Indian Limitation Act of 1963).

1.2.8. The claims for refund, if any beyond this period, should be treated as time-barred claims against the Railways and should ordinarily be refused and no such claim can be paid without the sanction of the Railway Board in terms of Para 1540 G.I.

1.2.9. A copy of the procedure order No.G/17 of 1987 issued by Central Railway had been circulated by Board for information *vide* their letter No.86/RS(G) 164/0/1 dated 18.08.1987 (Annexure VI/1-13).

1.3. Guarantee Bond :

1.3.1. Guarantee bonds offered by Banks to Railways for Earnest Money: Guarantee Bonds offered by the Banks to Railways for Earnest Money security deposit should be executed in the pro-forma enclosed to Board's letter No. F(X)II-63/BN/2 dated 22nd May 1971. The Board have no objection to the Railways getting the guarantee executed in this pro-forma provided the guaranteeing Banks are also agreeable to do so.

Authority: Board's letter No .F (X) II-63/BN/2 dated 22nd May 1971—(Annexure VI/1-05)
F(X)I-85/19/1 dated 10th May 1985 – (Annexure VI/1-10)

1.3.2. Guarantee Bonds offered by Banks to Railways in connection with execution of contracts, payment of freight etc. : Guarantee Bonds offered by Banks to Railways in connection with the execution of contracts, payment of freight etc. should be executed in the proforma received with Board's letter No. F (X) II/63NB/2 dated 30th September 1969 (Annexure VI/1-03).

1.3.3. The Guarantee Bond referred to above is only a model form drawn for the convenience of Government Departments and changes therein could be made by them in consultation with Banks concerned, if the exigencies of the relative contract so require and the Bank concerned

agrees to such modification. It may be noted in this connection that the Bank Guarantee is a sort of bilateral agreement.

Authority: Board's lr no. F (X)II-63/BN/2. Vol.II dt 16th August 75 – (Annexure VI/1-07)

1.3.4. The interest of the Administrator, will be adequately safeguarded if the Accounts Officer were to be responsible for the custody of the Guarantee Bonds and for giving timely intimation to the Executive Officer concerned say within 3 months in advance) of the date of the expiry of the Guarantee Bond and the Executive Officer were to be responsible for concurrently keeping track of the currency of the Guarantee Bond but also specifically to ensure that it is extended from time-to-time and for such period as might be necessary with reference to the completion of the relevant work and any subsequent maintenance period that may be provided for in the particular contract.

1.3.5. Cashing of the Guarantee Bonds before the expiry will however, remain the responsibility of the Accounts Officer.

Authority: Board's letter No. F (X)1-69/BN/1 dt 31st December 1969 – (Annexure VI/1-04)

1.3.6. Forged Bank Guarantee Bond : Zonal Railways/Production Units should ensure, the bonafide of every Bank Guarantee Bond accepted by them by addressing the concerned Bank by registered post which can be followed by a telephone call) and getting a written confirmation from the Bank which had issued the particular Guarantee Bond under the seal of the agent).

Further guidelines on the subject matter:

1. Copy of proper prescribed format for Bank Guarantees (BGs) to be accepted from the contractors should be enclosed with the tender documents and it should be verified verbatim on receipt with original document.
2. It should be insisted upon the contractors, suppliers etc. that Bank Guarantees (BGs) to be submitted by them should be sent to the concerned authorities directly by the issuing bank under Registered Post (A.D.) .
3. In exceptional cases, where the BGs are received through the contractors, suppliers etc., the issuing branch should be requested to immediately send by Registered Post (A.D.) as unstamped duplicate copy of the Bank Guarantee directly to the Railways with a covering letter to compare with the original BGs and to confirm that it is in order. it may be ensured that a copy of bank guarantee received from contractor, is also enclosed with the letter addressed to the concerned bank, by registered post and a written confirmation obtained by registered post under the seal of the bank.
4. As an additional measure of abundant precaution, all BGs should be independently verified by the Railways.
5. Depending upon the requirement, one or more officers should be specifically designated with responsibility for verification, timely renewal and timely encashment of BGs.

Further, following tender condition may also be invariably included in tender documents for insisting upon the contractors, suppliers etc. for submission of BG directly by issuing bank to the concerned Railway authorities :--

"Bank Guarantees (BGs) to be submitted by suppliers / contractors, should be sent directly to the concerned authorities by the issuing Bank under registered Post A.D."

Authority: Board's letter No. F (X)1/77/19/2 dated 21st September 1977 (Annexure IV/1-08)
2005/AC-II/25/19 dated 08.09.2005 Annexure IV/1- 18)
2005/AC-II/25/19 dated 05.10.2005 Annexure IV/1-19)
2005/AC-II/25/19 dated 02.12.2005 (Annexure IV/1-20)
2008/RS(G)/779/2 dt. 29.04.08 (Annexure IV/1-24)

1.3.7. The Ministry of Finance and the Reserve Bank of India have advised the Scheduled Commercial Banks to prompt action in honouring guarantee commitments when invoked by Railways without delay or demur.

Authority : Board's letter No. F (X)I-84/18/1 dated 01.9.1986 – (Annexure VI/1-11)

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PART VI

CHAPTER 2

FIRM PRICE CONTRACTS – EFFECT OF INCREASE IN PRICES

2.1. In fixed price contract where the delivery dates have expired on the crucial date on which the price increase had taken place, no revision of prices should be agreed to. The only - concession that could be given in such cases will be foregoing levy of liquidated damages provided supplies are completed in reasonable time.

2.2. Fresh parallel contracts at current market rates for additional quantities should be placed and deliveries re-scheduled against the old and new contracts in such a way as to extend suitable relief to the suppliers to minimise the loss.

2.3. In all high value contracts for the supply of stores where the raw material contents like steel, non-ferrous etc. are substantial, a predetermined price variation clause with an upper ceiling for the total variation during the currency of contract may be prescribed in consultation with Legal and Financial Advisers for incorporation in the Tender Enquiry itself so as to obtain competitive rates and avoid such situation in future.

Authority : Board's letter No.74/RS(G)379/1 dated 25th June 1979 – (Annexure III/3-08**)**
and No. 74/RS(G)379/1 dated 14th July 1980 – (Annexure VI/2-01)

PART VI

CHAPTER 3

HANDING OVER OF RAILWAY PROPERTY TO OUTSIDE PARTIES: CASH ADVANCE ETC.

3.1. Public sector undertakings and Bank Guarantees.

3.1.1. There is no need for insisting the Bank Guarantee in respect of advance paid by Public Sector Enterprises or Government Department to another Public Sector Enterprises as there is no risk of the advance being lost.

3.1.2. Since the transactions between two Public Sector Enterprises or between Public Sector Enterprises and Government Departments are of commercial nature, it would not be appropriate to exempt the public Undertakings from the Bank Guarantee in lieu of security deposit for the fulfilment of the contract. In fact such guarantees show the earnestness of the Public Sector Enterprises for the fulfilment of the contract and in such cases the normal commercial principles should be followed.

3.1.3. It is necessary that proper Bank Guarantees are furnished by Public Sector Enterprises for the satisfactory performance of the equipment and/or prompt action for rectification in case of deficiencies noticed in the execution of the contract or defective performance of the equipment.

3.1.4. In this connection it may also be mentioned that furnishing of these guarantees would not involve in any blocking of cash resources on the part of the enterprises as they can obtain a bond from L.I.C. on the Basis which the Bank will issue a counter Guarantee. In order to facilitate the insurance of Bond by L.I.C Government have agreed that L.I.C. would have a pari passu charge on the fixed assets of the company *vis-a-vis* the Government.

Authority : Ministry of Finance (Bureau of Public Enterprises) Office Memorandum No. BPE/1/ 4/Adv.(F)69 dt 3rd November 1972; forwarded under Board's letter No. F (X)1-72/BN/1 dated 23rd Nov. 1972 – (Annexure VI/3-02) and reiterated *vide* Board's letter No. F(X)1-86/19/1 dated 23rd February 1987 – (Annexure VI/3-14)

3.2. Waival of interest charges on the advances made.

3.2.1. Interest charges against the advances to be paid to the Public Sector Undertakings may be waived in individual cases in consultation with Associated Finance if the merits of the case so warrant. For this purpose the offer may be evaluated by the loading 12 per cent interest charges on the bid amount. In the case of monopoly items, the offer may be evaluated by loading interest charges on the rates quoted and comparing in with the last purchase rates from the same source.

3.2.2. Bank Guarantee for Security Deposits : Normally, the question of submission of Bank Guarantee for security deposit may be dealt with in terms of the conditions of the contract.

The question of exemption from furnishing Bank Guarantee where considered necessary may be dealt with under the General Manager's power to accept unusual conditions of the contract.

3.2.3. Bank Guarantee for warranty obligations : The question of submission of Bank Guarantee for warranty clause should be dealt with in terms of the conditions of the contracts. Where tenders do not stipulate Bank Guarantee for warranty obligations, Bank Guarantee need not be insisted upon. In the case of tenders which stipulate Bank Guarantee to cover the Warranty for supplies needing such a monetary safeguard, it may be insisted upon from Public Sector Undertaking also.

Authority: Board's letter No.76/RS(G)753/2 dt 15th Nov. 1980 - (Annexure VI/3-10)

3.2.3.1. In order to ensure compliance of Warranty obligation the Bank Guarantee should be obtained in a prescribed pro-forma circulated vide Railway Board's letter No.85/RS(G)779/21 dated 27.01.1988 – (Annexure VI/3-15)

3.2.4. In respect of State Government Undertakings, however, the above relaxation are not applicable and in such cases Bank Guarantees should be insisted upon for advance payments.

3.2.5. In special cases where the undertakings are unable to furnish the Bank Guarantee, there is no objection to obtaining a Guarantee from the State Government concerned as was followed in the case of Westinghouse Saxby Farmer Ltd., Calcutta vide Board's letter No. RS (Sig)06/78/C. Reports/ WSF dated 21st April 1979.

Authority: Letter No. 73/RS (G)/779/ 51 dt 28th June 1979 (Annexure VI/3-07) and RS(Sig) 06/78/C. Reports / WSF dated 21st April 1979 (Annexure VI/3-06)

3.3. Cash Advances along with orders

3.3.1. Since loans from the banks/ financial institutions are easily available and the interest rates have also reduced, giving advances in supply contracts should be totally stopped. In supply contracts, no advance need to be given to the contractors by Railways.

Authority : Board's letter No 2005/RS(G)/779/1 dated 02.11.2006 (Annexure III/2-15)

3.3.2. General Managers are authorised to sanction advance payments up to a maximum of Rs.2 crores to MMTC and other Public Sector Undertakings for procurement through the centralised Canalising Agency at a time for the procurement of non-ferrous metals in relaxation of the provisions contained in item 49 of Appendix 7 G. (II). C.O.S. may sanction advance payments up to Rs.25 lakhs and including acceptance of unusual terms and conditions quoted by M.M.T.C. and other Public Sector Undertakings in their offers for the supply of non-ferrous metals. These powers may not be delegated further to the lower authorities.

Authority: Board's letter No. 75/RS(G)753/2 dated 14th April 78 (Annexure VI/3-05)
75/RS(G)753/2 dated 14th December 1981(Annexure VI/3-11)
76/RS(G)753/2 dated 7th August 1984 – (Annexure III/2-06)

3.3.3. The advance payment to the extent of 25% of the ordered value can be made to M/s I.T.I. any Bangalore without ceiling limit for purchase of all non-competitive products for which I.T.I. are sole suppliers.

Authority: Board's letter No.86/RS(G)175312 dated 21.05.1986 — (Annexure VI/3-13)

3.3.4. Advance and progress payment against Indemnity Bonds approved by Board in specific cases of order on N.G.E.F., B.H.E.L., etc. should be taken as an exception and not as a procurement.

Authority: Letter No. 73/RS (G)/779/ 51 dt 28th June 1979 (Annexure VI/3-07)

3.3.5. COS is empowered to allow 100 per cent advance payment with Finance concurrence in respect of orders up to the value of Rs.50,000/- in each single case.

3.3.6. The powers delegated should be sparingly used. If however situations arise for utilisation of the above powers, it should be ensured that sufficient safeguards like Bank Guarantee etc., are provided so that the interest of the Government is protected in the event of failure of supplies, defective supplies and short receipts, etc.,

Authority: Board's letter No. 64/RS(G)385/1 dated 7th Sept. 1979-- (Annexure IV/3-08)
64/RS(G)385/1 dated 25th October 1980 -- (Annexure IV/3-09)

3.3.7. Proposals submitted by the various Administrations seeking Board's sanction for the payment of advance along with the orders should be accompanied with the Tender Committee Proceedings, FA&CAOs comments and other relevant papers to enable them to issue the sanction in time.

Authority: Board's letter No.79/RS(G)753/1 dt 17th Aug. 82 (Annexure IV/3-12)

3.4. Handling over of Railway Property to outside parties.

3.4.1. Wherever Railway material such as scrap/steel is handed over to contractors for refining and conversion work etc., the interest of the Government should be fully safe guarded by obtaining cash or other securities or bank guarantees from them to cover the cost of material as would be applicable from time to time till the material is utilised for manufacture. A declaration that the material will not be utilised for any other purpose should be obtained from the contractor, in terms of Board's letter No.72/746/Track of 11th May 1972 and in addition, necessary provisions incorporated in the contract as stipulated in para 4 (i) and 4 (ii) thereof.

Authority: Board's letter No.72/746/Track dated 11th May 1972 – (Annexure VI/3-01)

3.4.2. Where the firms do not agree to furnish Security Deposit / Bank Guarantee etc, to cover the cost of material handed over to them in the form of chassis for body building, Railway vehicles and other machinery for repairs, the Railways may obtain Indemnity Bonds to ensure the safe custody and return of materials as handed over to the firms.

3.4.3. In addition, Railways may also consider obtaining Insurance Policy and arrange such other safeguards as deemed appropriate in the matter in consultation with the Finance and Legal Advisers. But these need not be insisted upon as a mater of course.

Authority: Board's letter No. 73/RS (G)779/51 dated 28.06.1976 --(Annexure VI/3-03)
73/RS(G)779/51 dated 27th January 1978- (Annexure VI/3-04)

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PART VI

CHAPTER 4

INDIGENOUS DEVELOPMENT OF IMPORTED ITEMS

4.1. Location of sources : Action should be taken to invite prospective manufacturers to undertake development through Regional and Central Railway Equipment Advisory committees. At the discretion of Development Officers, attention of selected forms could be drawn, indicating the approximate annual requirement for 2 to 3 years. Discussions can then be held with the firms who show interest and attempts made to choose preferably two manufacturers, They should be persuaded to enter the field and produce prototypes. Information may be had from D.G.T.D. regarding firms licensed for the same/allied items. Any reluctance on the part of such licenses to undertake manufacture, should be brought, to the notice D.G.T.D.

4.2. Contracting requirements in excess of one year : In the event of the Railway's annual requirements being not enough for an entrepreneur to develop and absorb the expenses and there being reluctance on the part of the firm to develop unless the quantity ordered is worthwhile, Railways/Production Units may give an advance commitment to the firm giving an assurance to the effect that orders for the following two/three years will be placed on them provided the prices are reasonable or a commitment to the entrepreneur that he will get an order for 100 per cent of the requirements for the first year., 80 per cent for the second year, 60 per cent for the third year, provided prices are reasonable. The remaining 20 per cent and 40 per cent requirements will be obtained by, open tender. From the fourth year, there would be open competitions.

4.3. Prices : Dealt with separately under Part III - Chapter IV - Price Preference.

4.4. Liquidated Damages : This clause should not be incorporated in the case of developmental orders.

4.5. Extension of delivery period : Extension of delivery period should be granted on a more liberal basis, in the case of Developmental orders at the discretion of the Purchase Officer.

In cases of the late supplies and complete failures, the case should be decided on merits. Resorting to 'Risk Purchases' should occur only in rare cases and generally if the Administrative Officer concerned is satisfied that the party has made sincere efforts and yet failed, the question of risk purchase should not arise. It is suggested that if before placing of a Developmental order, the capability of the firm to undertake manufacture of the item/items is carefully ,examined by the order placing authority, there would perhaps be very few such cases necessitating cancellation of the order.

4.6. Price Escalation : This clause may be incorporated to allow for variations in cost on account of Governmental action, i.e. Customs Duty, Sales Tax-, as also basic raw materials such as 'Steel'. But no wage escalation clause should be permitted.

4.7. Assistance for Raw material : If the entrepreneur required raw materials for manufacture of some items, and is not able to offer from his own general licence, the purchaser may provide foreign exchange and recommend actual user Import license for the requisite quantity of raw material.

Authority: Board's letter No.68/Dev.Cell / IGRI / 48 dt 1st July 1969 – (Annexure VI/4-01**)**

PART VI

CHAPTER 5

LOCAL PURCHASE

5.1. Local purchase of materials of small value :

5.1.1. The Controller of Stores may also make local purchase of items of small value, both stock and non-stock, up to Rs. 1,00,000/- per item-subject to fulfilment to conditions laid down in para 711-S

a) The normal annual recoupment quantity does not exceed Rs. 1,00,000 /-in value; or

b) The stock of the item is precariously low and the same is urgently required, and that the quantity is not deliberately reduced with a view to bringing the purchase within the scope of this provision.

5.1.2. For items costing up to Rs.10,000/- he may obtain a single quotation, but for items costing over Rs. 10,000/- he should obtain quotations from more than one firm and maintain a proper record of such quotations.

5.13. The reasonableness of the offers should be properly- verified by the stores officials in the case of stock items. For non-stock items indentors should give a realistic estimate of the rate and the last purchase rate wherever available.

5.1.4. Materials should be carefully inspected by the consignee before certifying suitability.

5.1.5. The powers referred to above or other powers of local purchases of stores delegated to the Controller of Stores may be re-delegated to the Depot Offices, in consultation with the F. A. & C.A.O. to the extent considered necessary in each case.

5.1.6. Such cases may be paid for in cash from imprest cash.

5.1.7. No non-stock article, for which a standard pattern exists, should be purchased, if it could be manufactured by the Railway.

Authority: ACS/191-S and to para 711-S Ministry of Railway's letter No.
79F (S) 1/PW-7/2 dated 12th Nov.1979 (Annexure VI/5-02)
79/ RS (G)/779/8 pt. of 19/24.02.1987 (Annexure VI/5-09)
2001/F (S)-1/PW-7/2 of 05.09.2003 (AnnexureVI/5-16)
2007/RS(G)/779/1 dt.4.4.08(Annexure II/1-58)

Considering the relevant provisions of General Financial Rules, 2005, the procurement of stationery & other items will be made by following the procedure of competitive bidding as laid down in the Stores Code & Board's various instructions issued from time to time. No special preference to NCCF/Kendriya Bhandar/Super Bazar shall now be given in view of Ministry of Finance Office Memorandum No 1/12/E/11(A)/94 dated 29/07/2005 :--

Authority: Bd's letter No.79/RS (G)/779/8 of 30.05.1979 (Annexure VI/5-01)
87/RS (G)/779/27 of 26.05.1989 (Annexure VI/5-11)
87/RS (G)/779/27/Pt.I of 27.01.04 (Annexure VI/5-18)
87/RS (G)/779/27 of 12.12.2005 (Annexure VI/5-20)
87/RS (G)/779/27 of 29.03.2006 (Annexure VI/5-21)

5.2. It is clarified in Bd's letter No 84/RS(lC)/165/1/RRC of 03.03.1987 (Annexure VI/5-10) that Senior DCOS /DCOS of division will have the same powers of purchase as other Depot officers as per para 711-S.

5.3. Cash Purchase-Opening of current A/Cs, against Cash Imprest : Stores Officers at major Stores Depots holding cash imprest for emergent purchases, may open and operate "Current Accounts" with the departmental bankers or with other nationalised banks at places where departmental bankers do not have their paying branches, to deposit the unspent balances of cash including recoupments and to make disbursements therefrom for local purchases through cheques, subject to the following conditions: -

a. Current Accounts should be opened only in cases where the imprest amount is more than Rs. 10,000/- each.

b. Current accounts should be opened against the official designation of the imprest holders and not in their personal names.

c. The amounts of imprest should be reviewed half-yearly so that these are kept at the minimum in all cases. At least one recoupment of expenditure in a month should be made compulsory and with this end in view, the amount of imprest should be fixed on the basis of 50 per cent of the average monthly expenditure on emergent purchases in each case.

d. Recoupments shall be made through Crossed cheques issued by the F.A. & C.A.O. in favour of the imprest holder by his official designation only and not in favour of his personal name. Such cheques shall be deposited in the current accounts.

e. It should be ensured that the Imprest amount is utilised only for making payments for emergent purchases permissible under extant rules and not for making normal purchases which should be made through submission of Bills in the usual manner.

f. All deposits into and withdrawals from the current Accounts should pass through a subsidiary cash book and imprest Accounts should be rendered with reference to the transactions recorded in that book.

5.3.1. Necessary procedure in this respect should be laid down in consultation with the F.A. & C.A.O. who will also be responsible for necessary internal check as per extant rules/orders.

Authority: Board's lr No.69/RS(G)/779/3/KW dated 4th November 1980-(AnnexureVI/5-03)

5.4. The practice of collecting more than one quotation from a single shop for making local purchases should not be resorted to.

5.4.1. To the extent, instructions in respect of maintenance of list of approved suppliers obtaining of quotations only from the approved/standard suppliers and checking up reasonableness of rates should be strictly followed.

Authority: Board's letter No.79/RS(G)/779/8 of 16.06.1982 - (AnnexureVI/5-04)

5.5. The existing system of local purchase of stores through sanctioned cash imprest may continue.

5.6. The purchase powers of DRMs for local purchase of stores as contained in Para – 711A (i) for Non-stock items of the Indian Railways Stores Code, Vol I (Edition-1990) will be Rs. 10,000/- per item but not exceeding Rs. 1,00,000/- aggregate per month.

Authority: Board's letter No.99/RS(G)/779/22 PartII of 02.01.2004 - (AnnexureVI/5-17)
99/RS(G)/779/22 PartIV of 22.12.2004 - (AnnexureVI/5-19)

5.5.1. No cash purchase should be made outside the imprest specifically provided except in. exceptional cases where the following conditions have to be satisfied: -

a. The Items proposed to be purchased directly relate to Motive power or Roller Bearing Stock.

b. Non-procurement of the item will affect either safety or regular running of trains.

c. Urgency is personally certified by the Co-ordinating Head of the Consuming Department.

5.5.2. Even in the exceptional cases (5.5.1 b) above, no cash purchase should be made without the personal concurrence of the F.A. & C.A.O. and personal approval of the General Manager.

5.5.3. In all such cases where these exceptional purchases are resorted to, a quarterly report of purchases made may be sent to the Board indicating the item, value of purchase and the urgency for cash purchase.

5.6. In connection with collection of quotation for local purchase, it has been decided that where more than one quotation is required the following procedure shall apply: -

"The Officer-in-charge of local purchase shall nominate the Railway employee by name for collection of quotations from the local market wherever the quotations are collected per bearer. The nominated employee shall be required to sign each cover of the quotations and subsequently on opening by the officer-in-charge each quotation in token of his having collected it personally. The officer-incharge of purchase shall specify the firms from whom quotations for a particular item should be obtained. The employee, however, may suggest names of new firms coming to his notice to the purchase officer, who could consider including them for subsequent purchases".

5.7. The Ministry of Railways further desire that adequate precaution should be taken by the officers making local purchases regarding the reasonableness of lowest quoted rates, obtaining of quotations from sister concerns and over stepping of power. Suitable action for tightening departmental supervision of the local purchases be also taken by the Railways.

Authority: Bd's letter No.79/RS (G)/779/8 of 04.09.1982 (AnnexureVI/5-05)
79/RS (G)/779/8 of 22.11.1982 (AnnexureVI/5-06)
79/RS (G)/779/8 of 01.02.1983 (AnnexureVI/5-07)
79/RS (G)/779/8 of 06.04.1983 (AnnexureVI/5-08)
79/RS (G)/779/8/Pt.II. of 29.03.1993 (Annexure VI/5-12)

5.7.1. Board also desire that a periodic review of purchase of 'Non stocks items' be carried out so as to bring them under the purview of stock items depending upon their frequent requirements so that there are less occasions for resorting to "local purchase"

Authority: Bd's letter No.97/RS(G)/779/16 of 12.10.1998 (Annexure VI/5-15)

PART VI

CHAPTER 6

PROCUREMENT OF STORES-PROVISIONING

6.1. The re-order level system of replacement and provisioning should be continued for all the items other than those procured through D.G.S. & D., Railway Board and imported Sources. The annual review system should continue to be adopted for stores procured through D.G.S. & D., Railway Board and imported sources.

6.2. A regular and periodical review of actual consumption, the forecast consumption, revision of limits, the quantities to be declared as surplus or excess and the rephasing of deliveries required should be done by officers stated against each of the categories of the items listed below:

a)	'A' Category items	Monthly review personally by Controller of Stores irrespective of the method of recoupment *viz*. Annual review or re-order level.
b)	'B' Category items	Half-yearly review by Dy.COS personally.
c)	'C' Category items	Annual review at the level of A.C.O.S.

6.3. The recoupment sheets will be examined in detail at the depot level. Consumption level and the provisioning required will be finalised at the Depot level in consulation with associated finance of demands exceeding Rs. 40,000/-

6.4. For only ‘A’ Category items, the Controller of Stores at the Headquarters will examine the scrutiny and provisioning made at the Depot level before initiating Purchase action.

Authority: Board’s letter No. 86/RS(G)/779/7 of 30.09.1988 (Annexure VI/6-03)

6.5. Quantity vetting of Estimate Sheets.

a. **‘C’ Category items :** The vetting of the Estimate Sheets generated by Computer by Associated Finance for 'C' Category items which constitute only 10% of the total annual usage value, may be dispensed with and such Estimate sheets generated on the main-frame computers may be directly sent to the Purchase office for arranging procurement. It should however be ensured that data before being fed into computer is properly validated and is free from mistakes and inaccuracies.

b. **‘B’ Category items :** For ‘B’ category items the EAC (estimated annual consumption) may be approved at the level of CMM. If the proposal EAC of “’B’ category item is more than 10% of last 3 years average annual consumption, the same will also require vetting by HQrs. finance. These approved EACs will be used by computer for generation of consolidated estimate sheet for all depots together separately for each item and sent directly to purchase office for arranging procurement. There will be no need for finance vetting of quantities on estimate sheets of ‘B’ category stock items before invitation of tender.

Railways, however, may ensure that the data fed in the computer system are properly validated. Railways also must ensure tender committee/competent authority continue to review the quantity required to be procured based on latest stock and dues position at the time of finalising of purchase.

c. **'A' Category items:** The existing procedure of quantity vetting by Headquarters Finance should continue. This vetted annual AAC should be used by the Computer for generation of consolidated Estimate sheets for all depots together separately for each item. The Estimate sheets so generated may then be sent to the HQ Purchase office for arranging procurement.

Authority: Bd's letter No. 75/RS (G) 754/8 of 27.08.1978 (Annexure VI/6-01)
86/RS (G) 779/7 of 30.09.1988 (Annexure VI/6-03)
88/RS (G)/779/43 of 11.12.1989 (Annexure VI/6-04)
88/RS(G)/779/43/Part Dated 21/10/02. (Annexure VI/6-07)

6.6. Approval of quantities before placement of indent on centralised procurement agency or floating of tenders for direct purchase-

COS - Full powers, CMM/ DyCMM/ SMM/ AMM – upto their power of acceptance.

6.6.1. Buffer stock : For indigenous WTA items buffer stock limit will be 3 months & for imported WTA items it will be 6 months.

For other items, buffer stock limit may be decided by COS in consultation with finance. However, it should be ensured that vital safety items should be available at the level of one month stock requirement all the time & at the same time inventory balances should remain within the laid down targets.

Authority: Bd's letter No. 2000/RS(G)/779/16 dated 08/03/2002 (Annexure VI/6-06)
2007/RS(G)/779/1 dated 04.04.2008(Annexure II/1-58)

6.7. Vetting of non-stock demands/ requisitions : For **safety items** – above Rs.2.0 lakhs (safety items as defined in Board's letter No.99/RS(IC)/165/SRC dated 19/04/2000) subject to 10% test check by accounts. Essentiality certification for requisitions valuing up to Rs.2.0 lakhs by field level officer at JAG/SG level & for requisitions exceeding Rs.2.0 lakhs by field officer at SAG level (ie) CWM/ADRM/DRM etc. will be needed.

For items **other than safety items**-above Rs.1.0 lakh. Essentiality certification for requisitions valuing up to Rs.1.0 lakh by field level officer at JAG/SG level & for requisitions exceeding Rs.1.0 lakh by field officer at SAG level (*i.e.*) CWM/ADRM/DRM etc will be needed.

In addition to the above, all non stock purchase at Head quarters through tenders will require consolidation and certification for essentiality of purchase as laid down in Board's letter No.2005/RS(G)/779/7 dated 28/05/07 as amended from time-to-time.

To avoid malpractices the estimated value, last purchase rates and quantity should be indicated in the indents both in figures and words

Authority: Bd's letter No. 89/RS (G)/779/17 of 15.12.1989 (Annexure VI/6-05)
2007/RS(G)/779/1 dated 16/10/2008 (Annexure VI/6-12)

6.8. Powers of User Department for signing of Non-Stock demands/requisitions :

a) Upto Rs. 10,000/- --- JS Officers or SS Officers in absence of JS officer
b) Above Rs. 10,000 < Rs. 50,000 --- SS Officer or JAG/SG in absence of SS officer
c) Above Rs. 50,000 < Rs. 200,000 --- JAG/SG (or ADRM/CWM/SAG officer if no JAG/SG Officer)
d) Above Rs. 200,000 < Rs. 10,00,000 -- ADRM/CWM/SAG officer of the user deptt

e) Above 10,00,000 --- Countersigned by CWM/ADRM/SAG Officer duly approved by PHOD/CHOD of the user deptt in HQ

Non-Stock requisition will require vetting as per extant instructions. All Non-stock purchase at HQ will require consolidation & essentiality of purchase to be certified by at least SAG level officer of consuming Department in HQ.

Authority : Railway Bd's lr : 2005/RS(G)/797/7 dated 28/05/2007 (Annexure VI/6-11)

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PART VI

CHAPTER 7

PROCUREMENT OF PROPRIETORY ARTICLE

7.1. The following procedure should be followed by the Railways in the matter of procurement of proprietary articles :--

1. The proprietary article certificate shall be issued as per proforma given in the Annexure VI/7-01 to Board's letter No.76/RS (G) 779/55 dated 21.05.1982.

2. The proprietary article certificate shall be signed by an officer of the consuming department, for whom the stores are procured, of the appropriate level, depending on the value of the material indented. The value limits are as follows:

Indenting Officer:	Upto Rs 25,000/-
JAG/Selection Grade officer:	Upto Rs 75,000/-
SAG officer:	UptoRs. 3 lakhs
PHOD /CHOD of the user Dept:	Above Rs. 3 lakhs

Authority : Bd's letter No. 76/RS (G)/779/55 of 21.05.1982 (Annexure VI/7-01)
2007/RS(G)/779/1 dated 04.04.2008(Annexure II/1-59)

3. (i) The powers of purchase of Stores Officer in the case of proprietary articles through Single Tender where it has been possible to certify that a similar article, which could be used in lieu is not manufactured/sold by any other firm (PAC- 'c'certified) is,

COS/CMM/Dy.CMM/SMM/AMM - upto their level of acceptance

(ii). The powers of purchase of Stores Officers in the case of Proprietary Articles through Single Tender where it has not been possible to certify that a similar article, which could be used in lieu is not manufactured/sold by any other firm. (PAC- 'a'certified) is,

COS – Rs 5 lakhs, CMM – Rs 3 lakhs, Dy.CMM – Rs 2 lakhs,
SMM- Rs.1 lakh, AMM – Rs. 50,000/-

4. Procurement of stores on proprietary basis completely eliminates competition and could lead to higher prices. The indenting authorities before indenting for proprietary articles and certifying them so, should therefore fully satisfy themselves that no acceptable substitutes are available.

5. The Proprietary Articles certification should not be accepted by Purchase officer as a matter of course and Indenting Officers should be advised to carefully evaluate the merits before signing such a certificate.

Authority : Board's letter No.76/RS (G) 779/55 of 21.05.1982 (Annexure VI/7-01)
76/RS (G)/ 779/55 of18.04.1983 (Annexure VI/7-02)
2001/F(S)I/PW7/2 dated 27.01.2003 (Annexure II/3-19)
2007/RS(G)/779/1 dated 28.07.2008 (Annexure II/1-64)

6. The details of proprietary items purchased by Railways should be published in the Railways Stores Bulletin / Indian Trade Journal once in every 6 months *i.e.* during April & October.

Authority: Lr. No. 84/RS (G)/363/EC63/Recm: 124 dt 20.11.1985 (Annexure VI/7-04)

7.2. The Board has desired that henceforth D.G.S.&D will not entertain any indent supported by Proprietary Article Certificate. All the indenting Ministries/departments etc. are authorised to make purchase of proprietary Articles directly with immediate effect.

Authority: Board's letter No. 88/ RS(G)/779/39 of 17.06.1992 (Annexure VI/7-07)
O.M. No: P111-i(130/91 of 1.5.92

7.3. Procurement of spares for Diesel & Electric Locomotives on proprietary basis.

In the cases of certain items obtained on proprietary article certificate, it was observed that the same firm had quoted different rates to different Railways and when items were procured against limited tenders instead of proprietary basis the rates obtained were lower than those quoted by the firms against proprietary tenders. In view of these Board have decided as under:

i). All Railways shall ensure publication of rates of PAC purchase and that items procured on PAC are separately grouped while publishing the particulars in the Indian Trade Journal.

ii) The Railways will issue advertised tenders once in 2years in cases of value exceeding Rs. 2 lakhs even for sophisticated spares certified as single source items. The bulk procurement will, however, be restricted to firms approved by DLW/CLW or by the concerned Railways.

iii) The firms who are not in the approved list and firms whose drawings had been authenticated by any Railway other than the one which issued the tender can be considered for educational orders if their rates are competitive and after verifying the capability of the firms thoroughly.

iv) There should be quarterly meeting of Stores/Mechanical/Electrical Officers of the Railways in the Metropolitan Cities for exchanging the information on the firms approved during the previous quarter for various items.

Authority: Board's letter No.73/RS (G) 779/30 pt. II dated 30.03.1987 (Annexure VI/7-05)
No. 73/RS (G) 779/30 pt. II dated 17.02.1989 (Annexure VI/7-06)

7.4. Procedure and policy of procurement in cases where a sole indigenous manufacturer of equipment is involved.

(i) In all cases involving purchases of materials from a single monopoly source, the Railway Administration should endeavour to prevail upon the firm to accept the Railway's Book Examination Clause. If they are not agreeable it should be made clear to them that under section 209-A of the Companies Act, the Government have got the powers to examine the books of the company.

ii) The Book Examination Clause can be invoked whenever it is felt that the rate quoted by the firm is unreasonable and the Railways are unable to persuade the firm to reduce the rate through negotiations. Such cases may be referred to the Board for deciding for invoking the Book Examination Clause in consultation with

MRTP Commission of the Ministry of Industrial Development. The following details should be furnished by the Railways :--

a) Whether the item under procurement was imported in the past and if so, whether efforts were made by the Railway to obtain the current international prices (Dept. of Supply have suggested that to discipline any monopolist supplier, imports can be resorted to);

b) Whether negotiations were held with the firm indicating the remedies available to the Government for Examination of books including the possibility of import at cheaper international price-.

If the requirement is operationally very urgent and cannot wait for the detailed procedure for invoking the Book Examination Clause. the tender may be finalised for an appropriate minimum quantity duly reporting the position to the Railway Board. In such cases, the possibility of import for meeting the requirement of the future contract period should be considered in consultation with the Railway Board. All these proposals should have the personal approval and concurrence of Controller of Stores and F.A. & C.A.O. respectively.

Authority: Board's letter No. 82-BC-PAC/VII/102 of 25.03.1985 (Annexure VI/7-03)

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PART VI

CHAPTER 8

DEALING WITH THE RAILWAY BOARD CONTRACT AND AGENCIES FOR PROCUREMENT

8.0. Role of Appreciation Committee :

a) The role of appreciation committee will be to highlight the important points for the benefit of the Accepting authority. Any gross irregularity/mistake/deviations from the standard procedures/rules may be commented upon & Appreciatin Note recorded for the benefit of the Accepting Authority.

b) After receipt of the Minutes, the Exec Director of the concerned Nodal Dte. will give a copy of the minutes to associate finance & ED of Technical Dte. Thereafter, ED concerned (Convenor) will call for a meeting of the Appreciation Committee & their comments will then be put up to the accepting authority.

c) Where clarification is necessary, the Appreciation Committee will decide the items of reference & time period of three weeks may be kept for obtaining necessary clarifications. Thereafter, the appreciation committee will finalise comments within 7 days. Where the clarifications received are not considered adequate by the appreciation committee, no second, back reference will be made, instead the representatives fro the concerned Railways as considered necessary will be called to Board's office, giving 7 days notice. The Appreciation Committee's final note shall be prepared in another 7 days' time after meeting the representatives of the Railways.

d) The routing of Stores Tender Committee/Appreciation Committee cases through ED/Finance should be dispensed with. Thus in respect of Stores Tender cases requiring the approval of Additional Member's level, Tender Committee/ Appreciation Committee proceedings should be directly put up to the approving authority i.e. concerned Additional Member.

Authority : Railway Board's lr. : 2000/RS(G)/777/1 dated 13.07.2001 (Annexure VI/8-15)
2003/RS(G)/777/1 Pt.1 dt. 09.07.2003 (Annexure VI/8-28)

8.1. Procedure for Finalisation of contracts placed by Riy. Board and submission of Completion Report.

Board has stressed the need for early submission of Completion reports for Rly. Board Contracts but the response from the consignees (Zonal RIys.) is not received within a reasonable time frame. As a result several complaints have been received from the suppliers for delay in finalisation of cases even though deliveries have been effected very long back.
In this circumstance the Board has decided to formalize closing of Railway Board's Contracts and release balance payments pending receipts of Completion Reports from Zonal Railways. The defaulting Railways will be responsible for the regularisation of the issue within one year.

Further Completion Reports against Board's contract may be monitored closely by the nominated officer and monthly PCDO being sent by the COSs to the Board/ Advisor stores should include a para on the progress in this regard.

Authority : Bd's letter No. 87/RS(Q)/779/-I1 of 12.01.1990 (Anx.VI/8-0I) &
No. 87/RS(Q)/779/-I1 of 23.06.1992 (Anx.VI/8-05)

8.2. Board has dispensed with sending the review statement of WTA items duly signed by SAG officers alongwith Indents. Indents for all the WTA items may now be sent to Railway Board as indents for other items

Authority : 2002/RS(WTA)-149/MTC dated 18/11/2002 (Annexure-VI/8-24)

8.3. Clarification on reference of cases to Board:

8.3.1. If the initial value of lowest technically acceptable offer based on the tendered quantity is more than the acceptance power of General Manager but the final proposal for purchase is within the acceptance powers of General Manager due to negotiation, the tender case need not be sent to Railway Board as the same is within the competence of General Manager to accept.

8.3.2. For making amendments in purchase orders placed against tenders valuing beyond the acceptance powers of GM:

8.3.2.1. Exercise of Option Clause

In cases where (+)30% option clause quantity has been added up to determine the level of the Tender Accepting Authority, and sanction of the same has been conveyed to Railways while approving the purchase, Option Clause in the post contract stage can be exercised with the concurrence of FA&CAO and approval of GM. While doing so, requisite checks and balances to ensure sanctity of tendering system, protection of financial interests of the Railways, performance of the supplier(s) in question, delivery requirement of the Railways, etc. are to be exercised.

8.3.2.2. Amendments to the contracts

(a) There can be cases where POs may have to be amended to rectify certain errors made while drafting the Purchase Order. In such cases, to make Purchase Order conforming to TC recommendations accepted by the tender accepting authority, amendments may be issued on the basis of an executive note with the concurrence of Associate Finance and approval of COS.

(b) There can be cases where the TC while framing their recommendations ignored or did not take into consideration certain conditions/aspects of the tenderer's offer or incorporated certain counter conditions and the POs are placed accordingly. Thereafter, the firm approaches the Purchaser for amendments for accepting terms and conditions as quoted by them in their offer and/or for withdrawal of the counter conditions, as aforesaid. In all such cases, TC will have to examine the matter de-novo and put up supplementary TC recommendations :--

(1) These recommendations may be accepted by GM provided the following conditions are satisfied:

Recommended Amendments to the contract shall not:

(i) have any financial implication,

(ii) vitiate the tender, &

(iii) provide undue advantage/benefits to the Supplier, due to such changes.

(2) In cases where financial implication is involved then the supplementary TC proceedings duly approved by GM are to be forwarded to Board for approval. Suffice it to say, condition as indicated in Para (b)(1)(ii) & (iii) above shall be required to be satisfied in all the eventualities.

8.3.3 It is clarified by the Board that for operation of "Minus Option Clause", wherever included in the contract, approval of MR/MOS(R) is not required. The operation of the minus Option Clause may be done with the approval of accepting authority in case of purchases falling within the powers of the Railways and with the approval of GM in case of purchases approved at the level of the Board/ MOS(R)/MR.

Authority: Bd's letter No. 93/RS(G)/779/5/Pt of 15.12.1998 (Annexure VI/8-07)
2004/RS(G)/779/10 dated 01.02.2007(Annexure.II/3-27)
2004/RS(G)/779/10 dated 03.04.2008(Annexure.II/3-28)
2007/RS(G)/779/5 dated 14/07/08(Annexure.VI/8-42)

8.3.4. It is clarified that General Managers of the Zonal Railways may accord approval for negotiations, where considered necessary, even in respect of tenders the value of which is beyond their powers, subject to such approval being accorded on the basis of recommendations of the Tender committee and following the guidelines laid down for conducting negotiations. Only final recommendations of the TC may be referred to the Board for their approval, as usual.

This procedure is however not applicable to tenders to be finalized under he Work Bank Loan, which will continue to be dealt with in accordance with the procedure prescribed there for.

Authority: Board's letter no: No.RSP/90/4100 dated dt.01.03.90(Annexure.VI/8-03)

8.4. Decentralisation of **Centralised** Procured **Items:**

The following items which were earlier being procured by Railway Board have been de-centralised and these have to be procured directly by the Zonal railways/ PUs :--

1) Loco batteries 110V, 75 AH (for 2 years) (D.O. to be placed by CLW only.)
2) Transformer Oil for Electric Loco EMU and Traction sub-station Transformers (for 2 years) (D.O. to be placed by CLW only.)
3) Electric Loco Cables conforming to RDSO Specification No. SPEC/E-14/01(Pt.II) 1992 Rev. I table-I for class 5/6.
4) HDGCC Contact Wire and Catenary wire will be procured by CORE.
5) Lead Acid batteries 8 Volt/450 AH for BG Diesel Locos
6) Lead Acid batteries 8 Volt/290 AH for MG Diesel Locos
7) Lead Acid Train Lighting batteries 120 AH& 800 AH
8) Brushless Alternators 4.5 KW
9) Brushless Alternators 25 KW
10) Train Lighting Lamps for coaches & Loco Headlight Lamps
11) RC fans (all types) for coaches
12) Power Transformer

13) Air Brake Equipments

14) CBC Components i.e. Knuckle, Coupler Body, Yoke, Striker Casting, Lock, Draftgear

15) Cloth Cotton :
    a) Drill : Cloth IS:177/89 or latest for fabrication
    b) Cellular : Cloth IS:1144/80

16) Cloth Woolen :
    a) Serge V No 1 : IS 2319/87
    b) Serge V No 4 : IS 2319/87
    c) Angola Shirting : IS 833! /93
    d) Great Coat Cloth : IS 679/74
    e) Blanketing Blue : IS 895/57
    f) Water Resistant Cloth : IS 679/74

17) Cloth Polyester Cotton :
    a) Shirting – IS 11815/86
    b) Suiting – IS 11248/95

18) Lubricant Oil for Machinery Plant & Automotive Application – All Grades

19) Branded Oils for Locos and Rolling Stock Applications :

    Servo System – 81, 100, Servo Press 150, Servo Torque 10, Servo Super 40, Servo Gear HP 90, 140, SM-140, Servo Lube 100 & Servo Mesh SP-257

20) Electric Point Machine

21) Point Contactor Unit and Relays

22) DC Shelf & Plug-in type Track relays

23) Lamp proving relays, Metal to Metal & Metal to Carbon

24) Mini Group Relays – Plug-in type metal to metal contact line relays

25) Three positions polarized, time element & Twin Relays

26) Tokenless Block Instrument for RE Area

27) Signal Lenses

28) Signal Lamps

29) Sitel Cell

30) Digital Microwave Trans Receivers

31) DC Miniature Plug-in Line Relays – (Q Series Relays)

32) Signalling cables – All cores

33) Optical Fibre Cables

34) 4 Quad Cables

35) 25 KVA Inverter

36) 1100 AH VRLA Batteries

37) Roof Mounted Package Unit (RMPU)

38) 25KV Vacuum Circuit Breaker

39) Dynamic Braking Resistor – to be procured by CLW only

40) Motor Spirit (Petrol)

41) Huck Bolts for maintenance activities

42) WDPJ Crankshaft for locomotives – Northern Railway should make centralised purchase for their locosheds & also for South Central Railway for contract period 2005-06 onwards

43) SS Wire Ropes

44) Auto-tensioning device

45) Steel Beams

46) Circuit Breakers

47) PTFE Neutral Section Assemblies

48) Ultra Low Sulphur diesel

49) Dynamic Brake Resistor (DBR)

50) 25KV Vacuum circuit breakers (CVB)

51) Transformer 5400 KVA (TFP)

52) Rectifier Block for electric locos

53) Static inverters for electric locos (SI)

54) Eletric loco bogies

55) Steam coal

56) Soft coal

57) Soft coke

58) Track circuit equipments, Jeumont type.

59). Axle counters

60) Axle counter cables.

Note .-- a) For major items centrally procured by DLW, the purchase orders should indicate DCW as separate consignee to avoid delay / double handling, in case of direct supply of their requirements.

b) Railway Board's guidelines on procurement of these items should be followed as per the letters under reference.

Authority : Railway Board's letters no.

69/RS(G)/645/1(B) of 26.09.1990 (Annexure.VI/8-04)
99/RS(G)/779/13 dated 16/02/2000 (Annexure- VI/8-08)
RE(S)11/98/9300/7/1 dated 07/04/2000 (Annexure- VI/8- 09)
99/RS(G)/779/13 dated 26/07/2000 (Annexure- VI/8- 10)
99/RS(G)/779/13 dated 02/02/2001 (Annexure- VI/8- 11)
99/RS(G)/779/13 dated 26/03/2001 (Annexure- VI/8- 12)
99/RS(G)/779/13 dated 18/04/2001 (Annexure- VI/8- 13)
99/RS(G)/779/10(CS) dated 30/05/2001 (Annexure- VI/8-14)

99/RS(G)/779/13 dated 04/09/2001 (Annexure- VI/8- 16),
99/RS(G)/779/13 dated 04/09/2001 (Annexure- VI/8-17),
99/RS(G)/779/13 dated 04/09/2001 (Annexure- V1/8-18),
99/RS(G)/779/13 dated 04/09/2001 (Annexure- VI/8-19),
99/RS(G)/779/13 dated 04/09/2001 (Annexure- VI/8-20)
99/RS(G)/779/13 dated 11/10/2001 (Annexure- VI/8- 21)
99/RS(G)/779/13 dated 28/01/2002 (Annexure- VI/8- 22)
98/RS(G)/779/10 dated 23/07/2002 (Annexure- VI/8- 23)
2002/RS/(WTA)-149/MTC dated 18/11/2002 (Annexure- VI/8- 24)
RS(POL)/58/91/501/2002(2/03) dated 18/02/2003 (Annexure-VI/8-25)
99/RS(G)/779/4(7/03) dated 25/05/2003 (Annexure- VI/8- 26)
99/RS(G)/779/13(5/03) dated 2/06/2003 (Annexure- VI/8- 27)
99/RS(G)/779/13 Pt.I dated 23/12/2003 (Annexure- VI/8- 29)
2005/RS(G)/779/1 dated 21/08/2006 (Annexure- VI/8- 35)

8.5. The following items should not be purchased in Works Contract but should be purchased through Stores department :--

i) SMPS based Integrated Power Supply System, batteries & cables

Authority: Bd's letter No. 2005/Sig/CA-III/26 of 18.08.2005 (Anx.VI/8-30)
2005/RS(G)/779/12 of 06.09.2005 (Anx.VI/8-31)

ii) Procurement of Signalling, Telecommunication & Electrical cables except in following cases :--

a) Procurement of electrical wires & cables used for maintenance, repair & other works related with passenger amenities, staff quarters & amenities

b) Wiring /electrification works for quarters, glow sign boards, yard lights & minor electrical & communication works of urgent nature & works related with 'Touch & Feel' items

However, care should be taken to ensure that prices of items procured are reasonable w.r.t. any ruling DGS&D rate contract prices or prices at which they are being procured against contracts placed by Stores Department

Authority: Bd's letter No. 2005/RS(G)/779/12 of 19.04.2006 (Anx.VI/8-32)
2005/RS(G)/779/12 of 14.09.2006 (Anx.II/4-65)

iii) LED signals should be procured as a part of Stores Contracts and following guidelines should be followed :--

a) The supply of LED signals needed for construction activity or maintenance activity should not be included in the works contracts & should be procured through Stores Supply Contract

b) For demands of works/construction/project units LED signals should be procured against "Non-stock indents". This will be a stock item for requirement of open line for regular maintenance. Consumption period/cycle (of one year) should commence after nine months from the date of submission of annual estimated sheet/stock recoupment sheet. Interim requirements, if any, should be procured against NS indents.

c) For urgent purchases, powers delegated to Railways should be utilised wherever necessary.

Authority: Bd's letter No. 2001/SIG/SGF/12(LED) of 18.06.2007 (Anx.VI/8-39)
2001/SIG/SGF/12(LED) of 23.07.2007 (Anx.II/4-76)

8.6. Procurement against DGS&D Rate Contracts :

8.6.1. Delegation for placement of supply order against DGS&D rate/running contract:-
COS - full powers

CMM/Dy.CMM/SMM – as per their level of acceptance

8.6.2. Delegation for direct procurement of stores by COS for which DGS&D has entered into rate/running contract, if stores are required urgently or can be more conveniently obtained locally or from nearer station:-

Upto Rs. 1 lakh in each case subject to ceiling limit of Rs. 5 lakhs in each case per annum.

Authority: 2007/RS(G)/779/1 dated 04.04.2008 (Annexure II / 1 - 59)

8.6.3. Delegation of powers for Divisional Stores and Depot Stores Officers for placement of supply orders against DGS&D rate contracts:-

1. Sr. DMM/ Dy.CMM(Depot) – Rs. 3 lakhs per case.
2. DMM/SMM(Depot) Independent Incharge–Same as that of Sr. DMM/Dy.CMM (Depot)
3. DMM/SMM(Depot) other than Independent Incharge – Rs. 1.5 lakhs per case
4. Assistant DMM/AMM (Depot) Independent Incharge – Same as that of DMM/SMM(Depot) other than independent incharge
5. Assistant DMM/AMM (Depot) other than Independent Incharge – Rs. 1 lakh per case

Above powers to be exercised within annual ceiling limits which may be decided by COS in consultation with associate Finance.

These powers to be exercised within available budgetary limits and each demand allocation and primary unit.

Authority: 2007/RS(G)/779/1 dated 04.04.2008 (Annexure II / 1 - 59)

8.6.4. Appendix VI of Indian Railway Stores Code (Vol-I) (Revised Edition-1990) (as referred in Paragraph S-801) is amended as per Advance Correction Slip No-15 dealing about of list of items to be purchased through DGS&D.

Authority : Railway Bd;s lr 98/RS(G)/779/10(CS) dated 01/11/2006 (Annexure VI/8-38)

8.6.5. Guidelines for procurement of stores against DGS&D Rate Contracts :

For selecting the DGS&D rate contract holders for ordering, the following factors may be kept in view :

1. The rate contract price.
2. The past performance of firm with reference to their capacity, quality of supplies as well as timely delivery of the goods;

3. The need for reputed brands in the case of sensitive, critical and selective applications"

4. Wherever valid rate contracts are not available or the available rate contracts do not meet the requirement of the Railways in respect of the specification, delivery requirement and quality considerations, Railway can go ahead with the direct procurement of materials after recording adequate justification for that purpose.

5. Wherever, there are failures against the rate contract in terms of timely delivery and quality of goods, such failures should be reported to DGS&D and direct alternate procurement action may be taken in order to ensure timely availability of quality materials to meet the needs of the Railways."

6. The proximity of the rate contract holder where proximity is considered crucial for timely delivery, ease of progressing & from the point of view of logistics & contract management etc.

7. Railways should maintain suitable records for past performance in respect of timely delivery & quality

8. Whenever direct tenders for procurement of DGS&D RC items are invited in the absence of valid DGS&D rate contracts & subsequently if DGS&D rate contracts are received while direct tenders called for by railways are under consideration & such rate contracts are at higher rates than the acceptable rate received in the tenders called for by the railways/Pus, then the direct tenders may be finalized and orders placed not to forego the advantageous rates. Thereafter, the lower rates finalized by the railways may be advised to DGS&D for their information. However, in such cases Railways should satisfy themselves as to the quality of the materials, specification, the standard of inspection & acceptance, the credentials source of supply etc. with reference to those in the DGS&D rate contracts.

9. The delivery date committed by the firm with respect to the delivery requirements of the Railways.

Authority: Rly Bd's lr no: 2005/RS(G)/779/13 dated 04.07.2006 (Annexure VI/8-34)
2006/RS(G)/66/Misc dated 11.10.2006 (Annexure VI/8-37)
2005/RS(G)/779/13 dated 19.12.2007 (Annexure VI/8-41)

8.7. Procurement of Gears & Pinions for electrics locomotives through Rate Contracts

In view of the requirement of planned increased production of Electric Locomotives and necessity to further improve electric loco availability, it has been decided to place one time centralised rate contract for all traction gears & pinions for electric locos, both covering production & maintenance requirement for upto 3 years i.e. 2007-08 to 2009-10. the rate contract will be processed and placed by Central Railway, as per the approximate quantity in respect of each type of gears & pinions detailed in Board's letter. After finalisation of the rate contract, zonal railways will place direct orders through their stores department as per extant procedures.

The rate contracts should be finalized in a manner that all RDSO approved sources including development sources are adequately covered as per their capacity/capability. Efforts may be made to place orders on adequate number of sources for each type of gears/pinions depending upon volumes.

Authority : Railway Bd's lr 2006/RS(G)/11/3 dated 08/09/2006 (Annexure VI/8-36)

8.8. Procurement of Bedroll items(On Board Services) etc.

a) Provision of bedroll services including procurement, washing & distribution should continue to be done by the Zonal Railways

b) IRCTC should not undertake any new work of bedroll services on train

c) IRCTC should hand over the bedroll services to railways which have been taken over on “as is where is” basis from the Zonal railways

d) Railways should take necessary steps to do timely procurement of all bedroll items so as to ensure continuance of bedroll services without any inconvenience to passengers.

Authority : Railway Board’s letter 2004/RS(G)/113/1 dated 20/03/2007 (Annexure II/5-13)
2004/RS(G)/113/1 dated 09/08/2007 (Annexure II/5-15)

8.9. Centralisation of items / spares for GM Locomotives:

Board has decided that DLW will be nodal agency for centralized procurement of items/spares of GM Locomotives needed for their maintenance and operation by all Railways/PUs**.**

Authority : Board’s letter no: 2008/RS(G)/779/10 dated 21/10/2008 (Annexure VI/8-44)

8.10. Delegation of powers placement of purchase orders on other railway units by depot/ divisional officers for material assistance:-

1. Sr. DMM/ Dy.CMM(Depot) – Rs. 5 lakhs per case
2. DMM/SMM(Depot) Independent Incharge – Same as that of Sr. DMM/Dy.CMM (Depot)
3. DMM/SMM(Depot) other than Independent Incharge – Rs. 2 lakhs per case
4. Assistant DMM/AMM (Depot) Independent Incharge – Same as that of DMM/SMM(Depot) other than independent incharge
5. Assistant DMM/AMM (Depot) other than Independent Incharge – Rs. 1 lakh per case

Authority: 2007/RS(G)/779/1 dated 04.04.2008 (Annexure II / 1- 59)

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PART VI

CHAPTER 9

PROCUREMENT FROM APPROVED SOURCES AND QUALITY SPARES

9.0. Procurement of Quality Spares

Board have decided partial relaxation to the provisions under para 311-S as follows:

i) A committee consisting of COS, FA&CAO (Co-ord.) & PHOD of the concerned department such as CME/CEE/CSTE etc., will draw out lists of items of critical nature and safety items, where quality is of paramount importance and also the names of firms considered fit for supply of these items in acceptable quality. Such lists will be drawn for various groups of items and the short listed firms for various items under each group. Care. may, however, be taken to see that the firms manufacturing products of acceptable quality only are included in the list. The procurement of these items will then be made only through limited tenders from the firms shortlisted by the Committee.

ii) The recommendations of the Committee for limiting procurement of such critical items will then be put up for personal approval of GM of the Zonal Railways/ Production Units for one time approval for fulfilment of provision under Para 331-S of Stores Code instead of approval on case by case basis.

9.1. Once the lists have been so approved, the procurement during validity of this list would be through limited tenders only from shortlisted firms. However, wherever the Committee consider necessary, developmental orders can be placed to develop new sources whose products should be thoroughly tested before additions/deletions to the list are made.

Authority: Bd's letter No.73/RS(G)/779/30 Pt.ll dated 17.01.1995 (Annexure II/1-33) & No.73/RS(G)/779/30 Pt.ll dated 26.10.1995 (Annexure VI/9-01)

9.2. Procurement of assets from approved sources:

1. Placement of development orders should not be considered as routine but considered only in the following situations:-

   i) Where the approved sources are not adequate and it is desirable to develop more sources for bringing in more competition or improvement in quality.

   ii) Where the rates received from the new sources are lower than those applicable to approved sources and where new sources are having potential for supply of quality material and are having infrastructure of plant and machinery and testing equipment as per the quality assurance programme.

2. Approval of vendors in the approved list of suppliers should be for a period of two years at a time. The performance of the approved sources with respect to quality supplies will be the responsibility of the approving authority who will systematically monitor the quality norms so that quality of supplies is of the

highest standard as per specifications. The vendors whose quality is suspect will be systematically weeded out.

3 Railway procure some of the items from approved sources. List of approved sources may undergo a change after opening of tender. Status of firm is reckoned as on the date of tender opening. However if a firm is downgraded, removed, suspended or banned the same shall be taken into account while deciding the tender.

4 Wherever necessary, bulk purchase is to be made only from firms approved by RDSO/PUs/CORE etc for such ordering i.e Part I vendors.

5. Ordering on firms approved by RDSO/CORE/PUs as Part II vendors is to be limited upto 15% quantity normally.

6 Ordering on Part-II approved source can be upto 15% or highest quantity of a past order for the tendered item successfully executed in the preceding 3 years in the same Railway unit or other Railway Units / PUs, whichever is higher, subject to (i) maximum of 25% of the net procurable quantity in the given procurement case and (ii) the tender committee/accepting authority being satisfied about the financial capacity, performance aspects, etc.

7 When more than one Part-II sources are within the zone of consideration on the basis of competitive price ranking with satisfactory past performance on that Railway, each Part-II sources may be considered for ordering in the same manner as indicated above. Aggregate quantity to be ordered on all Part-II approved vendors taken together, however, will not exceed 25% of the net procurable quantity, in a given procurement case.

8. All Part-II approved tenderers must submit attested photocopies of POs, inspection certificates and receipt notes/certificates related to the maximum quantity of the material under procurement, successfully supplied by them in any single order placed on them over the preceding three years by any Zonal Rly / PU. Such tenderers are to note that non-submission of such documents shall be taken as their not having any such past performance and their offers shall be considered further as per extant rules and no back reference in this regard will be made to them.

9. If there is no approved source in Part-I list and approved source exist in Part-II only, such Part-II firms will be considered for placement of Bulk quantity orders as well as without any quantity restrictions, otherwise applicable to Part-II firms.

10. If the tendering firm(s) is not approved by RDSO/PUs/CORE , as part I or Part II then they must submit their credentials details i.e Machinery and Plant, Testing Facilities, QAP, Technical Manpower, etc.

11. Offers from new suppliers may be considered for developmental / trial orders upto a maximum of 5% only after confirmation of their capacities /capabilities by RDSO/PUs/CORE. Failure to furnish requisite credentials details i.e Machinery and Plant, Testing Facilities, QAP, Technical Manpower, etc will make their offer liable to be ignored.

12 In cases where sources are not approved separately under Part II, but there is a need for placement of repeat development orders, the philosophy of ordering on Part II sources given above shall be applied.

13. The quantity to be procured from new development vendors should be restricted to the minimum which may be adequate for monitoring performance of the item.

14 During consideration of tenders for ordering on regular sources, due weightage should be given for the past performance both for quality and delivery in distribution of quantities wherever required, so as to ensure timely receipt of quality materials.

15 In case of developmental tenders for developing indigenous sources for imported items or where number of sources is considered inadequate, it is considered advisable even to permit differentia! rates within reasonable limits to different firms, as it is in the Railway's interest to develop multi sources with appropriate quality norms.

16 Items repeatedly failing and causing concern be identified by the approving authority and their specifications and sources revalidated.

17 In the cases where rates of Pt.ll approved vendors were lower than the original rate of the L1 Pt.l approved source, eligible and suitable for bulk ordering with whom a price negotiation is held and if, after price negotiation with the L1 Pt.l approved tenderer, their rate becomes lower than that of the lowest Pt. II approved tenderer, then another price negotiation should be held with the lowest Pt.ll approved tenderer subject to the condition that the firm's offer is otherwise suitable and eligible for placement of an order as per extant procedure. If the L1 or any other higher offer from Pt.II approved sources gets passed over due to valid reasons then the next higher tenderer(s) in the Pt.II category should be extended the same treatment, provided their rate was lower than the lowest rate from Pt.l approved tenderers, as per the original inter-se ranking of the rates.

18. In any case, the rate at which the PO on a Pt.II approved tenderer may be placed must not be higher than the lowest rate at which the P0 on a Pt.l approved tenderer will be placed.

Authority : Board's letter dated 99/RS(G)/709/Pt.I dated 06.09.99, (Annexure II/1-38)
99/RS(G)/709/1 dated 28.04.04 (Annexure VI/9-05)
99/RS(G)/709/1 dated 05.05.2006(Annexure II/4-61)
99/RS(G)/709/1 Pt.1 dated 29.06.2007(Annexure II/4-74)
99/RS(G)/709/1 dated 06.12.2007(Annexure II/4-86)
99/RS(G)/779/2 dated 27.06.2008. (Annexure II/4-90)

9.3. Procurement of Spares for Maintenance of Equipment/Machine : In the purchase of spares used for maintenance of expensive equipment/machines, rate contracts for the spares be entered into for a period of 2 years and with predetermined price variation clause with OEMs to facilitate uninterrupted supply of genuine spares. Procurement from an alternative source be allowed only after proper scrutiny and approval of the source.

Wherever possible, annual maintenance contract be entered into (beyond warranty) at the time of procurement of new equipment/machine and price catalogues for spares and

components should also be invariably asked for at the time of procurement of the new equipment/machine.

9.4. Running contracts for low value spares:

In case of low value items vulnerable for failure like rubber components, low value castings and forgings, certain specified hardware items, etc.., running contracts should be finalised on reliable/quality sources. These running contracts may cover 2 years' requirement at a time and should be centrally operated by the office of Controller of Stores, so as to keep check on the total drawal against each contract.

Authority: Bd's letter No.99/RS(G)/709/1 of 06.09.1999 (Annexure II/1-38)

9.5. Approval of Vendors:

i) The approval of sources should be done after ensuring acceptable QAP, technical capability, manufacturing of quality product, adequately testing equipment for maintaining quality standard, capacity and financial status. The approving agency should also lay down the process of manufacture, requirements of stage inspection, procedure and the facilities considiered necessary to maintain quality.

ii) Approval of vendors in the approved list of suppliers should be for a limited period say two years (at a time). The performance of the approved sources with respect to quality supplies will be the responsibility of the approving authority who will systematically monitor the quality norms so that quality of supplies are of highest standard as per specifications. The vendors whose quality is suspect will be systematically weeded out.

9.6. Vendor Development Cell : Each Railway/Production Unit should have a separate cell consisting of stores and technical officers for purpose of vendor development. This cell shall lay down norms for development, inspect firms for their approval, review the vendors based on quality performance of materials supplied, upgrade vendors from Part II to Part I or from development to regular status and vice versa etc.

The Development Cell shall be headed by a SAG Stores officer to be assisted by JA Grade officers from other disciplines as per need. Similarly, development cell for track items will function separately.

The Vendor Development Cell will have the responsibility of gathering information on quality of various products from consignees, RDSO, pre-inspection agencies and suppliers. The Cell will be responsible for scrutinising the records for the purpose of ensuring quality products, assessment of vendor performance rating etc.., and coordination, taking up with the firms, RDSO etc if the supplies are not as per the required quality norms.

9.7. Quality File : A quality file should be maintained by the source approving authority containing the basic information of description, specification, approved sources, records of quality and delivery performance of the sources and other relevant information for each item. The file should also contain information like rejections during stage and final inspection. This information may be given by inspecting agencies through appropriate column in inspection certificate. However, considering the large number of items, this may be done to begin with for items with annual consumption value of Rs.3 lakhs and above. In case of lower value items which are considered critical, railways may if so desired decide to open quality files for a

limited number of such items. The information in the quality file shall be an important input for the Tender Committee/Accepting Authority at the time of consideration of tenders.

9.8. Vendor Rating : Source approving authority should develop systematically a scientific vendor rating system so that rating of the vendors is available at the time of decision making. However, considering the amount of basic information required over an extended period of time for working out the ratings of the vendors, the relevant information for this purpose be laid down and systematically collected in the quality file. Since most of the railway materials are being inspected by RITES or RDSO and these agencies are in the complete know of the contracts placed, deliveries made, stage and final inspection results and the quantities rejected during manufacture or at the consignee's end, these agencies have the necessary information that is required for obtaining the vendor ratings. Relevant information should, therefore, be obtained from these agencies regularly and kept in the quality file. Once a reliable data has been built over a period of time, the actual rating system can be introduced and ratings used for decision making.

9.9. System of reporting material failures : A system of reporting material failures, recording and analysis of failures, for safety, vital and critical items should be introduced in the technical wings on each railway and producition unit. This positive reporting of material failures and information will go a long way to eliminate suppliers who have been able to maintain quality supplies according to their original approval. This will also help vendor appraisal systematically and will also help appropriate purchase decisions to improve quality procurement and to discourage inferior suppliers. Railways and PUs will report systematically to the authorities who are responsible for issue of lists of approved vendors for appropriate action.

9.10. Quality Assurance Programme : RDSO and Production Units/Railways should review the drawings and specifications to introduce identification marks of suppliers and month/year of manufacture so that materials, in the actual use can be traced to the suppliers for premature failures. This must form a part of inspection. The location for these identification marks should be such that they do not get obliterated on wear & tear or failure of the material.

Inspection parameters and testing procedure including sample sizes tor destructive and non-destructive testing etc wherever considered necessary be laid down. Pre-inspecting agency should incorporate the test results in the Inspection Certificate and the inspector should sign the firm's records of inspection wherever these are performed in his presence.

At the time of drawing up of specification and drawings, details of the process of manufacture, stage inspection requirement, test data and the quality assurance programme be prescribed to achieve the desired quality , the inspection procedure and the manufacturing facilities considered necessary including adequate testing equipment for guidance of vendor approving & inspecting agencies.

In case of items where even materials to laid down specifications are not coming up to desired quality levels, the specification and the manufacturing processs should be discussed with the major manufacturers. The nominated source approving agencies, like RDSO/CLW/DLW/ICF should initiate such dialogues after suitably identifying the items causing failures.

9.11. ISO-9000 certification of vendors : In case of high value items Railways/Production Units/RDSO should lay down ISO certification as a criteria for fresh registration/renewal of registration. For this purpose value limit for firms' turnover of Rs.50 lakhs per year is considered reasonable.

In case of vital & safety items, ISO certification may be laid down if considered necessary irrespective of the annual turnover. Lists of such items where ISO certification is considered necessary shall be issued by Stores directorate in consultation with the concerned technical directorate of the Board.

In case of materials supplied by authorised vendors and not by the OEM, the ISO certificate of the OEM can be considered as fulfilling the requirement of this clause.

These instructions should be brought into force after giving a reasonable time to the vendors for obtaining ISO Certification say, for tenders opened in December 2000 or later

9.12. Quality and records of maintenance Spares of Machines: In case of expensive equipments/machine, record of annual usage and values of spares should be kept. This data may be used at the time of further procurement of new equipments/machine. This will discourage manufacturers to quote unreasonably high prices for spares.

Third party inspection in case of supply of spares by OEM may be dispensed with and instead spares may be taken on manufacturers' warranty and fit for the purpose certificate. Rotating warranty bond for a fixed amount be taken in such cases. This will however not apply to spares obtained through authorised agents. For S&T and safety items third party inspection will continue to be carried out by RDSO or railways representative as in vogue.

It will be desirable to introduce the concept of kits of similar items for overhauling major assemblies rather than buying the items individually.

9.13. Identification of items for Rate/ Running contracts : In view of the flexibility available on quantities to be ordered against Rate/Running Contracts, Railway Board may identify items that can be considered for finalisation of rate/Running Contracts on centralised basis wherever it is considered advantageous.

9.14. Inspection : Inspection should be thorough and should be done by inspectors having adequate technical knowledge who can appreciate the effect of any variations. Inspection should therefore be entrusted to inspectors with the relevant technical knowledge.

Concept of random checking of materials may be introduced for materials supplied by approved firms including type test, etc. to ensure that the approved firms are continuing to maintain quality. In cases of sub-standard quality, the firms should be appropriately dealt with. Such act should be done with the approval of head of the unit (Depot, workshop, shed, etc.).

Authority: Bd's letter No. 99/RS(G)/709/1 of 16.09.1999 (Annexure II/1-39)
99/RS(G)/709/2-1C of 17.07.2000 (Annexure VI/9-02)
99/RS(G)/709/1 of 29.03.2006 (Annexure VI/9-06)

9.15. RDSO should submit an inspection report quarterly to Board as well as to Zonal Railways & PUs for those firms whose materials have been rejected & repeatedly during the quarter on the prescribed format issued by Board.

Authority: Bd's letter No.99/RS(G)/709/4 of 03.03.2004 (Annexure VI/9-04)

9.16. In order to ensure supply of quality material & to bring quality awareness among firms it has been decided that the following clauses be incorporated in the tenders as well as the Purchase Orders :

1. Materials peculiar to railways such as parts & fittings of rolling stock except raw material, which have been rejected by the inspecting authority andcould not be rectifued during inspection, are required to be defaced by the inspecting authority to avoid recycling of such rejected materials and to avoid ultimate failures of assets. All such rejected materials peculiar to railways should be mechanically defaced to prevent sale to Railways again.
2. In case the firm fails to offer the material for inspection against inspection call issued to inspecting agency or if the material have to be re-inspected due to rejection of the material at firm's premises by inspecting agency or due to non-despatch of material within validity of inspection certificate, then 50% of the inspection charges applicable for the offered quantity subject to maximum of Rs. 5000/- & actual test charges incurred will be paid by the supplier to inspecting agency.
3. In case the Purchase Orders are placed on trders/agents for the items, which are peculiar to the Railways, trders/agents should indicate the source of supply & inspection to be carried out at their manufacturer's premises rather than trader's/agent's premises to ensure genuineness of quality of the material.

Authority: Bd's letter No.99/RS(G)/709/4-1C of 23.02.2001 (Annexure II/1-42)

9.17. The lists of approved suppliers should indicate the names of the manufacturers only & no RID/Agents be mentioned.

9.18. A suitable clause as a special condition in the tender may be incorporated stipulating therein that only manufacturers should quote & if they intend to quote through RIDs/Agents, authorisation by the firm has to be on case to case basis *i.e*. tender specific.

9.19. In case of items such as bearings, where the inspection has to be carried out at RID/Agent's premises, the manufacturer shall also associate during the inspection so as to ensure genuineness of material. A suitable clause in this respect may also be incorporated in the tenders & contracts.

Authority : Bd's letter No.99/RS(G)/709/4 of 03.12.2002 (Annexure II/1-43)

9.20. Procurement of Stores on Life Cycle Cost (LCC) basis :

Board has accepted recommendations of committee of EDs for procurement of items on LCC basis for a few selected safety items on experimental basis as per Railway Board's letter No. 2002/RS(G)/709/2 dated 04/12/2003 (Annexure – VI/9-03).

ANNEXURE I

ANNEXURE-I/1-01

OFFICE OF MINISTER OF RAILWAYS

I have been repeatedly emphasising the need for introducing transparency and competitiveness in the procurement of materials by the Indian Railways. This would help Railways in getting quality product at competitive prices as also would ensure fairness in dealing with the bidders who participate in the open tender.

Some cases were put up to me earlier for finalisation on the basis of single/limited tenders in which I have given necessary directions. In the present case repeat orders were placed. Consideration of the cases for repeat orders would naturally amount to finalisation of the basis of a single tender.

I would like the Board to ensure that hereinafter all the procurements are to be made only through open tender. Procurement through single tender, limited tender or repeat orders should be stopped forthwith.

As I have spoken on the Floor of the House, I would like the Board to ensure that the above instructions , are strictly followed.

Sd/-
(M. R.)
28th March 1997

ANNEXURE-I/1-02

GOVERNMENT OF INDIA **RBS No. 01/2008**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No: 2008/RS(G)/779/2 New Delhi, dated 14.02.2008

General Manager/ All Rlys. & PUs

Sub : **Transparency in Purchase contracts awarded on nomination basis.**

Central Vigilance Commission, vide their Office Order No. 23/7/07 dated 05-07-2007 has stated that “Tendering process or public auction is a basic requirement for the award of contract by any Government agency as any other method, especially award of contract on nomination basis, would amount to a breach of Article 14 of the Constitution guaranteeing right to equality, which implies right to equality to all interested parties.

In order to lay proper emphasis on this point, a relevant extract from the recent Supreme Court of India judgment in the case of Nagar Nigam, Meerut Vs A1 Faheem Meat Export Pvt. Ltd [arising out of SLP(civil) No. 10174 of 2006] is reproduced below to reinforce this point.

“The law is well-settled that contracts by the State, its corporations, instrumentalities and agencies must be normally granted through public auction/public tender by inviting tenders from eligible persons and the notification of the public-auction or inviting tenders should be advertised in well known dailies having vide circulation in the locality with all relevant details such as date, time and place of auction, subject matter of auction, technical specifications,

estimated cost, earnest money deposit, etc. The award of Government contracts through public-auction / public tender is to ensure transparency in the public procurement, to maximize economy and efficiency in Government procurement, to promote healthy competition among the tenderers, to provide for fair and equitable treatment of all tenderers, and to eliminate irregularities, interference and corrupt practices by the authorities concerned. This is required by Article 14 of the Constitution.

However, in rare and exceptional cases, for instance, during natural calamities and emergencies declared by the Government; where the procurement is possible from a single source only; where the supplier or contractor has exclusive rights in respect of the goods or services and no reasonable alternative or substitute exists; where the auction was held on several dates but there were no bidders or the bids offered were too low, etc, this normal rule may be departed from and such contracts may be awarded through " private negotiations'."

It is advised that the above observations may be noted for necessary observance. Further, all nominations/single tender contracts be posted on the web-site ex post facto.

Further, vide CVC's circular no. 15/5/06 dated 09-05-2006, have observed that in a number of cases, Works / Purchase Consultancy Contracts are awarded on nomination basis. It has been advised that, there is a need to bring greater transparency and accountability in award of such contracts to PSUs on nomination basis by Government of India/ PSUs. While open tendering is the most preferred mode of tendering, even in the case of limited tendering, the Commission has been insisting upon transparency in the preparation of panel.

In the circumstances, if sometimes award of contract on nomination basis becomes inevitable, it is advised that the following points should be strictly observed by Railways & / or PSUs:-

(1) All Works awarded on nomination basis to be brought to the notice of the Railway Board / Board of the respective PSU for scrutiny and vetting post facto.

(2) The report relating to such awards to be submitted to the Railway Board / Board of respective PSU, every quarter.

(3) The audit unit may be required to check at least 10 % of such cases.

Please acknowledge the receipt

Sd/-
(Trilok Kothari)
Director, Railway Stores (IC), Railway Board

No. 005/CRD/19
Government of India
Central Vigilance Commission

Satarkta Bhawan, Block 'A',
GPPO omplex, INA,New Delhi-110023.
Dated the 5th July 2007.

Office Order no: 23/7/07

Sub : **Transparency in Works / Purchase / Consultancy contracts awarded on nomination basis.**

Reference is invited to the Commission's circular no. 15/5/06 (issued vide letter No. 005/CRD/19 dated 9.5.2006), wherein the need for award of contracts in a transparent and open manner has been emphasized.

2. A perusal of the queries and references pertaining to this circular, received from various organizations, indicates that several of them believe that mere post-facto approval of the Board is sufficient to award a contracts on nomination basis rather than the **inevitability of the situation, as emphasized in the circular**.

3. It is needless to state that **tendering process or public auction** is a basic requirements for the award of contract by any Government agency as any other method, especially award of contract on nomination basis, would amount to a breach of Article 14 of the constitution guaranteeing right to equality, which implies right to equality to all interested parties.

4. A relevant extract from the recent Supreme Court of India judgment in the case of Nagar Nigam, Meerut Vs A 1 Faheem Meat Export Pvt Ltd. [arising out of SLP(civil) No. 10174 of 2006] is reproduced below to reinforce this point.

"The law is well-settled that contracts by the State, its corporations, instrumentalities and agencies must be normally granted through public auction/public tender by inviting tenders from eligible persons and the notification of the public-auction or inviting tenders should be advertised in well known dailies having vide circulation in the locality with all relevant details such as date, time and place of auction, subject matter of auction, technical specifications, estimated cost, earnest money deposit, etc. The award of Government contracts through public-auction / public tender is to ensure transparency in the public procurement, to maximize economy and efficiency in Government procurement, to promote healthy competition among the tenderers, to provide for fair and equitable treatment of all tenderers, and to eliminate irregularities, interference and corrupt practices by the authorities concerned. This is required by Article 14 of the Constitution.

However, in rare and exceptional cases, for instance, during natural calamities and emergencies declared by the Government; where the procurement is possible from a single source only; where the supplier or contractor has exclusive rights in respect of the goods or services and no reasonable alternative or substitute exists; where the auction was held on several dates but there were no bidders or the bids offered were too low, etc, this normal rule may be departed from and such contracts may be awarded through " private negotiations'."

(Copy of full judgement is available on the web-site of the Hon'ble Supreme Court of India, i.e www.supremecourtof India.nic.in)

5. The commission advises all CVOs to formally apprise their respective Boards/ managements of the above observations as well as the full judgement of the Hon'ble Supreme Court for necessary observance. A confirmation of the action taken in this regard may be reflected in the CVO's monthly report.

6. Further, all nomination / single tender contracts be posted on the website ex-post-facto.

Sd/-
(Rajiv Verma)
Under Secretary

To
All Chief Vigilance Officers

No. 005/CRD/19
Government of India
Central Vigilance Commission

Satarkta Bhawan, Block 'A',
GPPO omplex, INA,
New Delhi-110023.
Dated the 5th July 2007.

Office Order No.: 15/5/06

Sub: **Transparency in Works / Purchase / Consultancy contracts awarded on nomination basis.**

The Commission had, in it's OM No.06-03-02-CTE-34 dated 20.10.2003 on back to back tie up by PSUs, desired that the practice of award of works to PSUs on nomination basis by Govt. of India/PSUs needed to be reviewed forthwith. It is observed that in a number of cases, Works/ Purchase / Consultancy contracts are awarded on nomination basis. There is a need o bring greater transparency and accountability in award of such contracts. While open tendering is the most preferred mode of tendering, even in the case of limited tendering, the Commission has been insisting upon transparency in the preparation of panel.

2. In the circumstances, if sometimes award of contract on nomination basis by the PSUs become inevitable, the Commission strongly feels that the following points should be strictly observed.
   (i). All Works awarded on nomination basis to be brought to the notice of the Board of the respective PSUs for scrutiny and vetting post facto.
   (ii). The reports relating to such awards will be submitted to the Board every quarter.
   (iii). The audit committee may be required to check at least 10 % of such cases.

3. This may be noted for strict compliance.

(V.Kannan)
Director.

All Chief Vigilance Officers

No. 06-03-02-CTE-34
Government of India
Central Vigilance Commission
(CTE's Organisation)

Satarkta Bhawan, Block 'A',
GPO Complex, INA,
New Delhi-110023.
Dated : 20.10.2003.

OFFICE MEMORANDUM

Sub : **Back to back tie up by PSUs-Instructions regarding.**

It has been observed during intensive examination of various works / contracts awarded by construction PSUs on back to back basis that the works are being awarded in ad-hoc and

arbitrary manner without inviting tenders and ascertaining the performance, capability and experience of the tenderers. In some cases, the works were awarded on single tender basis/ limited tender basis though sufficient time was available with the Organisation to invite open tenders.

2. Some of the common irregularities / lapses observed during the examination of works were as under:

   a) No transparency in selection of contractor for the back to back tie up which is the main source of corruption.

   b) Collusion among the contractors was observed where more than one contractors were involved at various stages.

   c) Ineligible contractor obtains the contract through the PSUs.

   d) Purchase preference misused by the PSUs.

   e) PSUs sublet the complete work to a private contractor without obtaining permission from the client which invariably put a condition insisting such permission since the client is generally not interested in such back to back sublet of the work.

   f) Infructuous work (to the exchequer) due to the involvement of intermediary PSUs and cost of project goes up ultimately.

   g) No supervision by the PSUs as they put the staff mainly for co-ordiantion work.

   h) Quality ultimately suffers due to lack of supervision by the PSUs.

3. Commisiion is of the view that the practice of award of works to PSUs on nomination basis by Govt. of India / PSUs needs to be reviewed forthwith.

4. The irregularities observed during intensive examination of work and difficulties being faced by the PSUs in inviting tenders were considered and it has been decided that the procedure to be followed for award of work by Construction PSUs shall be finalized taking into account the following points:

   a) PSUs (when bag the contract from the client Department) as a contractor, has to execute the work by functioning like a contractor instead of sub-letting the 100% work on back to back basis.

   b) Open tenders to be invited for selection of sub-contractors as far as possible.

   c) In case, it is not possible to invite tenders, selection should be carried out by inviting limited tenders from the panel approved in the following manner. Panel of contractors are to be prepared for different categories, monetary limits, regions, in a transparent manner clearly publishing the eligibility criteria etc. The above panel is to be updated every year.

   d) Tenders to be opened confidentially by a high level committee to maintain the secrecy of rates, if required. Tender opening register should be maintained in this regard duly signed by the officers opening the tender and kept confidentially. This should be available for perusal when required by audit/ vigilance.

e) The terms and conditions of the contract of the client especially those pertaining to subletting of works should be strictly adhered to by the PSUs.

f) Adequate staff to be deployed by the PSUs to ensure quality in construction etc.

g) The record of enlistment / updation of contractor and tender opening register shall be produced to the CTEO as well as audit officials when demanded for scrutiny.

5. It is, therefore, suggested that the procedure for award of work on back to back basis be finalized keeping in view the above points and circulated amongst the concerned officials of your organisation or strict compliance in future works.

Sd/-
(R.A. Arumugam)
Chief Technical Examiner

To
All CVOs of Ministries / Departmens / PSUs etc.

ANNEXURE-I/2-01

Copy of letter No. 80/RS (G) 779/58 dated 10th November 1980 addressed to General Manager, I.C.F. and others.

Sub : **Canons of financial propriety .....Revision to Para 131-S to the Indian Railway Code for Stores Department.**

Ministry of Railways have decided to amend para 131-S as per Advance Correction Slip No. 193 enclosed.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

(Sd)
S.C.JAIN
Dy. Director, Railway Stores (G)
Railway Board

Advance Correction Slip No. 193

The following may be added as "Note" at the end of para No. 131-S (Canons of Financial Propriety): -

Note- "All proposals involving financial implications except those which have been specifically exempted for this purpose should be referred to Finance Branch for advice before these are sanctioned."

(**Aurhority :** Ministry of Railway's letter No. 80/RS (G)/779/58 dated 29 October 1980)

ANNEXURE-1/4-01

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 66/RS(G)363/(II) New Delhi, dated 28th January 1976

The General Managers,
All Indian Railways,
Production Units.

Sub : **Automatic Registration with D. G. S. & D. of Small Scale Units registered with N. S. I. C.**

A copy of D.G.S. & D's Office Order No. 119 dated 16th August 1975 on the abovenoted subject is enclosed. Ministry of Railways after careful examination of the matter have decided that similar procedure for registration of Small Scale Units registered with N.S.I.C. should be followed on the Railways/Production Units while registering small scale units under this scheme Railways/Production Units shall invariably obtain a certificate from N.S.I.C, that the said small scale units have been registered with them in accordance with the provisions laid down in D.G.S.& D.s aforementioned Office Order No. 119.They shall also ensure that registration of the firms is reviewed every 3 years after initial registration for 2 years and the names of the firms removed from registration by N.S.I.C. as provided in para (iv) and (vii) of the said office order are weeded out from the approved list.

N.S.I.C have been requested to extended all the facilities and furnish periodical information to the Railways/Production Units also as will be done by them in the case of D.G.S. & D.

The small-scale units already registered with the Railways should also be got screened by N.S.I.C. in accordance with this scheme.

(Sd.)
S.N.PANDAY

No.66/RS(G)363/(ll) New Delhi dated 28th January 1976

Copy to-The chairman, National Small Industies Corporation Ltd., Okhia Industrial Estate, New Delhi -110020 for information and necessary action with reference to his letter No.SlC/GP/15(4)/75 dated 9th October 1975. He is requested to ensure that facilities are extended and information furnished to D. G .S. & D. periodically under the above scheme are also made available to the Railways / Production Units. A list indicating their addresses is enclosed for reference. The responsibility for advising the Railways / Production Units of the names of the firms registered/removed from registration in accordance with D.G.S. & D.0.0. No. 119 shall lie with N.S.I.C.

Copy to - The Development Commissioner (SSI), Nirmal Bhavan , New Delhi for information.
DA: One list.

(Sd.)
S. N. PANDAY

Copy of D. G. S. & D. (Co-ordination Section-4), New Delhi's O.O. No. 119 dated 16.8.1975

Sub : **Automatic registration with D. G. S. & D. of Small Scale Units registered with N. S. I .C.**

The question of recognising Small Scale Units registered by National Small Industries Corporation Ltd. as at par with those registered by D. G. S. & D. has been under consideration for some time. It has now been decided by the Department of supply that subject to the observance of the following procedure by N. S. 1. C., firms registered with them as S. S. 1. Units will be treated as registered with D. G. S. & D., for the purpose of awarding contracts:-

(i) N. S. I. C. will entertain applications for registration from S. S. I. Units. If submitted in the form as per Annexure 'A' suitably modified to provide for submission of I.T.C.C. before granting registration N. S. I. C. will satisfy themselves by verification by such means as may be necessary that the replies given by the applicants to the various queries are correct and complete and insist on checking the permanent Income Tax Account number of the firm.

(ii) N. S. I. C. will register only the manufacturers and not agents or middle men. Sole selling Agents however could be considered for registration subject to the condition that N. S. I. C. is satisfied that they are sole selling Agents of a manufacturer and necessary capacity, both financial and technical of the manufacture is ascertained by N.S.I.C. The availability of suitable arrangements with the Sole selling Agents for after sale service, shall also be ensured. N.S.I.C. will also satisfy themselves that a legal agreement subsists between the S.S.I. Units and their Sole selling Agents during the period for which they are registered. Further the Sole selling Agent should not be a large-scale unit unless it happens to be an APPEX body such as S.S.I. Division Corporation etc.

(iii) Since there is no system in the registration of firms by N. S. I. C. with monetary limits D.G.S.&D will be free to ask for the usual security deposit from such Small Scale Units registered by N. S. I. C., in respect of individual order of value above Rs 2.5 lakhs. Normally in case of orders for less than Rs. 2 .5 lakhs on Small Scale Units registered with N. S. I. C. on the basis of new registration forms, no competency Certificate or Security Deposit shall be called for. However, in such cases where the units have been registered under the new form, but the value of orders is likely to exceed Rs. 2.5 lakhs the N. S. I. C. will be requested to issue a competency certificate before placement of the order, with a view to placement of order without security deposit. Such competency certificate will be issued by N. S. I. C. within three weeks on receipt of such requests from the purchase Directorates of D. G. S. &D.

(iv) N. S. I. C. will register S. S. I. Units initially for two years but shall make a reference to D. G .S. & D. regarding their performance after 1-1/2 years of the initial registration of the firm and appropriate intervals thereafter before renewal of registration. D. G. S. & D. would give a specific reply within a period of Two months intimating whether the firm received any order(s) during the period under review and if so, what was their performance. In case of bad performance sufficient details would be given for N. S. I. C. to act upon. In case no orders were received by the firm during the period of registration N. S. I. C. will be intimated whether the firm quoted at all against D. G. S. & D. tender enquiries. If, however, the firm kept on quoting and did not obtain orders it would not obviously be a matter of bad performance. After the satisfactory performance of the units during

the initial registration period is established their registration shall be renewed for 3 years at a time.

In respect of firms registered by N. S. I. C. they shall—

(a) Keep under regular review their financial soundness etc. of the firms.

(b) Insist on the production of I.T.C.C every year by the firms.

(v) A list of all the S. S. I. Units currency standing registered with D. G. S. & D. direct, shall be forwarded to N. S. I. C together with the stores for which they are registered and also the date of expiry of the current registration as well as monetary limits, if any. In case of such of the units which are registered with monetary limits lower than Rs. 2.5 lakhs, Orders will be, placed without obtaining security deposits provided N. S. I. C. issue a competence certificate up to the respective monetary limits. It will, however, be open to N. S. I. C. to reassess the financial soundness of the firms and to re-register them under the new scheme without monetary limits, higher than Rs. 2.5 lakhs, or without monetary limits, no Security Deposit and competency certificate will be asked for in respect of orders within these monetary limits to the expiry of the current registration, with D. G. S& D.

(vi) For S. S. Units who are already registered with N.S.I.C on the basis of their old application forms till the time they are brought on rolls by N.S.I.C on the basis of the registration forms mentioned in (i) above the old procedure of getting Competency Certificate as stated in Routine Note No. 15 dated 31st March 1969 will continue.

(vii) Whenever N. S. I. C. registers any firm under this scheme will specifically confirm in the communication to the D. G. S. & D that the registration has been made in accordance with the scheme laid down in this office order. N.S.I.C will send periodical lists every fortnight, of the firms registered/removed from registration by them specifically confirming that the registration has been done in accordance with the scheme laid down in this order. The list shall be sent regularly and it will be ensured by C. L. C., N. S. I. C that the lists handed over to the Dy. Director (Regn.) every fortnight.

(viii) On receipt of' such lists, Registration Branch shall immediately circulate the lists according to standard distribution for the guidance of purchase officers.

(ix) In respect of safety/difficult items, D. G. S. & D. reserve the right to call for capacity report from their own inspectors before placing orders. A list of such safety /difficult items shall be provided by D. G. S. & D. to N. S. I. C.

2. In respect of Operational /Express/ Urgent indents, however, where the orders have to be placed only on registered, reliable and known suppliers, the firm registered with the N. S. I. C. under this scheme will become eligible only if they further fulfil as a precondition *viz*. satisfactory execution of D. G. S. & D order earlier for the same or similar item as distinct from merely securing an order against D. G. S. & D adhoc indent. Accordingly, tender enquiries for such demands will be addressed only to registered, known and past suppliers only. Also no intimation about such demands will, hereafter, be given to N. S. I. C.

(Sd.)
P. DAMODARAN

ANNEXURE-I/4-02

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 66/RS (G)/363/II New Delhi dated 25th August 1976

The General Managers.
All Indian Railways and Production Units.

Sub **: Automatic Registration with D. G. S. & D. of Small Scale Units registered with N.S.I.C.**

In continuation of the Ministry of Railways' circular letter of even number dated 28th January 1976 on the subject noted above, a copy of D. G. S. &. D` s O. O. No. 94 dated 20th July 1976 is enclosed for information and guidance.

Receipt of this may please be acknowledged.

(Sd.) B. P. MEHTANI
Dy. Director, Railway Stores (G)
Railway Board

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS
(CO-ORDINATION SECTION 1)

Office Order No. 94 Dated: 20th July 1976

Sub **: Automatic Registration with D. G. S. & D. of Small Scale Units registered with N.S.I.C.**

Attention is invited to O. O. No. 119 dated 16th August 1975 on the above subject. Sub paragraphs (iii) and (ix) of para 1 of the above O.O. may be **substituted** with the following: -

Sub-para (iii) -Registration of S. S. I. Units with the N. S. I. C. under the new scheme will be in two slabs of monetary limit-one upto Rs. 2.5 lakhs for which the normal system of financial verification in existence in the N. S. I. C. would continue and the other without any monetary limit, in which case, the N. S. I. C. will verify the financial soundness in detail by asking for bankers' report as well as by examining the balance sheets. The technical competency/ capacity will also be accordingly examined by N. S. I. C in both the cases.

Sub-para (ix)- N.S.I.C. will register firms for Safety/difficult items only on the basis of capacity reports furnished by the D.G.S.&D. Inspectorate. A list of safety/difficult items has been made available to N.S.I.C on 31st March 1976 Whenever any firms apply for registration with N.S.I.C. for such items under the new scheme, N.S.I.C will call for capacity reports from the concerned Directorate of Inspection under the D.G.S.&D. in the *proforma* form D.G.S.&D -7. It should also be certified that registration for the safety/ difficult items has been granted on the recommendation of the Directorate of Inspection, D.G.S. & D.

2. It has also been decided that registration of Small Scale Units should normally be done by N. S. I. C. only. Whenever a Small Scale Unit approaches D. G. S. & D for registration, the Registration Branch of the D. G. S. & D. while acknowledging the application should advise the concerned Unit that they could approach the N. S. I. C. for their registration and in case they are registered with the N. S. I. C., that registration will be good enough for their participating in the D. G. S. & D. purchases. A copy of the communication addressed to the concerned unit should also be endorsed to N. S. I. C. so that they may try to persuade the unit to withdraw/stop pursuing their application for registration with D. G. S. & D. and instead approach the N. S. I. *C.* for the purpose of registration. Action on the firm's application for registration in the D. G. S. & D. shall, however, not be withheld. Similarly in respect of the firm's request for renewal of registration they would be advised, under intimation to N. S. I. C. that they should get themselves registered with the N. S. I. C. under the New Scheme and that registration will be good enough for their doing business with the D. G. S. & D.

At the same time action on the renewal application will not stop. If N.S.I.C. desires any back ground information pertaining to such D. G. S. & D registered firms for the purpose of grant of registration by that such assistance would be rendered to N. S. I. C. by the Registration Branch of D. G. S. & D. The relevant fills in respect of such case would be retained by D. G. S. & D. (Registration Wing) for a period of 5 years after the expiry of their current registration. A complete list of S. S. I. Unit registered with D. G. S. & D., the items for which they are registered, monetary limits, if any, and the period up to which the registration is valid would be made available by the Registration Wing to N. S. I. C. immediately under intimation to the Co-ordination Directorate.

3. The following further decisions have been taken in the matter :--

(i) N. S. I. C. shall review registration of firms every three years in consultation with the Purchase Directorates.

(ii) In respect of the firms registered by N. S. I. C., they would also take into account the bad performance of the firms for the purpose of either warning or removing them from registration. For this purpose the attitude of the firms whose performance is not good should be regularly reported to N. S. I. C. by the Purchase Directorate.

(iii) Administrative actions, such as suspension / banning etc. which are taken by the Department of Supply at present against the firms for offences falling under the provisions of the standardised code shall continue to be taken by them even in respect of firms registered by the N. S. I. C. However, in such cases necessary comments from N. S. I. C. would, if considered necessary, be called for before action is taken by the Department of Supply. Department of Supply shall be the final and competent authority on any such administrative action *i. e.,* banning or suspension of dealing with any firm registered with N. S. I. C. under the New Scheme.

(iv) As per the existing instructions the registration of firms for drugs/ pharmaceutical/surgical items is done by D. G. S. & D. only if the firms are approved by the High Power Committee (Drugs). N. S. I. C will also be represented on this Committee and they will register firms for these items only after consulting the committee in accordance with the existing procedure followed by the D. G. S. & D, C. D. P. Directorate will take necessary action in this connection in consultation with D. O. (S. S. I.).

(v) In regard to the paint items, N. S. I. C. would call for an inspection report from R. D. S. O. also in addition to undertaking normal inspection of the firm. While communicating registration of firms to D. G. S & D. in respect of paint items, N. S. I. C. would clearly state whether the firm concerned has been approved by the R. D. S. O, N. S. I. C. may register firms even if they are not approved by R. D. S. 0. but in such a case the firm concerned would be suitably advised by them that they would not be eligible for placement of orders for supply to Railways.

(vi) The Index Cards in respect of registered firms shall be maintained by N. S. I. C. (C. L. O., N.S. I. C.). These will also be maintained by D. G. S. & D. (Registration Wing) on the basis of information to be furnished by N. S. I. C.

(vii) The Registration Wing of the D. G. S. & D. at present authenticates powers of Attorney executed by firms (both registered and unregistered in favour of banks etc. for receiving payments against contracts. The authentication is done in the light of information available in the Registration files and after calling documents from the firm which are not available in D. G. S. & D. This function would continue to be performed by the D. G. S. & D. and will not shift to N. S. I. C.

(viii) In respect of items which are required exclusively by Defence or which are manufactured according to the defence specifications, D. G. S & D. calls for inspection reports from the Defence Inspectorate. All drugs/pharmaceutical/ surgical items as well as items such as tyres, retreading of tyres etc are inspected by the Defence Inspectorate in accordance with the instructions contained in Chapter 19 of the compilation of comprehensive Office Order. In respect of these items, N. S. I. C. would continue to call for inspection reports from the Defence Inspectorate. In regard to items which are presently being inspected by the D. D. G. (I), the provisions of the O.O. No. 119 dated 16th August 1975 on single point registration would also hold good.

(ix) For noting down changes in name, addresses and constitution of firms, N. S. I. C. would follow the essentials of the procedures as per the D. G. S. & D. Manual.

4. A question has also arisen as to whether the Small Scale Units registered with the Director of Industries of the States according to the new procedure as applicable to the N. S. I. C. registration, would also be considered automatically registered with D. G. S. & D. as has been agreed in the case of units registered with N. S. 1. C. It has been decided that this need not be agreed to and that for participation in the Central Government Purchase programme the automatic registration facility would be granted only to those S. S. I. Units who are registered with the N. S. I. C or the D. G. S. & D.

5. N.S.I.C have already taken up the registration of firms under the new single point scheme from 1st May 1976. Tenders of S. S. I. Units received direct will continue to be considered by D. G. S. & D. on the basis of the extant procedure.

6. All concerned are requested to note the above instructions for strict compliance.

(Sd.) P. DAMODARAN
Deputy Director (CS-II)

ANNEXURE-I/4-03

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 76/RS (G)/164/16 New Delhi dated 18th/24th February 1978

The General Manager(s),
All Indian Railways/Production Units,
M. T. P (Railways), Calcutta.
The Chief Administrative Officers,
M.T. P (Railways), Bombay, Delhi, Madras.

Sub : **Recommendations No. 64, 65, 66, 67, 68 & 69 of the 2nd and Final Report of the COIM-Registration of firms on Railways**

The Committee on Inventory Management on Railways under the Chairmanship of Shri Mohd. Shafi Qureshi, the then Minister of State for Railways, have *inter alia,* made the following recommendations in their 2nd and Final Report on Inventory Management of Railways: -

1.1."**64** Registration of firms as approved suppliers should be done carefully after assessing the capacity-cum-capability of the firms and the checks prescribed by the Ministry of Railways from time-to-time should be rigidly carried out by the Railways (**4.9.02**)"

"65 and 66:

65. Registration should be done grading the firms: -

(a) those capable of executing supply orders valued each Rs. 5 lakhs and above.
(b) those capable of executing supply orders valued above Rs. 50,000 but below Rs. 5 lakhs.
(c) those capable of executing supply orders valued above Rs. 10,000 but below Rs. 50,000.
(d) those capable of executing supply orders valued less than Rs. 10,000 (**4.9.02.1**)."

The firms who are registered for supply of orders valued above Rs. 10,000 should be invariably a manufacturer or his authorised agent (**4.9.02. 1**).

67. The firms who are registered for executing supply orders valued above Rs. 50,000 should be pre-inspected by an Officer of the rank of Junior Administrative rank for assessing capacity-cum-capability including effective quality control. A check list as given in **Appendix 20** (copy enclosed) should be used for reporting data on such inspection. The Railways may also seek assistance from inspection wing of D.G.S.&D, R.D.S. O. or R.I.T.E.S. for carrying out such pre-inspection (**4.9.02.2**).

68. Firms who are pre-inspected and considered fit for inclusion in approved list by one Railway for supply of specific item should be considered for inclusion in the approved list of other Railways as well.

The report of the Committee on Vendor Evaluation on assessing the Vendor performance using computers should be implemented expeditiously. Using this factual

data the review of registration of firm should be done regularly, once in 5 years as prescribed by the P. A. C. (**4.9.02.4**).

The Ministry of Railways have accepted the above recommendations *in toto.* An extract of each of the relevant para Nos. **4.9.02, 4.9.02.1, 4.9.02.2, 4.9.02.3** and **4.9.02.4** containing the background loading to the above recommendations is also attached.

In this connection your attention is invited to Board's letter No. 65/RS(G)/164/9/Vol. II dated 12th May 1966 and letter No. 65/RS(G)/164/18 dated 20th August 1975 wherein instructions have been issued regarding assessment of capacity-cum-capability of the firms before registration.

In accordance with the recommendations No. 65 and 66 of the COIM accepted by the Ministry, registration should be done according to the monetary limits indicated above, which should be carefully fixed keeping in view the banker's reports capacity-cum-capability of the firm and other financial information indicated in the balance sheets, profit and loss statements. Within the monetary limit so prescribed, as also for the items of supply, for which registration is granted, the registered firm may not be required to pay any security deposit in accordance with the existing instructions. The monetary limit so laid down, does not however, debar a firm from getting orders in excess of the monetary limit or for other groups of stores provided Railways are satisfied about the capacity-cum-capability of the firm and requisite security deposit is obtained as is being done in the case of unregistered firms.

As regards recommendation No. 67, a copy of the **Appendix 20** of the report of the COIM is enclosed. This may be takes as a guideline for prescribing the manner in which the capacity-cum-capability of the firm including quality control may be reported by the Officers inspecting the firm for the purpose of deciding final registration. D. G. S. & D, R. D. S. O. and R.I.T.E.S are also being advised of these recommendations to assist the Railways in implementation where necessary.

As regards, recommendation No. 69, your attention is invited to Board's letter No. 75/RS(G)/754/11 dated 17th December 1976 wherein final orders of the Board on recommendations of the Committee on Vendor Evaluation has been given. The progress of implementation of these recommendations were further discussed in the meeting of Dy. C.*O* S./IC and S. S. A./S held in December 1977 at Bombay and the target date for implementation has been prescribed as indicated in the minutes issued vide Board's letter No. 76/RS(G)/754/9 dated 12th January 1978.

In regard to periodical review of the registration, your attention is invited to Board's letter No. 74/BC. PAC/V/126(17-19) dated 19th September 1974 wherein Board's orders on the recommendations of the P. A. C. have been communicated to all Railways/Production Units for implementation.

The Ministry of Railways desire that all these recommendations should be implemented expeditiously.

Please acknowledge receipt.

This has reference to para 11.1.15 on the minutes of the Controllers of Stores Meeting with the Board held in September 1977 circulated in Board's letter No. 77/RS(G)/509/4 dated 18th October 1977.

(Sd.)
B. P. MEHTANI
Dy. Director, Railway Stores (G)
Railway Board

Copy together with enclosures forwarded to-

(i) F. A. & C. A. O./ All Indian Railways including C. L. W., D. L. W. and I.C.F.

(ii) The Director General, R. D. S. O, Lucknow with reference to recommendation No. 67.

(iii) The D.G.S&D. (Inspection Wing), New Delhi with reference to recommendation No. 67.

(iv) The R. I. T. E. S with reference to recommendation No. 67.

(v) The Railway Liaison Officer, New Delhi.

Copy to all Branches of Stores Directorate with 3 spares for R. S.(I.C.), F(S)I, II, III, WI, II, III, A/Cs., I, II, III, R.E, Track, Dev. Cell, T.M. Cell, Legal Cell.

Registration of firms.-In our first report we had given detailed comments on the existing system of registration of suppliers on Railways for supply of stores. We had recommended then that a Procurement and Development Cell supervised and monitored by the Officers drawn one each from Engineering, Purchase and Finance Branches should be organised and these re-organised cells in each of the Railways and the Production Units should be entrusted to deal with all important aspects such as registration, review, development and maintenance of item-wise lists of suppliers for guidance of the Purchase Officers. We had also recommended therein that the registration of the firms should be reviewed once in 5 years as stipulated by the Public Accounts Committee to ensure that firms having the required capacity and capability were only continued in the approved lists. The quality control can be assured only when supplies are ordered on firms who have the required facility to ensure quality and this aspect cannot be dealt with in piecemeal at the time of the consideration of the tenders as neither the purchase officer will have the time nor it will be feasible for him to do these checks within the period of validity of the offers under consideration. Registration of suppliers should not be dealt with as a simple item of work and has to be done after careful consideration. Further all such registrations should be considered as provisional only until the firm has executed satisfactorily at least one order and once the registration has been confirmed no discrimination should be made in the tenders received from those registered firms.

With these aspects in view we again reviewed the system of registration of firms on Railways as communicated in the Ministry of Railways letter No. 65/RS (G)/164 /9/Vol. 11 dated 12th May 1966 (Appendix VIII to our first Report). Our enquiries have revealed that in actual practice there have been, deviations in the various checks which have been provided by the Board and we feel that it is necessary that this aspect again emphasised upon the Railways and Production Units to strictly adhere to the procedure laid down therein.

4.9.02.1. Fixation of monetary limits for registration: - Certain Railways pointed out to us that the present system of registration without fixing any monetary limit up to which the firm could be considered capable of executing orders was not conducive to enforce proper quality control measures. We have examined the procedure adopted by D. G. S. & D, in this regard, explained in section order No. 159 and No. 168 enclosed at Appendices 18 and 19. It is observed therefrom that the registration of suppliers by D. G. S. & D. was done prescribing the monetary limits up to which the individual orders could be placed normally on them. Whenever any order in excess of the limits are to be placed, these are done after satisfying the capacity-cum-capability of the firm and also obtaining necessary security deposits to enforce quality control and other aspect etc. It is also noted that the bankers report on the financial standing of the firms and other reports on performance/capacity-cum-capability are all obtained and thoroughly examined by the Registration Wing while fixing these limits. It is also learnt

that in the application form for registration, the particulars regarding the financial position of the firm such as authorised capital, paid up Capital, reserves etc., are invariably called for from the firm. We have examined these procedures and we feel that it would be worthwhile for the Railways to grade the firms at the time of registration as approved supplier as under -

(a) Firms who are capable of supplying order above Rs. 5 lakhs.

(b) Firms who are capable of executing orders above Rs. 50,000 but below Rs. 5 lakhs.

(c) Firms who are capable of executing orders above Rs. 10,000 but below Rs. 50,000.

(d) Firms who are capable of executing orders below Rs. 10000.

We feel that in case of orders which are below Rs. 10,000 there should be objection from the Railways for considering registration of firms who are not actual manufacturers but agents or general merchants, capable of arranging supplies against small orders. In other cases a detailed scrutiny of the financial standing and the capacity-cum-capability of the firms who should be a manufacturer or an authorised agent, should be done invariably before registration.

4.9.02.2. **Registration for supply of high value vital safety items**.-On registration we examined the procedures adopted in Private Sector as well. We find that in the case of vital/safety items and items which are of high annual usage value, purchase orders are placed by Private Sector only on those firms on whom there can be no doubt about the quality of goods to be supplied by them. They, therefore, have made it compulsory that registration of firms for supply of these stores were invariably done only after a pre-inspection of the factory by their representatives. A detailed check list form used by some Private Sector Industries for assessment of suppliers is enclosed in Appendix 20. We feel that similar system should be introduced on the Railways for registering a firm for supplying stores against orders value above Rs. 50,000/- and inspection should be done preferably at the level of an officer of the Junior Administrative rank of the Railways to satisfy that the firm was having the required capacity-cum-capability of quality control to ensure proper supplies. In this we feel that Railways could seek assistance from the Director of Inspection - D. G. S. & D./R. D. S. O. or R. I. T. E. S. for carrying out such detailed on the spot inspection for ascertaining factual data for consideration before registration.

4.9.02.3. New firms-suggestion for registration in adjoining Railways only:-Some Railways suggested to us that new firms seeking registration should be considered only for registration with the Zonal Railways covering the Zone where the firms were situated and this registration should be gradually extended to other Zonal Railways, only after watching their performance for a year or so. The Committee after due deliberations, feel that while this can be accepted as a general guideline, Railways should ensure using agencies such as Director of Inspection, R. D. S. O. or R. I. T. E. S. in addition for inspection of firm's premises, and once such a detailed inspection has been carried out and registration recommended the Committee felt that the firms request for registration in other Zonal Railways as well should be considered favourably.

4.9.02.4. Review of registration and Vendor performance data: -While examining the Purchase Section procedure we find that instructions exist that a purchase order register should be maintained by all the purchase sections in which the details of orders placed, quantities due, due dates of delivery, supplies made, rejections, reminders to the firm etc., are recorded systematically. In our discussions with certain Railways we had the impression that these registers are not up-to-date in certain units. We are glad to note that the Ministry of

Railways had appointed a Committee to examine how Computers could be used effectively to compile this information and use for evaluating the performance of the suppliers on a rational and scientific basis and the Committee's report recommending steps to be taken and prescribing forms for rating of quality/delivery/prices etc. has been accepted by the Board and instructions have been issued to implement these from 1977-78. We examined this report and we are happy to state that this is a welcome step and would go a long way in ensuring proper review of registrations. We would recommend that this computerised system of assessment should be introduced early. Till such time this system was established fully, it is essential that order registers were maintained and updated regularly till the contract was completed specially in the case of all high value items (Rs. 50,000/- and above). The performance data of firms on high value contracts should be regularly forwarded to the Registration Cells in a form to be designed, for keeping a note and use during the periodical review. All registrations should be reviewed once in five years regularly as suggested by Public Accounts Committee in their 126th Report.

* * *

APPENDIX 20

QUALITY CONTROL OF SPARE PARTS

Quality Assurance Assessment of Supplier

M/S.

Report of…… on visit dated…….

Present from Supplier (Name and Designation)……
Present from……..

The following information based on discussion. data furnished and visit to works --

---

Particulars	Remarks (For detailed Information see Annexure Sheet)

1 **Inspection organisation**-

1.1 Has the supplier a quality assurance system? …

1.2 What is the position (rank) of (quality-in-charge) ? …

1.3 To whom the quality in-charge is responsible ?….

1.4 Is inspection a neutral group in the organisation ?…
Is it possible that goods can be supplied without the approval of inspection ?…..

1.6 The inspection strength is……..
Production……
Inspection……per cent.

2. **Inspection reference**---

2.1 Are latest drawings and ordering specifications available ?

2.2 Do they have inspection Plans for components and products ?

2.3 Do they use statistical methods of inspection such as Random-sampling plans Control charts etc.?

2.4 Do they follow selective and quality tests ?

2.5 Are there records about complaints (defect statistics and something similar) ?

3 **Goods inwards inspection**----

3.1 Is there a special goods inwards inspection? Is it sufficiently equipped ?

3.2 Are inspection Plans available?

3.3 Is the magnitude of test adopted sufficient?

3.4 Do they inspect raw materials for production ?

3.5 Do they maintain a record of inspection results?

3.6 Is it possible that defective (rej.) goods can go into stores or production ? (Approval stamp by final inspection).

3.7 Is the raw material stores controlled by a responsible person?

4 **Inspection of components**----

4.1 Are there dimensional and visual inspections?

4.7 Is there inspection for hardness and case-depth?

4.3 Are there methods for assessment of rust/corrosion and plating thickness ?

4.4 Is there a procedure to release good components by written communication?

4.5 Is there a procedure to complain about defective components in writing ?

4.6 Do rejected components undergo inspection after rectification and are they released by written communication?

4.7 Are inspection-work Places clean? Are they well illuminated?

4.8 Are gauges and inspection equipment sufficient and subjective?

5 **Inspection of products….**

5.1 Are there dimensional and visual inspections?

5.2 Do products undergo functional and Performance tests?

5.3 Is there written down specification for endurance (life) test?

5 4 Is there selective or quality test ?

5.5 Are there records for 5.1-5.4?

5.6 Is there a procedure to release good products by written communication?

5.7 Is there a procedure to complain about defective products in writing?

5.8 Packing, storage and transport. Are they in order?

ANNEXURE-I/4-04

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 78/RS (G)/363/2 New Delhi, dated 25th February, 1978

To
The National Small Industries Corporation Limited,
Near Okhla industrial Estate,
New Delhi- 110 020.

Dear Sirs,

Sub. : **Automatic Registration with D. G. S, & D./ Railways of Small Scale Units registered with N. S. I. C.**

The High Power Committee constituted by the Ministry of Railways under the Chairman ship of Shree Mohd. Shafi Qureshi, the then Minister of State for Railways, have recommended in one of their recommendations made in their Second and Final Report on Inventory Management that 'The Nation Small Industries Corporation who are evaluating the Small Scale Industries before registration as per standard norms should be approached to give adequate weightage to quality control and the firms having inadequate quality control measures should not be considered for registration'. The Ministry of Railways have accepted the recommendation *in toto* and have decided to implement the same on the Railways.

2. The enlistment of S. S. I. Units is being done by N. S. I. C. under the single point registration programme which is being followed by the Railway Administrations who had been advised vide this Ministry's letter No. 66/RS(G)/363/II dated 28th January 1976 and letter No. 66/RS(G)/363/II dated 25th August 1976 copies of which had been endorsed to you. The Ministry of Railways desire to be confirmed that while evaluating S. S. I. Units before registration as per standard norms, adequate weightage is given to the quality control of the products of the S. S. I. Units for which they are registered and the firms having inadequate quality control measures are not at all considered for registration.

Yours faithfully,
Sd/-
(B. P. MEHTANI)
for Secretary, Railway Board

ANNEXURE-I/4-05

Copy of Board's letter No. 76/ RS (G)/164/16 dated 8th August 1980 addressed to General Managers; All Indian Railways, Production Units, etc.

Sub: **Registration of firms as Approved Suppliers - Amendments in the application form**

Consequent upon a reference from one of the Railways, the matter has been reviewed and it has been decided by the Ministry of Railways to modify the columns in item (1) of the existing application form for registration already circulated to all concerned vide Railway Ministry's letter No. 65/RS (G)/ 164/Vol 11 dated 12th May 1966 as under:

1. Name of firm/company whether Private/Public/Government/Non-Government:

2. Telegraphic Address:

   Address of Head Office:

   Telephone No:

   Address of Branches:

1(a) (i) Proprietor(s) Name and Address:

(ii) Full details of other Undertakings owned/ controlled by the proprietor(s)

1(b) (i) Partner(s) Name, address and percentage of shares held.

(ii) connection between the undertaking and other(s), if any, e.g. partners are common or have share (percentage) in any other undertakings with name(s) and Address,:

1(c) (i) Managing Director/ Whole- time Director/ Manager- Name and address

(ii) Board of Directors (Name and address)

(iii) Is it a subsidiary of Indian company/foreign company with particulars of the parent/holding company.

(vi) Other companies, if any, in India which are subsidiaries of the parent company- name and full particulars:

(v) In which other companies the Directors have financial interest or are represented on the Board(s) of these other companies with name and address.

(vi) Stores manufactured/handled with details of specification to which these are manufactured/stocked by you as well as by your subsidiaries mentioned above.

Ministry of Railways desire that the Registration Form may be amended accordingly for use on your Railway.

ANNEXURE-I/4-06

Copy of letter No. 76/RS(G)/164/16 dated 31st March 1981 received from R. Krishnamurthy, JDRS (IC), Railway Board, New Delhi addressed to G. Ms., All Indian Railways/Production Units, etc.

Sub : **Registration of firms**

On receipt of representations from some Railways, Ministry of Railways have reviewed the matter and it has been decided to amend the clause (b) (ii) and 1 (c) (v) of para 2 of the Application Form for Registraxtion of firms on Railways circulated vide Board's letter of even number dated 8th August 1980 as under-

Para No. 2 -

1 (b) (ii) Connection between the undertaking and other(s) if any, *e. g.,* partners are common or have share (percentage) in any other undertaking (s)/firm (s) Factory (s) with name (s)/address (s) and their registration No. (s) with the concerned Railways for the various group of stores.

1 (c) (v) In which other companies the Directors have financial Interest or are represented on the Board (s) of these other companies/firms/factories with name (s)/Address (s) and full particulars about their registration No. (s) with the concerned Railways for the various group of stores.

2. Regarding issue of Limited, Tender Enquiries to such firms, Ministry of Railways desire that the L. T. may be issued to them on a rotation basis *i. e.* L. T. should not be issued at the same time to different firms on whom partners /directors have financial interest, covering only one firm at a time.

3. Ministry of Railways further desire that the review for the renewal of registration of the firms should be carried out thoroughly and competently as per instructions issued vide Board's. letter of even number dated 18th/24th February 1978, keeping the above aspects also in view.

Please acknowledge receipt.

ANNEXURE-I/4-07

Copy of Board's letter No. 83/RS (G)/363/2 dated 21st October, 1983 from Dy. Director (G), Railway Board addressed to General Manager, All Indian Railways and others.

Sub : **Recognition of Registration of the S. S. L Units with N.S.I.C under Single point Registration Scheme**

Ref: Board's letter No. 66/RS(G)/363/(II) dated 26th May 1978, letter No. 66/RS(G)/363/(II) dated 25th August 1976 and letter No. 66/RS(G)/363/(II) Dated 28th January 1976.

The N. S. I C. New Delhi *vide* their letter No. SIG/GP/15(5)/80 dated 21st September 1983

(Copy enclosed for ready reference) have complained that Railways are not following the procedure as laid down under Single Point Registration Scheme and are not giving due recognition to N. S. I. C. registered units. Attention in this connection is invited to Boards letters under reference wherein, Railways were advised to extend all the facilities provided under the Government Purchase Programme, to those S. S. I. Units also which are registered with N.S.I.C under Single Point Registration Scheme. Ministry of Railways desire that these instructions may be strictly followed and the N. S. I. C. registered S. S. I. Units may be treated at par with those registered with the Railways.

Copy, of Shri B. B. Mathur Joint Manager (G.P.) N SIC Ltd, New Delhi's letter No. SIC/GPI 15/(5)/80 dated *21 st September 1983.*

Sub: **Recognition of Registration of the S. S. L Units with N. S. 1. C under Single point Registration Scheme**

Dear Sir,

Perhaps you may be aware that the Estimate Committee (1980-81) of the Lok Sabha have recently reviewed the Programme of Small Scale Industries and have gone into the specific aspects of Raw Materials supply and Marketing. In the Report, the Committee has observed that the multiplicity of the procedural practices at the Centre and States has prevented the Small Scale units from deriving full advantages of the facilities and concessions under the Government Purchase Programmers and concession of Central and State Government. Some of the State Governments and State Undertakings were reported to be insisting on earnest money and security deposits even from units which are registered with National Small Industries Corporation and Directorate General Supplies and Disposals. The Committee has therefore desired that D. S. & D. and all other Central and State Government Deptts should follow the standard procedures and practices in order to ensure that Small Scale Units are able to derive full benefits intended to be provided under the Government Purchase programme.

It may be mentioned that as per the policy of Government of India the following concessions are allowed to the Small Scale Units registered with N. S. I. C

(i). Supply of tender sets free of cost.
(ii). Waiver of earnest money.
(iii). No Security Deposit upto Monetary limit for which the unit is registered.

The above benefits are in addition to the Policy of allowing price preference upto 15 per cent to the Small Scale Units over the offers of large scale units and purchasing such items exclusively from the Small Scale sector as have been reserved for exclusive purchase (Group. IV, V & VI) from this sector.

The Single Point Registration Scheme was introduced jointly by N. S. I. C., D. G. S. &. D and D. C. (S. S. I.) in 1976 with a view to avoid duplication of registration of Small Scale Units with various Government departments. Though this scheme was initially accepted by the D.G.S.&D subsequently by a separate order Ministry of' Railways vide their Circular No. 66/RS(G)/363 (II) dated 28th January 1976 have also agreed their acceptance to the said enlistment. The N. S. I. C. units registered are to be treated at par with those enlisted with the

Railways and they are entitled for all facilities/concessions available as per the directives issued by the Government of India from time to time.

For the last few months we have been receiving letters from the Small Scale Units registered with us that Railways are not giving due recognition to N. S. I. C. units. Keeping in view the above, we request you to kindly issue fresh instructions to all Railways, Controller of Stores to give necessary concessions to the Small Scale Units registered with N, S. I. C. and the application of the Small Scale Units when forwarded should be registered without making further reference to the party or to the N. S. I. C., so that the interest of the Small Scale Units may be safeguarded.

We hope you will take necessary action in this matter and any instruction issued to the Railways/ Controller of Stores, Zonal Railways, Copy may be sent to us for our record.

ANNEXURE- I/4-08

Copy of Board's letter No. 76/RS (G)/ 164/16 dated 3rd September 1984 addressed to General Manager(s), All Indian Railways and others

Sub : **Registration of firms**

Ref : Board's letter of even No dated 31st March, 1981

It is clarified that Board's instructions quoted above refer to Limited Tenders only. In the case of items, which are to be procured from R. D. S.O. approved sources also, the system of rotation would apply. However, R. D. S. O. is being referred to separately on the subject.

No change in policy, however, is called for in respect of the revised format to be used as all the Railways are apparently using it without any difficulty.

ANNEXURE-I/4-09

Copy of Board's letter No. 85/RS (G) /363/2 dated 30th June 1987/ 2 nd July 1987 addressed to General Managers, All Indian Railways and Production Units.

Sub: **Registration of Small Scale Industrial Units under Single Point Registration Scheme**

Ref : Board's letters-

(i) No. 66/RS(G) 36,1/(II) dated 28th January 1976.
(ii) No. 66/RS(G) 363/(II) dated 25th August, 1976.
(iii) No. 85/RS(G) 36,3/2 dated 10th December 1986 and
(iv) No. 85/RS(G) 353/2 dated 12th January 1987.

* * *

In terms of Board's letter No. 66/RS(G)/36,3/(II) dated 28th January 1976, the Small Scale Industrial Units already registered with Railways./ Production Units should also be got screened by N. S. I. C.

n this connection. certain points have been raised by some of the Railways which are clarified as under. --

(i). Small Scale Industrial Units who apply for registration / renewal as approved supplier with Railways / Production Units should be asked to get themselves registered **First** with N. S. I.C.

(ii) All non N. S. I. C. registered S. S. I. Units already on the approved list of suppliers of the Railways/ Production Units should be got screened by N. S. I. C. afresh. On screening, if N. S. I. C. rejects any such firm, the name of that firm should be removed from Railways approved list of suppliers.

ANNEXURE-I/4-10

Copy of Board's letter No. 89/RS(G)/11/16 dated 13th October 1989 addressed to General Managers, All Indian Railways, Production Units etc.,

Sub : **Automatic Registration of firms with N.S.I.C.**

It has come to the notice of Ministry of Railways that no uniform procedure is being followed by Zonal Railways/ Production Units in charging the cost of Application Forms, Questionnaires etc. from Small Scale Industrial Units registered with N. S. I.C. who desire to get them registered with Zonal Railways/Production Units for the supply of Railway items/ equipment based on their registration with the N. S. I. C. The matter has been examined and Ministry of Railways (Railway Board) have decided that no fee or cost of Application Forms or Questionnaire etc. is to he charged from the firms which are already registered with N. S. I.C. and seek registration on Railways in terms of this Ministry's letter No. 66/RS(G)/363/(ii) dated 28th January 1976.

This issues with the approval of the Finance Directorate of Railway Board's office.

All other instructions contained in the above letter will remain unchanged.

(**R S. LAHAN**),
Dy. Director, Railway Stores (G)

ANNEXURE- I/4-11

Copy of Board's letter No. 76/RS(G)/164/16 dated 17th/19th October 1989, addressed to General Managers, All Indian Railways, Production Units, etc.

Sub : **Registration of Firms on Railways**

Ref. : Railway Board's letter No. 76/RS (G)/164/16 dated 25th August 1987.

In partial modifications of the instructions contained in Railway Boards letter No. 76/ RS (G)/ 164/16 dated 18th/24th February 1978, it has been decided to revise the **existing monetary limits** for registration of firms as mentioned under Recommendation No. 65 as under: -

Those capable of executing supply orders valuing Rs. 15 lakhs and above.

Those capable of executing supply orders valuing each Rs. 10 lakhs to Rs. 15 lakhs

(c) Those capable of executing supply orders valuing each Rs. 5 lakhs to Rs. 10 lakhs.

(d) Those capable of executing supply orders valuing each above Rs. 2.5 lakhs and upto Rs. 5 lakhs

Those capable of executing supply orders valuing each above Rs. 1 lakhs upto Rs. 1.5 lakhs.

(f). Those capable of executing supply orders valuing each Rs. 25,000 and Rs. 1 lakh.

(g) Those capable of executing supply orders valuing each Rs. 25,000 and below.

It has also been decided to revise the existing limits of Rs. 10,000 and Rs. 50,000 as mentioned under Recommendation Nos. 66 and 67 of the said Committee to Rs. 25,000 and Rs. 1 lakhs respectively.

All other terms and conditions mentioned in Board's letter referred to above will remain unchanged.

This issues with the approval of Finance Directorate of Board's office.

ANNEXURE-1/4-12

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 88/RS (IC)/751/5 New Delhi,.date, 16th May 1991

General Manager (Stores)
Central Railway
Bombay.

Sub : **Vendor Rating evaluation report on the Main Frame Computer ICIM 6060 of CR based on the Steering Committee guidelines.**

* * *

Please refer to Shri K. C. Trivedi, Dy. COS (G)'s D. O. letter No.S. 371/IC/Policy/86 dated 18th May 1990 enclosing sample outputs of Module VI (Vendor Rating) after running the software on live data. The results of samole outputs and the minutes of Steering Committee's meeting held on 10th & 11th Dec. 1987, on which the module VI works, have been examined in details. It has been decided by the Board that module may be taken up for the implementation on all Railways subject to following criteria: —

(1) Vendor Evaluation shall not be applicable to purchase orders valued upto Rs. 25.000/-

(2) The weightage factors for the two parameters, namely, delivery rating and rating for rejections of materials (Rating for quality) will be 80 per cent and 20 per cent respectively. The sum total of the two ratings will be the final rating of the vendors.

(3) Vendor rating shall be done for each vendor not withstanding what is the number of approved/registered vendors.

(4) Based on the cummulative vendor rating finally arrived at for each vendor, the vendors shall be classified into following three classes.

(a) Class 'A' Vendor-Rating above 70

(b) Class 'B' Vendor-Rating above 40 & upto 70

(c) Class 'C' Vendor-Rating upto 40

All Vendors in a particular class stand at par with each other irrespective of their having obtained the points in the rating.

(5) While vendor evaluation and rating is to help the purchase officers and tender committees in selecting a proper vendor for placement of order, no price preference is admissible per Se to the vendor on account of his being placed higher in the rating or classified as Class 'A' or Class 'B' and so on.

(6) Class 'C' vendor should be ignored, in general, for placement of an order by recording reasons specifically. However, when purchase officer or tender committee, as the case may be, has any reasons to doubt about rating of any class 'C' Vendor, he/they can call for the past purchase cases to ascertain whether the delay in delivery was on account of fault of the vendor or on account of administrative reasons. In latter the purchase officer or IC can be free to select such vendor by recording specific reasons. Generally, the cases of class 'C' Vendors should be examined by the Railways for deleting them from the approved list of suppliers, however, after giving them suitable show cause notice etc. regarding their performance.

(7) As regards Class 'A' and 'B' vendors are concerned, it is for purchase officer or tender committee whether to place order for full quantity on Class 'B' vendor (whose rates happens to be lower) or place order for part quantity and balance on class 'A vendor, however, keeping in view the price different and certifying the reasonability of rates etc.

It is, therefore, advised that Central Railway may take action for implementation of Module VI (vendor rating) on their Railway by suitably modifying the softwares in line with the above criteria laid down by Board. The modified softwares for the Module VI may also be

circulated to all Railways alongwith the criteria indicated above while utilising the outputs produced by the mainframe computers.

It is also desired by the Board that since the computerised system of vendor evaluation (rating) is being introduced for the first time, Railways may submit feedback to Board on their experience in utilising this module to enable this office to review the system for incorporating any modifications etc. that may be necessary.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge receipt of this letter.

Sd/-
(H. S. Suri)
Director, Railway Stores (1C)
Railway Board.

No. 88/RS (IC)/751/5

New Delhi
Dated 16th May 1991.

Copy to.

(i) FA & CAO/Central Railway, Bombay for information.

(ii) Controller of Stores, All Zonal Railways (other than Central Railways) for information. They may obtain documentation from Central Railway and implement the module.

Sd/-
(H. S. Suri)
Director, Railway Stores (1C)
Railway Board.

ANNEXURE-1/4-13

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 95/RS (IC)/165/34

New Delhi, Dated 30th June 1997

The Controller of Stores &
Financial Advisor & Chief Accounts Officers,
All India Railways & Production Units.

Sub : **Vendor evaluation on Railways & PUs.**
Ref : (i) Boards letter No. 88/RS (IC)/751/5 dt. 16th May 1991.

1.0 Extant instuctions on Vendor Evaluation were issued by the Railway Board vide their letter No. 88/RS (1C)/751/5 dated 16th May 1991. Subsequently, Board vide their letter No. 95/RS (IC)/165/34 dated 25th October 1995 constituted a Multi-Disciplinary Expert Committee of officers from Stores, Accounts, Machanical branches and RITES to review the existing instructions on vendor evaluation & suggest modifications taking into consideration the recent developments in this area particularly in the matter of quality management and to make them more broad based to ensure timely & cost effective procurement of quality materials. Based on the recommendations of the Expert Committee, the Board desire that the following procedure be adopted for vendor evaluation on the Indian Railways & Production units.

2.0 Evaluation of a vendor with a view to find out overall rating shall be done based on their performance on quality & delivery against individual purchase orders and then the overall rating shall be calculated by taking the weighted average of these individual ratings for purchase orders place during last three years subject to the condition that total number of purchase orders is not less than 3. Methodology to be adopted for calculating quality rating, delivery rating and overall rating is detailed in the Annexure I. Sample calculations are given on Annexure II.

3.0 Vendor evaluation shall not be applicable to purchase orders valued below Rs. 40,000.

4.0 While vendor evaluation and rating is to help the purchase officers and tender committees in selecting a proper vendor for placement of order, no price preference shall be admissible per se to a vendor on account of his being placed higher in the ratings.

5.0 Firms with rating less than 40 per cent should be taken as unreliable and generally ignored for placement of purchase order. However, where the Purchase Officer or TC or Rly. Administration feel that a vendor should be considered against a particular tender in the administrative interest owing to reasons like inadequate sources, limited capacity, economical price etc. Such vendors may be selected for placement of order by recording specific reasons.

6.0 Vendor evaluation as per the above criteria may be completed by a specific date and be circulated to all concerned. Periodic review should be done every six months to update the list. However, the evaluation may be reviewed anytime by the Railway to take into account latest performance of a vendor/vendors. During updation names of vendors with less than 30 per cent vendor rating should be considered for deletion from the list of approved suppliers.

7.0 Since presently no information is being picked up by EDP (Centre) from RITES inspection note and rejection note, it should be started early. To begin with the vendor rating can be started manually for last six months records/data.

8.0 Brief features relating to vendor rating system should be included in the tender schedules as well as in the tender bulletins so that vendors are aware of the importance of vendor rating. The vendor rating is not intended to be confidential and may be communicated once in a year to the registered suppliers.

9.0 It is desired that vendor evaluation on the above basis be immediately taken in hand and Railway Board advised of the progress of implementation in the monthly MCDO.

Receipt of this letter may be acknowledged.

Director, Railway Stores (IC)

Annexure-I
Annexure to letter No. 95/RS (IC)/165/34 dated 30th June 1997.

1. Quality Rating (Qr)

Quality rating shall be workedout for each contract as under:—

$$Qr = \frac{Q1}{Qs}$$

Where

Qs = total quantity supplied Q = (Q1 + Q2 + Q3)
Q1 = quantity accepted,
Q2 = quantity rejected during RITES inspection,
Q3 = quantity rejected during depot inspection.

At present the rejection memo issued by RITES does not bear any continuity number with the result that it is not possible to ensure that all rejection memos have been received. To overcome this problem RITEa will start issuing inspection documents with a continuity number covering both rejection as well as passing of the material.

2. Delivery Rating (Dr.)

Delivery rating shall be worked out for each contract as under:

$$Dr = \frac{Qt + E\{Qd\ (1-K \times Td/T)}{Q}$$

Q	=	Qty ordered
T	=	Promised delivery time
Qt	=	Qty. supplied in time
Qd	=	Qty. delayed
Td	=	Time delay for quantity delayed
K	=	Constant = 2

3. Vendor Rating (VR):

Rating of a Vendor shall be calculated for each contract as under:—

Vr = 0.60 x Qr + 0.40 x Dr

Where Qr is Quality rating for the contract and

Dr is Delivery rating for it.

If quality rating (Qr) is less then 0 .5 then vendor rating (Vr) for that order will be 'O'.

4. Overall Vendor Rating (VR):

Overall Vendor Rating of a firm shall be calculated in accordance with the following formula: —

$$VR = \frac{V1 \times Vr1 + V2 \times Vr2 \ldots\ldots\ldots +}{V1 = V2 + V3 + \ldots\ldots +} \times 100$$

Where

(i) Vr1. Vr2 are vendor ratings for different purchase orders.

(ii) V1, V2, are the values of the respective purchase orders referred to in para 4 (i) above.

5.0 Overall vendor rating of firms shall be worked out based on orders placed during the last three years provided number of orders is not less than 3. In case number of orders is less than three, no overall vendor rating shall be calculated.

6.0 EDP (Centre) shall maintain three year's purchase order data for the purpose of vendor rating.

Annexure-II

Annexure to letter No. 95/RS (IC)/165/34 dated 30th June 1997.

In the following example overall vendor rating has been calculated on the basis of performance of a vendor against four purchase orders as given in the following table : —

PO	Q	V	Qt	Qrej	Details of delayed supply					
					1st Qdl	Inst TDI	lind QD2	IIIrd Td2	IIIrd Qd3	inst Td3
1	100	4.0	100	0	...	..	…	…	…	..
2	100	3.0	60	0	20	20	20	30	...	…
3	100	5.0	80	10	10	10	5	20	5	30
4	100	2.0	80	49	10	10	5	20	5	30

Q = Qty. ordered,

V = Value of purchase order,

T = Promised delivery time in days,

Qt = Qty. supplied in time,

Qrej = Quantity rejected,

Qd = Qty. delayed,

Td = Time delay in days for quantity delayed.

V = Value of purchase order.

Vender rating against individual order is calculated as under :—

Purchase order No. 1.

(i) Quality rating (Qr) = QI/Qs

Where

Qs = Total quantity offered/supplied Qs = (Ql + Q2 + Q3)

Ql = Quantity accepted.
Q2 = Quantity rejected during RITES inspection
Q3 = Quantity rejected during depot inspection

Qr = 100/100 = 1.0

(ii) Delivery rating (Dr)

$$\mathbf{Dr = \frac{Qt + \sum Qd(1-KxTd/T)}{Q}}$$

Where

Q = Qty. ordered
T = Promised delivery time
Qt = Qty. supplied in time
Qd = Qty. delayed
Td = Time delay for quantity delayed
K = Constant =2

$$\mathbf{Dr = \frac{100+\sum Q\,(1-KxTd/T)}{100} = 1.0}$$

(iii) Vendor rating (Vr)

Vr = 0.60 x Qr +0.40 xDr

Where Qr is Quality rating
Dr is Delivory rating

If quality rating (Qr) is less than 0.5 then vendor rating (Vr) for that order will be '0' Thus

Vrl = 0.6x1.0+0.4x1.0=1.0

2.0 Purchase order No. 2

(i) Quality rating (Qr) = Q1/Qs
= 100/100=1.0

(ii) Delivery rating (Dr) $= \frac{Qt + \sum Qd\,(1-K \times Td/T)}{Q}$

$$= \frac{\mathbf{60 + 20(1-2 \times 20/60)+ 20\,(1-2 \times 30/60)}}{\mathbf{100}}$$

= **0.66.**

(iii) Vendor rating (Vr 2) = **0.6 x Qr + 0.4 x Dr**
= 0.6x1.0 + 0.4x0.66=0.86

3.0 Purchase order No. 3.

(i) Quality rating = **QI/Qs**
=100/(100+10) =0.91

(ii) Delivery rating $= \dfrac{\mathbf{Qt + \sum Qd\ (1-K \times Td/T)}}{}$

$$= \frac{80 + 10(1-2 \times 10/60) + 5\ (1-2 \times 20/60) + 5\ (1—2 \times 30/60)}{100}$$

$$= \frac{80+6.7+1.65+0}{100} = 0.88$$

(iii) Vendor rating (Vr3) = 0.6 x Qr + 0.4 x Dr
= 0.6x0.91 +0.4x0.88
= 0.90

4.0 Purchase Order No. 4.

(i) Quality rating = **QI/Qs**
=100/(100+49)=0.67

(ii) Delivery rating $= \dfrac{\mathbf{Qt+\sum Qd\ (1-KxTd/T)}}{Q}$

$$= \frac{80 + 10(1-2 \times 10/60) + 5\ (1-2 \times 20/60) + 5\ (1—2 \times 30/60)}{100}$$

$$= \frac{80+6.7+1.65+0}{100} = 0.88$$

(ii) Vendor rating (Vr4) = 0.6 x Qr + 0.4 x Dr
= 0.6 x 0.67 + 0.4 x 0.88 = 0.75

Overall Vendor rating :

$$\mathbf{Vr = \frac{V1 \times Vr\ 1 + V2 \times Vr2}{V1 + V2 + V3} = x100}$$

Where
(i) Vr1, Vr2 are vendor rating for different purchase orders.
(ii) V1, V2, are the values of the respective purchase orders referred to in para (i) above.

$$\mathbf{Vr = \frac{4 \times 1 + 3 \times 0.86 + 5 \times 0.9 + 2 \times 0.88}{4+3+5+2} = 0.91}$$

Vr = 0.91.

ANNEXURE-1/4-14

CONFIDENTIAL

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

Railway Stores (Liaison),
1st Floor, Jeewantara Building,
Parliament Street, New Delhi-110 001.

No. 91/LS/54/7(487) Dated 9th December 1999

The General Manager (Stores),
All Indian Railways including
CLW, DLW, DCW, ICF, RCF & WAR

Sub : **Revocation of banning of business dealings with fraudulent firms.**

* *

Number of references are being received from the firms for revokation of banning of business dealings with them after expiry of banning period and also requested to intimate the same to all Indian Railways/P. Units. In this connection, attention is invited to para 23 (i) of the Standardized Code, which is reprodeced for information and necessary action.

> "An order for banning/suspension passed for a certain specified period shall be deemed to have been automatically revoked on the expiry of that specified period and it will not be necessary to issue a specific formal order of revocation, except that an order of suspension/banning passed on account of doubtful loyalty or security consideration shall continue to remain in force until it is specifically revoked".

Please acknowledge receipt of this letter.

Sd/-
(K. Choudhary)
Dy. Director. Railway Stores (M)
Railway Board.

Copy to
EDV (S) , Railway Board, Rail Bhawan, New Delhi.

Copy for File No. 90/LS/54/10

Sd/-
(K. Choudhary)
DDRS (M).

ANNEXURE-1/4-15

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)709/4 New Delhi Dated 9.2.2001

The General Manager (Stores),
All Indian Railways including
CLW, DLW, DCW, ICF, RCF & WAP, COFMOW,
RE/ALLAHABAD, METRO RAILWAY, CALCUTTA, RDSO/LUCKNOW.

Sub : **Procurement of quality materials –weeding out of firms manufacturing Sub standard quality of materials**.

Board have been emphasizing quality procurement of materials for proper maintenance of assets with zero failure rates and instructions have been issued vide Board's letter No.99/RS(G)709/1 dated 6.9.99 and 16.9.99, for quality procurement of materials.

Inspection of material with proper quality is one of the important aspects which has been emphasized in the above circular letter dated 16.9.99 under Para 10. Various meetings have been held with RITES to improve inspection procedures so that quality of material received is as per the specification ordered and is beyond doubt. Railways have already been advised in regard to the commitment made by the RITES for improvement in the inspection procedures particularly in respect of the following:-

1. At present RITES are not issuing inspection certificate where lots stand rejected. RITES have agreed to issue inspection certificate in case of rejection even of the full lot intimating reasons of rejection.

2. At present test results do not accompany inspection certificate. RITES have agreed to supply one set of test result as a part of inspection certificate for consignee.

3. At present RITES provides feedback for any changes, if required, in the specifications to RDSO or consuming department of Railways/Pus. RITES have agreed to supply this feedback to purchase office also.

4. RITES agreed to submit an exception report quarterly to Board for those firms whose materials have been rejected repeatedly during the quarter on the revised format so that railways can take suitable action against the firms for de registration etc., whose quality performance is poor.

2.0 One of the important aspects for quality procurement of material is weeding out bad suppliers who are not able to supply quality materials as per specification against the orders placed by the railways. On the request of the Board RITES have agreed to furnish the list of suppliers who are not able to manufacture/quality material and the same have failed repeatedly in the inspection carried out by RITES. It is necessary that such firms who are not able to manufacture quality products are weeded out from the approved list of suppliers by the railways. For this purpose, systematic approach for

weeding out of such vendors is necessary and railways should invariable take action as per the following:

i) RITES will furnish list of such vendors where there have been repeated rejections in their inspection against the orders placed by railways/production units. Copy of such list will be circulated by DDRS(M)/RLO for taking action by the railways/production units.

ii) On receipt of this list Railways/Production Units/source approving authority should take immediate action to issue show cause notice to such firms with the purpose of weeding out such firms by giving adequate notice as per the procedure laid down under Board's letter No.VIG-IV/75/Policy/ST/46(II) dated 27.12.75.

iii) Railways should systematize procedure for weeding out such firms and should furnish quarterly report to RLO in regard to firms removed from their list of approved suppliers to enable RLO to compile information for Board in the following format:-

Name of Firm	Approval/ Registration Source	Item Description	Purchase Order	Date	RLO's Letter & Date	Action Taken

iv) All source approving authorities, who have originally approved such firms should re-examine the original approval of such firms. Lacunae in their procedures as to how such firms have been originally approved for supply should be ascertained and effective action should be taken to correct their procedure so as to ensure that such firms are not approved in future.

v) Appropriate action may also be taken against the authorities, who have recommended such firms for bringing them in the approved category. Suitable report for remedial action for improvement in the procedure should also be submitted to the Board along with the list of firms removed for such default.

vi) However, it will be responsibility of the Railways against whose purchase order, rejection has taken place, for monitoring final action against the firm by the source approving authority.

Please acknowledge receipt of this letter.

Sd/-
(P.S. Meena)
Dy.Director, Rly.Stores(G), Railway Board

ANNEXURE-1/4-16

Ministry of Railways, (Railway Board)

No.2001/RS(G)779/4 New Delhi Dated 05.08.2002

The General Manager (Stores),
All Indian Railways/ PUs

Sub : **Cartel formation by approved vendors.**

A number of references have been received from Railways/ PUs regarding cartel formation by the approved vendors and consequently substantial increase in rates in the tenders. In such cases, even the negotiations have not helped in obtaining significant reduction in prices. This issue was discussed in 56th Conference of Controller of Stores at Railway Board, on 13th/14th June 2002 and it emerged that most of the approved vendors are taking undue advantages of Railways policy of bulk quantity procurement only from approved sources.

2. After having considered the matter in detail it has been decided that the tender documents may include following conditions.-

a) Wherever all or most of the approved firms quote equal rates and cartel formation is suspected, Railways reserve the right to place order on one or more firms with exclusion of the rest without assigning any reasons thereof.

b). Firms are expected to quote for a quantity not less than 50% of tendered quantity. Offers for quantity less than 50% of tendered quantity will be considered unresponsive and liable to be rejected in case cartel formation is suspected. Railways, however, reserve the right to order on one or more firm any quantity.

c) The firms who quote in cartel may be warned that their names are likely to be deleted from list of approved sources.

3. Selection of one or more firms as per para-A.1, above may be on the basis of past performance records, capability, capacity, quality performance, location, after sales service response etc. subject to rates being considered reasonable. Whenever tendered quantity is quite large and the capacity of approved firms individually is small, minimum 50% quantity limit as per para2 may be suitably modified in tender conditions. Further, Railways may report the details of firms found involved in forming cartel to source approving authority for considering down gradation/deletion of names of such firms from list of approved sources.

4. The instructions contained in Board's letter No.99/RS(G)/709/1 dt 6.9.99 of ordering not more than 15% of quantity on Part II approved sources and 5% of quantity on new source are to be followed in normal circumstances. Wherever there is suspected cartel formation from approved sources, after recording the reasons. Railways are permitted to place orders on part II sources and new sources beyond present limit of 15% and 5% respectively subject to rates being reasonable and firms otherwise considered capable.

5. Despite above measures, if there is no success in breaking cartel, further recourse as may be deemed fit, including taking up the matter with MRTP Commission or proposed Competition Commission of India (as and when it is set up) may be considered.

6. This issues with concurrence of finance directorate of Ministry of Railways

(P.C.Sharma)
Exe. Director, Rly. Stores (G), Rly Board.

ANNEXURE-1/4-17

Government of India
Ministry of Railways
(Railway Board)

No.2001/RS(G)779/4 New Delhi Dated 05.08.2002

The General Manager (Stores),
All Indian Railways including
CLW, DLW, DCW, ICF, RCF & WAP, COFMOW,
RE/ALLAHABAD, METRO RAILWAY, CALCUTTA, RDSO/LUCKNOW.

Sub : **Guidelines for approval of vendors in order to prevent cartel formation.**

A number of references have been received from Railways/PUs regarding cartel formation by the approved vendors and consequently substantial increase in rates in the tenders. Following steps may be taken so as to discourage the tendency on the part of approved firms to quote high rates in cartel.

a) While approving firms, an undertaking may be obtained from them that they will not be part of a cartel with other vendors and will be quoting competitive rates in the tenders. The firms who quote in cartel may be warned that their names are likely to be deleted from the list of approved vendors.

b) Railways should report details of firms involved in forming such cartels, to approving authority for considering down gradation/deletion of names of such firms from the list of approved vendors. Simultaneously, urgent steps should be taken for approval of more vendors for items where cartel problem exists.

c) The procedure for approval of the firms should be made more transparent and the details of the procedure for approval of new firms may be put on the web site and also published in a form of a booklet for information of the vendors. Time frame and the criteria for approval of new vendors as well as for up gradation from Part-II to part-I category may be clearly indicated.

This issues with concurrence of finance directorate of Ministry of Railways.

Sd/-
(P.C.Sharma)
Exe. Director, Rly. Stores (G), Rly Board.

ANNEXURE-1/4-18

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/709/1 New Delhi Dated 12.09.2002

The General Manager (Stores),
All Indian Railways and PUs.

Sub : **Quality improvement with Vendors.**

Ref : RITES letter No.23A/RITES/INS/RB/Quality improvement Dated 9.5.02

Please find enclosed herewith a copy of letter under reference from GGM/RITES to AM(RS). The multiple rejections from some firms repeatedly should be a cause of concern as it goes against the policy of Railways to improve upon the quality of purchased materials by all possible methods including proper selection of vendors at the time of issue of limited tender enquiry and at the time of deciding any open advertised tender.

2. It has normally been observed that vendors who perform repeatedly badly on quality by way of rejections are also normally defaulting in delivery schedules also in a large number of cases. Such vendors are definitely not fit for supply of material to Railways and have to be eliminated.

3. The list of vendors where there are repeated failures is being periodically circulated by RITES to the respective Railways. The consolidated list sent by RITES iwht the letter under reference also indicates the purchaser Railway. It is, therefore, desired that the labour done by RITES should be fruitfully utilized by the Railways to improve upon the quality. In this regard Railway Board's guidelines already exist as communicated vide Board's letter No.95/RS(lC)/165/34 dated 30.6.1997. Railways, should, therefore, devise foolproof systems by which they can regularly review the performance of the vendors and take suitable action for delisting/downgrading etc of the bad suppliers. Apart from that wherever justified penal clauses in the form of E/D, Risk Purchase and forfeiture of Security Deposit have to be invoked as well.

4. Board (M.M) has desired that a regular feedback should be given by the Railways to Board on the action taken by them on such lists circulated

Sd/-
(P.C Sharma)
Exe.Director, RS(G)
Railway Board.

ANNEXURE-1/4-19

Ministry of Railways, (RAILWAY BOARD)

No. 2002/RS(G)/753/1 Dt 08.11.2002

Sub : **Registration for Firms on Railways.**

Ref: - Board's letter no 76/RS(G)/164/16 dated 17th /19th October 1989.

In a partial Modification of the instructions contained in Railway Board's letter No.76/RS(G)/161/16 dated 18th/24th February 1978, it has been decided to revise the existing monetary limits for registration of firms as mentioned under Recommendation No 65 as under:-

a) Those firms capable of executing supply orders valuing Rs.40 Lakhs and above.
b) Those firms capable of executing supply orders valuing Rs.10 Lakhs to Rs.40 Lakhs.
c) Those firms capable of executing supply orders valuing Rs.5 Lakhs to Rs.10 Lakhs.
d) Those firms capable of executing supply orders valuing each above Rs.1 Lakh to Rs.5 Lakhs.
e) Those firms capable of executing supply orders valuing upto Rs.1 Lakhs.

It has been decided to revise the existing limit of Rs.25,000/- and Rs. One Lakh as revised vide letter no 76/RS(G)/164/16 dated 17.10.89 under Recommendation Nos.66 and 67 of the said Committee to Rs.1 Lakh and Rs.5 lakh, respectively.

All other terms and conditions mentioned in Board's letter referred to above will remain unchanged.

This issues with the approval of Finance Directorate's office.Please acknowledge receipt.

(P.S.Meena)
Dy Director Rly.Stores (G), Railway Board

ANNEXURE-1/4-20

Ministry of Railways, (Railway Board)

No.2003/RS(G))/11/3 New Delhi Dated 17.7.2003
The Controllers of Stores,
All Indian Railways &PUs

Sub : **Monitoring of performance of approved vendors.**

Ref : Board's letter of even number dt.8.5.2003.

Attention is invited to sub-para 5.2 of the minutes of the meeting held on 10.3.03 at RDSO regarding Rationalisation of Vendor Approved System as circulated vide Board's above referred letter, wherein it was decided that RDSO will devise a suitable format for monitoring the performance of vendors and circulate to COSs of Railways for regular feedback to RDSO.

Accordingly the format for customer feedback has been devised and circulated by RDSO to all COSs under their letter No.MW/IL/Vendor performance dt.23.6.03. Thus for all those items where vendor approval is dealt by RDSO, it is requested to send the item wise information in the above said prescribed format to RDSO on half yearly basis i.e, for the period ending June & December every year.

Please acknowledge the receipt of this letter & apprise Board of the action in the matter.

(P.S. Meena)
Dy.Director, Railway Stores(G), Railway Board

ANNEXURE-1/4-21

No: 2002/LS/54/7/Pt.I New Delhi,Dt. 28.01.2005

Sub : **Inspection of material by Inspection Agencies against Firms Which have been banned or against whom the proposal for banning is in progress.**

References have been received from Railways regarding keeping of inspection in abeyance by inspection agencies against the firms which have been issued a Memorandum for banning of business dealings with them. This matter has been examined in Board's office and it is advised that:

(i). Wherever the proposal for suspension or banning of business dealings, has been forwarded to Railway Board and the decision on the same has yet not been taken, the inspection of material against purchase orders should not be withheld.

(ii). Railways should ensure that contract concluded before the issue of banning order shall, however, not be affected by banning order.

(iii). Railways should ensure that before sending the proposal for suspension or banning of business, the name of the defaulting firm is removed from their list of approved sources.

-Sd-
(Trilok Kothari),
Director, Railway stores (IC),
Railway Board.

ANNEXURE-1/4-22

No.99/RS(G)/709/1Pt.I New Delhi, dated 11.03.2005.

The General Manager (Stores),
All Indian Railways and PUs.

Sub : **Instructions regarding vendor assessment and approval for Critical and Safety items**.

After detailed deliberations on the issue of Vendor assessment system, Board have decided that critical and safety items shall be categorized in the following manner by RDSO and circulated to all Railways and Production Units: -

Category	Vendor Registration & approving Authority	Inspection	Vendor Development
I	RDSO	RDSO/RITES	RDSO
II	RDSO	RDSO	RDSO
III	RDSO for Wagon & Coaching items & PUs for Diesel items	RDSO/RITES	PU & RDSO

The matter is further clarified as under: -

(i) For category – III items, PUs are also permitted to develop new sources. In all such cases the first inspection of the bulk procurement must be carried out by RDSO and after final approval on successful completion of the first bulk order, the vendor be incorporated in RDSO's approved vendor list without any need for reassessment by RDSO.

(ii) In case of Diesel items, the PUs may develop and register vendor which are essential to continue the ongoing indigenization programme for the locomotives.

(iii) Periodic re-certification of all vendors included in RDSO's vendor list will be done only by RDSO.

Sd/
(P.S. Meena),
Dy..Director, Railway Stores(G), Rly Bd.

ANNEXURE-1/4-23

Government of India
Ministry of Railways
(Railway Board)

RBS NO.09/2005

No. 99/RS(G)709/1 New Delhi, dated: 3.5.2005

The General Managers/All Rlys/PUs,

Sub : **Transparency in purchase.**

MR while presenting the Railway Budget for 2005-06 in Parliament had stated that:

"Every year the Railways make purchase of material worth thousands of crores of rupees. In certain cases the material cannot be supplied to the Railways at fair prices for want of limited number of approved suppliers. There have been complaints of cartel formation in the recent years, especially in tenders of concrete sleepers. Therefore, it has now been decided that in all such cases where Railways are not able to procure stores at fair prices for want of the adequate numbers of suppliers, efforts would be made to develop the new vendors in the public or private sector in order to infuse healthy competition amongst them. It has also been decided that the value of the tender will be determined on the basis of total cost of the supply which will be inclusive of local taxes etc. and it will be kept low to the extent possible."

In pursuance of the above objectives, the following decisions have been taken by Board:-

(1) COSs should identify the items where Railways/PUs are not able to procure stores at fair price for want of adequate number of suppliers. This process should be completed within three months.

(2) Source developing/ approving authority (RDSO, PUs& Zonal Railways) should be given this list of identified items to develop more sources for the same. This process of developing adequate sources should be completed within six months from the time such items have been identified.

(3) The system of Open Tendering (Advertised/Global Tender) followed on Indian Railway, provides an opportunity towards development of new sources. Wherever offer from new sources are received and such sources are prime facie found suitable to develop a particular item, they should be tapped and developed in a time bound manner. The sources approving authority should ascertain the capacity/capability of such sources in shortest possible time say within six months of advice from purchase authority. The progress of such cases should be regularly monitored at CHOD level and quarterly report be sent to Board.

(4) Cartel formation by suppliers should be tackled in terms of Board's instructions issued vide letters no. 2001/RS(G) /779/4 dated 05.08.02.

(5) The value of the tender should be determined on the basis of total cost of the supply including taxes. In this regard, it is reiterated that Board's instructions issued vide letter no. F(X)-II 2004/PW/7 dated 14.09.2004 should be scrupulously followed.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Compliance & action taken on the above be sent to Board by the end of every month.

Sd/-
(P.S.Meena),
Dy. Director, Railway Stores (G)

ANNEXURE-1/4-24

Ministry of Railways, Railway Board RBS NO: 17/ 05

No. 95/RS(G)/363/1 Dated 06.12.2005

The General Managers/ All Indian Rlys/ PUs, etc

Sub : **Validity of Government purchase registration issued by 'The National Small Industries Corpn. Ltd'.**

A copy of the letter no: NSIC/MOH-12/05-06 dated 26.09.2005 from 'The National Small Industries Corpn Ltd' on the above subject is enclosed for information and necessary action.

(Aruna Jain)
Dy. Director, Railway Stores (G)-II,
Railway Board

THE NATIONAL SMALL INDUSTRIES CORPN LTD
(A GOVERNMENT OF INDIA ENTERPRISE)
PRESTIGE CHAMBERS, KALYAN STREET, MASJID(E),MUMBAI-400009.

No: NSIC/M/OH-12/05-06 Dt 26.09.2005**.**

M.K.Agarwal,
Secretary Railway Board.

Sub : **Validity of government purchase registration issued by National Small Industries Corpn Ltd.,**

Dear Sirs,

You are aware that the corporation has been issuing single point **permanent enlistment certificate** to SSI units for the purpose of granting them certain benefits in the government purchase programme. These benefits include (i) Free tender documents (ii) Exemption from earnest money and security deposit (iii) Price preference upto 15% against large and medium units. You have been kind enough to extend these benefits to SSI units registered with the corpn.

In order to enhance the quality of the registration certificate, it had been decided w.e.f. 12.05.2003 that the enlistment certificate issued by NSIC **will not be permanent and will be renewed every two years.** The concept of **without limit monetary limit has also been abolished** and monetary limit is fixed in terms of actual amounts. This had been circulated to purchaser government departments and individual units.

It has come to notice that many SSI units (taking benefits the word permanent on the registration certificate) are making use of the said registration **certificate without getting it renewed. Many units do not produce their monetary limit revision to the Govt. Purchaser.**

We therefore request you to kindly take note and circulate to all departments / offices under you that

" Any government purchase enlistment certificate issued by NSIC which is not renewed within two years of its presentation to your department or which contain a without limit monetary limit should not be taken as a valid certificate and the unit should be referred back to NSIC for corrective measures".

We solicit your special attention.

Yours faithfully,
(Hemraj Singh), Regional Manager.

ANNEXURE-1/4-25

Ministry of Railways, (Railway Board)

No: 2003/RS(G)/11/3 Dt. 19.10.2006

The COS, All Indian Railways & PUs

Sub : **Cartel formation by RDSO approved vendors.**

It is seen that Railways have been repeatedly reporting regarding the cases of cartel formation by RDSO approved vendors for various items. In this regard, it is hereby advised that all such cases of cartel formation, where firms are repeatedly quoting exhorbitant rates may also be reported to Competition Commission of India (CCI) regularly at the following address:-

14, "B".Wing, Hudco Vishala,
Bhikaji Cama Place, New Delhi-110066.

(Trilok Kothari)
Director, Railway Stores(IC), Railway Board.

ANNEXURE-1/4-26
Ministry of Railways, Railway Board **RBS NO.24/2006**

No. 2005/RS(G)709/1 New Delhi, dated: 17.11.2006

The General Managers/All Rlys/PUs,

Sub : **Recommendations of Multi Disciplinary Task Force on Assests and Maintenance failures for establishing near Zero Defect Regime regarding "procurement procedures for Stores management' – Development of new interested Vendors through the mode of advertising in newspapers.**

Ministry of Railways constituted a Task Force to study the entire gamut of issues concerning the asset maintenance and failures and make recommendations for establishment of near-zero defect regime. The recommendations of the Multi Disciplinary Task Force's report were examined by the Board in detail.

One of the recommendations of the Multi Disciplinary Task Force accepted by Board is that:-

- To follow transparent system of approval of sources.
- To call expression of interest by giving wide publicity for development of sources for those items where the approved sources are not adequate and where problems of cartel formation is suspected and high rates are quoted.

While implementing the above, following may be kept in view:

1. Items for which the systems of approval of sources exists, the same should be laid down specifically for each item and be made available to the likely sources. The same should also be placed on the w ebsite. The updated status of requests for approval/renewal shall also be made available on the website.

2. Wherever, it is felt by tender committee/tender approving authority that the number of approved sources or their capacity for an item is not adequate or where the problem of cartel formation coupled with quoting of high rates suspected then necessary action in this regard will be taken as laid down in Board's letter No. 99/RS(G)/709/1 dated 03.05.05 (RBS No. 09/2005).

Necessary action on the above may please be taken and compliance advised to Board at the earliest.

Sd/-
(Trilok Kothari), Director,

Railway Stores (IC), Rly Bd.

ANNEXURE-1/4-27

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS **RBS No: 27/2006**
(RAILWAY BOARD)

No. 2001/RS(G)/779/4 New Delhi, Dated: 12.12.2006.

General Managers,
All Indian Railways/PUs

Sub : **Recommendations of the Task Force on Tendering Procedures-regd. calling of global tenders to check cartel formation by RDSO approved sources.**

A Task Force consisting of three Executive Directors – EDRS(G), EDF(S) & EDTK(M) was constituted by Board to examine the pros and cons of the various issues related to tendering procedures. One of the recommendation of the Task Force is " to invite global tenders, provided it is cost effective, for the items where cartel formation is repeatedly noted. In such global tenders, the condition of procurement of bulk quantity from RDSO approved sources should be dispensed with. Where in the global tender, potential overseas suppliers are found capable to supply the item, bulk quantity orders may be placed on such new firms. The capability and capacity of such firms should be verified by suitable means such as by seeing the documents of their past supplies to other customers, feedback from such customers etc".

The above recommendation of the Task Force has been considered and approved by the Board.

In view of the above, following guidelines are issued:-

(1) Railways may invite global tender for items wherever cartel formation is repeatedly noted by indigenous sources.

(2) While inviting such tenders, the condition of procurement of bulk supply from RDSO approved sources should be dispensed with as tender condition.

(3) In such global tenders, bulk quantity orders may be placed on potential indigenous / overseas suppliers, capable to supply the item.

(4) The capability & capacity of such potential indigenous / overseas supplier should be evaluated by inclusion of desired conditions stipulations in the tender. However, such condition should not aim to restrict the competition.

(5) It must be ensured that the procurement made through such Global tenders is cost effective with respect to the rates obtained in cartel formation situation.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC)
Railway Board

*** * ***

ANNEXURE II

ANNEXURE-II/1-01

Copy of letter No. 55-B(C) 2498/(35 and 36)/XIII dated 13th January 1956 from Joint Director, Finance (B,), Railway Board, addressed to General Managers, All Indian Railways, etc.

Sub: **Insufficient time allowed for submission of Tenders**

A copy of the Para 28 of the Railway Audit Report, 1953 on the above subject along with the relevant remarks thereon by the Public Accounts Committee, are enclosed. It has been observed, that, in certain cases time allowed for submission of tenders fell short of the prescribed period and the Public Accounts Committee have commented on the advisability of guarding against the danger of contractors, freed from the restraint of a competitive tender system, holding out for unjustifiably high rates. The Board therefore desires that in future the Railway Administrations must ensure that the prescribed period of notice is given in all cases barring in the most exceptional circumstances.

ANNEXURE-II/1-02

Copy of letter No. F(X)II-56/Misc/27 dated 20th December 1956 from Deputy Director, Finance (P. &P.), Railway Board, New Delhi, addressed to General Managers, All Indian Railways.

Sub: **Delays in dealing with the Tenders**

It has come to the notice of the Railway Board that in a particular case, where re-tendering became necessary, the time lag between the receipt of fresh tenders and their acceptance, and the termination of the old contract resulted in a loss of revenue. The Board desires that the tenders should be invited sufficiently in advance of the expiry of contracts so as to give time to call for fresh tenders where re-tendering may, become necessary.

ANNEXURE-II/1-03

Copy of letter No. 58-B(C)-2498/11/4th Report --8 dated 27th/30th May 1958 from Shri C. T. Venugopal Director, Finance, Railway Board, New Delhi, addressed to General Managers, All Indian Railways etc.

Sub : **Selection of Contractors through inviting open tenders**

A reference is invited to Railway Board's letter No. 55-B(C) 2498/(35) and (36)/XIII dated 13th January 1956 copy of which together with a copy of enclosure thereto is enclosed for ready reference. The question of allowing free play to a competitive tender system and ensuring for this purpose that the prescribed period of notice is generally allowed when inviting tenders, was brought to the notice of Railway Administrations in the aforesaid instructions of the Board.

2. The general principles in this connection have again been discussed by the Public Accounts Committee in connection with a paragraph in the Audit Report, Railways 1956 and a copy of the Committee's recommendation No. 8 contained in Appendix II of the 4th Report

(2nd Lok Sabha) of the Public Accounts Committee which is self-explanatory, is reproduced below -

" The Committee feel that undue emphasis on previous experience of contractors would cut across the very principle of inviting open tenders and by shutting of all new comers, it would tend to create monopolistic tendencies. The Committee trust that the instructions issued by the Railway Board in January l956 in pursuance of Para 72 of their Thirteenth report would be strictly adhered to. The Board have impressed therein the need for allowing the prescribed period of notice for submission of tenders.

The Committee desire that sufficient notice should also be given in cases where the specifications in a tender have undergone changes and fresh tenders called for in cases where the modifications are major in character warranting such a course ".

3. In bringing to the notice of Railway Administrations once again these essential aspects (amongst others) in the matter of inviting tenders and considering them Board desire that the importance of these instructions may once again be impressed on all authorities subordinate to you who are empowered to invite and deal with tenders.

ANNEXURE-II/1-04

Copy of letter No. 68/WI/CT/25 dated 12th July 1968 from Director (Civil Engineering), Railway Board, New Delhi, addressed to General Managers, All Indian Railways, etc.

Sub : **Supply of Railway materials to Contractors**.

Certain disputes have arisen in respect of additional lead and lift for taking Railway materials to the site of work, because the point where the Railway materials would be supplied was not specified in the contract.

The Board desire that in all contracts where Railway materials are to be supplied, the special conditions of contract should specify the place where various materials are to be handed over to the contractor and it should also be made clear that all lead and lift from that place to the site of work would be at the expense of the contractor.

ANNEXURE-II/1-05

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 69/RS(G)779112 New Delhi, dated 4th June 1969

The General Managers,
All Zonal Railways, C. L. W., D. L. W. and I. C. F.

Sub : **Issue of "Limited" tender enquiries to the firms not on the approved lists.**

The matter as to whether '**Limited**' tender enquiries can be issued to the firms not on the Railways approved lists of suppliers, had been under consideration of the Board for some time.

After careful consideration it has been decided that the purchase Officer may be allowed to issue limited tender enquiries even to firms which are not on the approved list subject to the condition that before doing so he should record the justification therefor and obtain the approval of the next higher officer, but not below the rank of a Deputy C. O. S. At the same time such firms should also be asked to get themselves registered with the Railway subject to necessary formalities being completed.

Please acknowledge receipt.

(This disposes of the General Manager, S. E. Railway's letter No. S/189/A/O/P.III/ 2278 dated 29th January/ 3rd February 1969).

Sd/-
(P. R. BHAGWAT),
Deputy Director,
Railway Stores, Rly Bd

ANNEXURE-II/1-06

Copy of letter No 69-F(S)I-PW 4/3 dated 8th July 1969 received from Shri J. N. Ghost, Assistant Director, Finance (Stores) Railway Board, New Delhi addressed to General Managers, All Zonal Railway Productions Units and others.

Sub : **Simplification** of **Purchase Procedures and Revision of the Purchase Powers of the Controllers of Stores**

The subject of revising the powers of purchase of the Controllers of Stores and the Simplification of existing purchase procedures had been under consideration of the Board , the subject had also been discussed during the Periodical Meetings of the Controller of Stores with the Railway Board from time-to-time. The Board have now decided as under

(i) In supersession of the Board's orders contained in their Circular No. F(PM)64/PW-411 dated 23rd July, 1965, the Controller of Stores may be empowered to invite limited tenders for orders, the estimated value of which is less than Rs. 20,000. The restricting conditions mentioned in Board's aforesaid letter will also not apply. It is, however, open to the Controller of Stores to still invite open tenders for orders valuing **less** than Rs. 20,000 **wherever so considered necessary.**

(ii) **Tender** Committees may be constituted for orders of the value of Rs. 20,000 **or** more (instead of' Rs. 10,000 or more as at present).

(iii) The existing limit of Rs. 1,000 in each case, beyond which pre- vetting of purchase order has to be carried out by the associated finance, may be raised to Rs. 2,000 in each case. The Controller of Stores will also have powers to deviate from I.R.S conditions of contract. wherever so considered necessary, **without Finance concurrence** upto this limit of **Rs 2,000 in each case.**

(iv) Controller of Stores may exercise emergency powers of purchase without Finance concurrence upto Rs. 50000/- in each case, subject however, to his being advised by a Tender Committee, where applicable *(i. e.* in cases where the value is Rs. 20,000 or more). In doing so the Controller of Stores will be free to decide when, for what quantity and in what manner *(i. e.* the type of tender to be floated) such emergency purchases should be made. It is, however, open to the Controller of Stores to seek advice from associated finance wherever considered desirable. (In respect of purchases through Single Tenders, the powers will be Limited to Rs. 500/- as provided in Para 1 (vi) below.

(v} Quantity vetting by associated finance at the depot level may be carried out in respect of demands valued beyond Rs. 5,000 in each case (as against the existing limit of Rs. 3,000). Scrutiny by Finance, at the headquarters office, in respect of group sheets prepared by the Controller of Stores, consolidating demands of all depots for the same item may be carried out wherever total value of a single item to be purchased exceeds Rs. 20,000 per item (as against the present limit of Rs. 3.000).

(vi) The powers of the Controller of Stores to make purchases by invitation of a single tender in the case of non-proprietary articles, may be raised from the existing level of Rs. 200 to Rs. 500 in each case.

2. This has the sanction of the President.

2. The above orders will have immediate effect and will supersede all existing instructions and circulars on the subject. Necessary Correction Slips to the existing code provisions will issue in due course, It is hoped that, with the increase in powers as well as simplification of existing procedure., resulting from the implementation of the above instruction, the purchase work on the Railways will be greatly facilitated and expedited so as to ensure improved levels of compliance of demands as well as better control over inventories.

ANNEXURE-II/1-07

Copy of letter No. 69.F (S)/PW-4/3 dated 2nd September 1969 received from Shri J. N. Ghosh, Asst. Director, Finance (Stores**),** *Railway Board, addressed to General Managers, All Indian Railways, I .C. F. etc.*

Sub : **Simplification of Purchase procedures and revisions of purchase powers of the Controller of Stores**

Ref.: Board's letter of even number dated 8th July 1969.

Please add the following at the end of para 1(iv) of Board's above-quoted letter-

" In respect of purchases through single tenders, the powers will be limited to Rs. 500/- as provided in para 1(vi) below ".

ANNEXURE -II/1-08

MINISTRY OF RAILWAYS, (RAILWAY BOARD*)*

No. 77/RS (G)/779/17.1 New Delhi, dated 20th June 1977

The General Managers.
All Zonal Railways, C. L. W., D. L. W. and I. C. F,

Sub : **Issue of Limited tender enquiries to the firms not on the approved list**

In partial modification of the instructions contained in Board's letter No. 69/RS (G)/ 779/12 dated 4th June 1969 as amended vide letter of the same number dated 17th December 1970, it has been decided that in respect of cases falling within the purchase powers of Deputy Controller of Stores the approval of Additional Controller of Stores should be obtained and in respect of the cases falling within the purchase powers of Additional Controller of Stores, the approval of Controller of Stores should be obtained for the issue of ' **Limited**' tender enquiries to the firms not on the approved list provided justification is recorded.

This issues with the concurrence of the Finance Directorate of Ministry of Railways.

(This disposes of General Manager/Northern Railway's letter No. 129-S/O/Pt. IX/PG Dated 25th May 1977)

Sd/-
(**S. P. MEHTANI**)
Deputy Director, Railway Stores (G),
Railway Board.

ANNEXURE-II/1-09

Copy of letter No. 77/ WI /CT/40 dated 24th October 1977 from Deputy Director, Works, Railway Board to the General Manager, I. C. F.

Sub : **Railway Tenders for Works/Supplies of Stores**

It has been brought to the notice of the Ministry of Railways that tender notices issued by the Railway Administrations sometimes do not indicate the date from which tender documents would be available for sale or the tender papers are made available only a couple of days before the actual opening of the tenders with the result that very little time is left to intending tenderers to quote properly and may sometime even prevent them from quoting. It has also been pointed out that printed schedule of rates are either not available or they are not up-to-date.

The Ministry of Railways desire that Railways should ensure that tender documents are made available for sale immediately after the tender notices are published in the papers. In cases where tender notices are published much in advance, the date from which tender documents would be available should also be notified, giving adequate time for obtaining

drawings, specifications, preparation of proper quotations etc. If for any reason the tender documents are not ready by notified date suitable extension in time should be given for obtaining the tender papers and opening of tenders. It should also be ensured that the schedule of rates are available for sale to the Tenderers well in time and they are periodically reviewed as per extant instructions.

Please acknowledge receipt.

Copy to-

J. D. P. (R) and R. S. (G) for information with reference to press cutting from the Times of India, Bombay edition of 1st September 1977 received under MR. DY. No. 8524-B dated 9th September 1977.

ANNEXURE-II/1-10

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 77/RS(G)1779112 New Delhi, dated 11th August 1978

G. M. / I. C. F.

Sub : **Acceptance of Stores to specification/sample**

The Task Force on Vigilance have recommended as under-

" 236. An appropriate Cell either in the Headquarters of the Railways or in the Ministry should be set up to evolve specification for the items being procured as per sample so that the purchases to samples are kept to the barest minimum. Wherever purchases as per sample are unavoidable, scaled samples must be made available to the inspecting officer and must be retained for at least six months beyond the last purchase of that item under a particular order. Where possible and considered worthwhile, another sealed sample, should remain in the custody of the authority who approved the tender.

In the case of purchases as per samples, if there is any particular criterion of the sample which had influenced the decision of the purchasing authority, the same should be spelt out clearly in the purchase order/ letter of acceptance for the guidance of the inspecting officer ". (Para XIII 3.3)

" 240. In the case where the tender enquiry makes it incumbent for the sample to accompany the tender, it should be made mandatory that tenders not accompanied with samples are rejected straight-off for this reason itself ". (Para XIII 3.7)

2. An extract of Paras XIII 3.3 and XIII 3.7 of the report referred to in the aforesaid recommendations are also enclosed.

3. Reference in this connection is invited to recommendation No. 63 of the C. O. I. M. which has been accepted and instructions issued under Board's letter No. 78/RS(G)/754/1 dated 21st January 1978. Ministry of Railways desire that the cell maintaining the unified nomenclature lists should also keep proper liaison with R. D. S. O. and consuming Departments etc. and take action to incorporate appropriate specifications as and when evolved for the items which are being procured to samples.

4. Regarding supplying of sealed sample, Board desire instructions contained in **Para 1222-S** should be implemented *in toto.* Where sample forms part of the supply or is taken into stock by credit to stock adjustment account it should be issued with the last batch of' issues from that particular supply. Ministry of Railways do not agree with the suggestion for separate maintenance of sealed sample by the purchase officers.

5. Regarding advise on the criteria of acceptance of the sample to the inspecting authority reference is invited to Board's letter No. 77/ RS(G)/'779/12 dated 5th July 1977 which should be implemented *in toto.*

6. Instructions already exist that in the tender enquiry it should be made clear that where purchases are made to a sample, the sample should invariably accompany the tender and tenders not accompanied with sample should be rejected straightaway.

Ministry of' Railways desire that these instructions should be implemented and compliance advised to them.

(This issues with concurrence of the Finance Directorate of Ministry of Railways).

Sd/-,
(**N. RAMAN**),
Joint Director,
Railway Stores (IC)

ANNEXURE-II/1-11

Copy of letter No. 70F(S)I/PW-7/1 dated 6th March 1979 from Deputy Director, Finance (Stores),Rly Bd, New Delhi addressed to General Managers. All Indian Railways and I .C. F.

Sub: Enhancement of powers of Controllers of Stores

Further to this Ministry's letters No. 70F(S)I/PW-7/1 dated 14th August 1978 and 25th September 1978, two statements indicating the powers of purchase of Controllers of Stores in the various types of cases and the limits upto which they can be delegated to lower officers is enclosed for guidance.

2. In Statement I, only the monetary limits have been enhanced where considered justified. There is no change in procedural matters and the existing purchase procedures will continue to apply except where otherwise indicated.

STATEMENT I

POWERS OF CONTROLLERS OF STORES

Type of case	Existing powers	Powers as enhanced
I. Purchase of non-DGS&D items	Already enhanced from Rs. 5 lakhs to Rs. 10 lakhs vide Board's letter No. 70F (S) I/PW-7/1 dated 14th August 1978	.....

II. Purchase of D.G.S.&D. items in emergencies including Rate / Running Contract items (C.O.S. will also decide when for what quantity and in what manner such emergency purchases shall be made).	Upto Rs. 5 lakhs in each case (Board's letter No. 70F (S) I/PW-7/1 dated 3 rd October 1974 & 28 th December 1974).	Upto Rs. 10 lakhs in each case.
III. Purchase on limited tender basis- (a) In normal circumstances (b) In emergencies (at the discretion of the C.O. Ss.). (c) Safety items	Upto Rs. 50,000 (Board's' letter No. 70F (S) I/PW-7/1 dated 3 rd October 1974). Upto Rs. 5 Lakhs(Board's' letter No. 70F (S) I/PW-7/1 dated 3 rd October 1974). Upto Rs. 5 Lakhs (normal purchase powers).	No Change Upto RS. 10 Lakhs Upto RS. 10 Lakhs
IV. Local purchase of items on cash payment.	Upto Rs. 2000/- in each case (Board's letter No. 70 F(S) I/PW-7/1 dated 17 th July 1974).	No Change
V. Acceptance of deviations from I.R.S conditions of contract without prior finance concurrence.	Upto Rs. 10,000/- in each case (Board's letter No. 70F(S)/ I/ PW-7/1 dated 17th July 1971).	No change
VI. Constitution of Tender Committees.	To be constituted when value of tender is Rs. 50,000 and above (Board's letter No. 70F (S) I/PW-7/1 dated 3 rd October 1974).	Rs. 75,000 (Board's letter No, 70 F(S) I/PW-7/1 of 05.05.1980.
VII. Prior concurrence of finance for issue of purchase Orders.	Beyond Rs. 10,000 in each case (Board's letter No. 70F(S)I/PW-7/1 dated 17th July 1971).	No change.
VIII. Quantity vetting by Finance prior to purchase-		

(a) Depot level	Beyond Rs. 10,000 in each case (Board's letter No. 70F(S)I/PW-7/1 dated 17th July 1971).	No change.
(b) H. Q. level (bulked demands)	Beyond Rs. 25,000 in each case (Board's letter No. 70F(S)I/PW-7/1 dated 17th July 1971).	No vetting is required at the Head quarters level from associated finances unless specifically sought for by C.O.Ss case (Board's letter No. 70F(S) I/PW-7/1 dated 3 rd October 1974 & 28 th December 1974).
IX. Direct purchase of stationery stores in proven emergencies in consultation with F. A. & C. A. O. and subject to other conditions mentioned in 1109-S as amended by A. C. S. 119.	Upto Ro. 25,000 for each item at a time (Board's letter No. 72F(S)I/PW-4/3 dated 27th November 1975).	No Change

LIMITS ON DELEGATION OF POWERS TO OFFICERS OF STORES DEPARTMENT

	Powers to approve Quantities proposed for Purchases/ Indents.	Powers to sit on Tender Committees in term of value of tenders.	Powers to accept tenders in terms of value of tenders.
C.O.S.	All purchases valued over Rs. 5 lakhs per item.	Rs. 10 lakhs and above.	Upto RS. 10 lakhs for each tender.
Addl. C.O.S.	All purchases between Rs. 2 lakhs and Rs. 5 lakhs per item.	Above Rs. 5 lakhs and upto Rs. 10 lakhs.	Upto RS. 5 lakhs for each tender.
Dy. C.O.S.	All purchases between Rs. 25,000 and Rs. 2 lakhs per item.	Above Rs. 2 lakhs and upto Rs. 5 lakhs.	Upto RS. 2 lakhs for each tender.
D.C.O.S.	All purchases between Rs. 10,000 and Rs. 25,000 per. item.	From Rs. 75,000 and upto Rs. 2 lakhs.	Upto RS. 25,000 for each tender.

A.C.O.S.	All purchases below Rs. 10,000/-	Nil.	Upto RS. 10000/- each tender.
In Units where there is only an Additional C.O.S. in position, he will exercise all the powers of C.O.S.			
Authority:	76/RS(G)/779/36 Dated 06.01.1979.	70/F(S)I/PW-7/1 Dated 14.08.1978	70/F(S)I/PW-7/1 Dated 14.08.1978 and 76/RS(G)/779/ 57 Dated 14.03.1978.

ANNEXURE-II/1- 12

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. F(X)I-79117/1, New Delhi dated 26th March 1979

The General Manager,

All Indian Railways, including C. L. W., D. L. W. and I. C. F.

Sub : **Facilities to be provided to Small Scale Units**

A copy of letter No. GL-002/79-BPE/MM dated 9th February 1979 from the Ministry of Finance, Department of Bureau of Public Enterprises is sent herewith for information guidance and compliance.

Sd/-
D.A. As above (**N. C. Satyawadi**)
Dy. Director

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
Bureau of Public Enterprises, New Delhi

OFFICE MEMORANDUM

No. GL-002/79 BPE/MM Dated 09.02.1979

Sub : **Facilities to be provided to Small Scale Units**

The development of small scale units in the country is one of the major tasks undertaken by the Government and in this direction the public enterprises are rendering various kinds of assistance to this sector. Some of the facilities being afforded to the small scale sector were circulated *vide* our Office Memorandum No. GL/003178BPEJMM dated 12th January 1978 relevant contents of which are reproduced below-

" It has now been decided that the following facilities may also be provided by the public enterprises to the small scale units :--

(a) Earnest Money/Security Deposit need not be taken from the small scale units registered with the public enterprises concerned or with the National Small Industries Corporation. The public enterprises before registering the small scale units cart satisfy themselves regarding their competency.

(b) Tender sets may be given free of cost to the small scale units registered with the public enterprise concerned or with the National Small Industries Corporation in respect of items needed by the public enterprises.

2. Instances have been brought to the notice of the Bureau where for the purpose of extending these facilities the public enterprises have not recognized the registration afforded to the small scale units by National Small Industries Corporation. National Small Industries Corporation is a Central Government undertaking entrusted with the task of registering small scale units after verifying their technical and financial competence. In line with the policy of the Government greater opportunities need to be afforded to this sector to enable them to participate in your purchase programme. It is therefore emphasised that more conscious efforts may be made to assist the small scale sector.

3. It has been decided in consultation with National Small Industries Corporation that public enterprises may examine the certificate of registration of small scale units whenever required. The National Small Industries Corporation invariably issues a registration certificate to the Small Scale Industries unit which also indicate the stores for which the unit is enlisted.

3. Presently the National Small Industries Corporation have on their rolls about 1,200 units enlisted under the single Point Registration Scheme as suggested by us. The National Small Industries Corporation would be sending particulars of these units to the public enterprises in due course. In case of any further clarification public enterprise may refer to Shri R. K. Badhwar, General Manager (Government Purchases Division) National Small Industries Corporation, Okhla Industrial Estate, New Delhi- 110020.

Sd/- (**Bazle Karim**)
Addl. Secretary and Director General

ANNEXURE-II/1-13

Copy of letter No. 78/RS (G)/77711 dated 31st December 1979 from R. Krishnamurthy, Dy. Director, Railway Stores (G), to General Managers, All Indian Railways including I.C. F.

Sub : **I. R. S. conditions of contract-Deletion of clause 0704**

Reference Board's letter No. 64/RS (G)/779/49/App.VI-AB/CR dated 23rd August 1975 with which A. C. S. No. 103-S introducing a new clause 0703 (Increase or Decrease of quantity) in Appendix III to the Indian Railway Code for the Stores Department was sent and subsequent letter of the same No. Dated 16th January 1978 re-numbering the above clause 0703 as 0704 v*ide* para 4 of A. C. S. No. 152-S sent appended therewith.

The Ministry of Railways have reconsidered the matter and decided to delete the above clause 0704 of Appendix III to the Indian Railway Code for the Stores Department. Accordingly A. C. S. No. 192-S is appended herewith.

It has however been decided that in respect of purchases of value of more than Rs. 5 lakhs per tender a suitable option clause on the same lines may be incorporated as a special condition to the Tender wherever considered necessary.

This issues with the concurrence of Finance Directorate.

ANNEXURE-II/1-14

MINISTRY OF RAILWAYS, RAILWAY BOARD

No. 64/RS (G)/385/1 New Delhi, dated 19th February 1981

The General Manager(s),
Northern Railway,New Delhi

Sub : **Delegation of General Manager's power to the Controllers of Stores to accept Single Tender purchase from Stock yards/ buffer imports of M/S S.A.I.L., TISCO, IISCO in respect of steel items and to make 100 per cent payment in advance to them.**

Reference your letter No. 84S/1/Pt. VIII /Sl dated 24th December 1980 on the above noted subject. The matter has been examined by the Ministry of Railways. In view of the position explained therein, this Ministry's approval. is hereby accorded to authorise your C. O. S. to purchase steel items on Single Tender basis from stock yards/Buffer imports of M/s. S. A. I. L., T. I. S. C. O., I. I. S. C. O. at J. P. C. Prices and to make 100 per cent payment in advance to them.

This issues with the concurrence of Finance Directorate of the Ministry of Railways.

(**R. KRISHNAMURTHY**)
Dy. Director, Rly. Stores (G), Railway Board

DA: -As above

Enclosure to letter No. 64/RS (G)/ 385/1 dated 19 February 1981

No. 84S/ I/Pt. VIII/SI, Dated 24 th December 1980

The Secretary RS (G),
Ministry of Railway, ,New Delhi,

Sub : **Enhancement of powers of C. O. S regarding Single Tender purchases from M/S S.A.I.L., T. I. S. C. O. and IISCO for procurement (against 100 per cent advance payment) through Buffer import of stock yard.**

Board's attention is invited to this office letter of even number dated 10th September 1980 (Copy enclosed for ready reference) with the request to communicate their decision early.

(**B. K. ACHARYA**)
for General Manager(S),
Northern Railway,Baroda House.

Northern Railway

Headquarters Office,
Baroda House, New Delhi
No. 84 –S/1/PT VIII/S. I. Dated, 10th September 1980

The Secretary (RS) (G),
Ministry of Railways, New Delhi.

Sub: **Enhancement of power of Controller of Stores regarding single Tender purchase from M/s S. A. I. L., T. I. .S. C. O., I. I. S. C. O. for procurement against 100 per cent advance payment through Buffer import of stockyard.**

The offers received from M/s. S.A.I.L., M/s. T. I. S. C. O and M/s. IISCO for supply of steel (imported/ indigenous) through stock yards as well as Buffer imports. Their offers are generally valid only for 7/14 days during such short period it is not possible to complete the coded formalities *viz.:* -

(i) To hold Tender committee (ii) to obtain sanction of competent authority for approving the purchase as well as to agree to the payment terms (iii) to place orders duly vetted by accounts (iv) to issue pay orders by Stores Branch (v) to issue cheque for full value of material plus taxes etc., and to deliver at the place of availability (vi) to obtain delivery note etc.

To overcome these difficulties, a joint procedure Order No. 53 dated 15th May 1980 of Stores and Accounts was introduced with the concurrence of F. A. & C. A. O. (Copy enclosed) which has cut short certain formalities and has resulted in expeditious procurement of Steel Sections authorising Controller of Stores to accept offers on behalf of General Manager. The above procedure has been introduced to ensure timely availing of offers and has greatly improved supply position of steel flats and rounds.

Railway Board is, therefore, requested to approve deviation from codal provision contained in para 331-S and also delegation of General Manager's power to the Controller of Stores to accept the single tender purchase from stock yards/buffer imports of main producers *viz*., M/s. SAIL., T. I. S. C. O. I .I. S. C. O in respect of steel items like plates, rounds and structural etc. for imported / indigenous steel upto value of 10 lakhs as soon as their offers are received without going into the formality of Tender Committee examination and to allow 100 per cent advance payment of the amount to the firms as requested by them as in most of the cases there are no other suppliers for these items and where they exists the rates obtained are very high.

This issues with the concurrence of F. A. & C. A. O. of this Railway.

(R.K. CHOWDHURY)
for General Manager (Stores)

ANNEXURE-II/ 1-15

*Copy of Railway Board's letter No.64/RS (G) /385/1.New Delhi-110001, dated 18 th March 1981 addressed to General Manager (S) Northern Railway, New Delhi***.**

Sub : Delegation of general Manager's powers to the Controllers of Stores to accept Single Tender purchase from Stock yards/buffer imports of M/s. S, A. I, L., T. I. S. C. O. , I. I. S. C. O. in respect of Steel items and to make 100 per cent payment in advance to them.

Ref : Ministry of Railways letter of even number dated 19th February 1981.

In pursuance of Joint Plant Committee's announcement number 221 dated 23rd February1981 (Copy appended), the matter has been reviewed and in partial modification of Ministry of Railways earlier letter of even number dated 19th February 1981 under reference, it has been decided by the Ministry of Railways to authorize Controller of Stores to purchase steel items on single tender basis from stock yards/buffer imports of M/S. S.A. I. L., T. I. S. C. O., I. I. S. C. O. at main producer's/stockyard prices for the steel items as mentioned in Joint Plant Committee announcement number 211 dated 23rd February 1981 and for other items at Joint Plant Committee's prices as advised in their earlier letter dated 19th February 1981.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

DA : As above.

(**R. KRISHNAMURTHY**)
Jt. Director, Rly. Stores (I. C.),
Railway Board

Joint Plant Committee

225-C, Acharya Jagadish Chandra Bose Road,
Calcutta-70 0020

Announcement No. 211 Dated, 23rd February 1981

1. In pursuance of Government's decision, the Joint Plant Committee announces that the Prices of the following items mentioned under Serial No. 2 of the J. P. C. Announcement No. 209 dated 8th February 1981 shall be fixed by the main producers themselves in respect of all despatches and deliveries made by plants and stockyards after the midnight of 23rd/24th February 1981.

Blooms and Slabs.	Bars and Rods in coils/Straight lengths.
Billets.	Flats, and Seamless Bars. R.C. Squares

2. The distribution of the above items shall continue to be in accordance with the guidelines issued by J. P. C. from time to time.

by Order of the Committee
(M.M.SHANOY),
Executive Secretary.

ANNEXURE II/1-16

Copy of Board's letter No. 83/RS (G) /779/4 dated 18th April l983 addressed to General Managers (Stores) All Indian Railway and others.

Sub : **Evaluation of Tenders- Consideration of 3 per cent surcharge on Freight to pay traffic**

With the introduction of a 3 per cent surcharge on ' **to pay** ' traffic, a question has arisen as to what should be the freight element applied on f.o.r. Forwarding stations quotations for comparative evaluation of tenders *i.e.* whether the rate to be applied shall include the surcharge.

After detailed examination it has been decided by the Ministry of Railways that a suitable clause should he incorporated in the tender conditions enjoining that in case the quotation submitted is f.o.r. station of despatch, the supplier agrees to book the goods freight prepaid and recover the freight element through the bill. Where the supplier does not agree to book the goods freight prepaid and claim freight element subsequently, the quotations shall be loaded with the additional freight element *i. e.* the surcharge payable for Comparative evaluation.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE-II/1-17

Copy of Board's letter No. 87/RS (G)/753/2 *dated 30th December 1987 addressed to General Manager* All *Indian Railways and others.*

Sub **: Delegation of General Manager's powers to the Controller of Stores to accept Single Tender purchase from stock yards/Buffer imports of M/s. SAIL, TISCO, IISCO In respect of Steel items and to make 100 per cent payment in advance to them.**

Ref : This office letter No. 64/RS (G) 385/1 dated 26th November 1985 and item 8 of 46th C. O. Ss. Meeting.

Ministry of Railways have decided to delegate powers to Chief Material Managers to allow 100 per cent advance payment to M/s SAIL, TISCO, IISCO and accept Single Tender purchase from Stock Yard etc., upto Rs. 50 lakhs in each case.

This issues with the concurrence of Finance Directorate of this Ministry.

ANNEXURE-II/1-18

Copy of Board's letter No. 79/ RS (G*) 779/8 Pt. dated 6th January 1988 addressed to General Managers, All Indian Railways and others.*

Sub : **Limited Tender purchase**

On the Railways a large number of purchases, which are of small value, are being made. On investigation by the Vigilance, some irregularities including favouritism, payment of exorbitant rates etc. have come to light. One of the ways it is done, is that for limited tender enquiries, the tender forms are, in actual practice, mailed only to a few parties though from the file, it would appear that enquiries have been solicited from a much larger number of parties. To ensure that this does not happen, the Railways should send all tender enquiries against Limited Tenders under certificate of posting (or registered post) instead of by ordinary post.

ANNEXURE-II/1-19

Copy of Board's letter No. 85/RS (G)/779/21 dated 27th January 1988 addressed to General Managers All Indian Railways and others.

Sub : **Payment terms for Plant and Machinery contract involving erection and commissioning.**

Further to Board's letter of even number dated 2nd June 1987, a copy of the *pro forma* of Bank Guarantee to cover Warranty obligations of the firm, which is used widely by the COFMOW in their Global and indigenous contracts, is appended for adoption on the Railways. It may, however, be stated that a reference to the Ministry of Supply on the above subject has been made. If any modification in the procedure and *pro forma* is considered necessary, Railways will be advised accordingly.

2. This issues with the concurrence of Finance and Mechanical Directorates of this Ministry.

ANNEXURE-I

ANNEXURE 13

(Please see clause 13 of instruction to Tenderers)

PRO FORMA FOR WARRANTY GUARANTEE BOND

To
THE PRESIDENT OF INDIA
acting through the Controller of Stores,
Central Organisation for Modernisation of Workshops,
Railway Offices Complex
New Delhi- 110 002, India.

Sub : **Guarantee No----------for---------- (Amount) Covering Machine(s) Serial No----------supplied to (Consignee/s) ----------**

Ref. : Contract No----------dated----------Placed on M/ s ----------

1. WHEREAS M/s ---------- one of our constituents, hereinafter called the "**Sellers**" have agreed to sell to you (hereinafter referred to as the " **Government**") ---------- Nos. of ---------- (give description) as per contract No ---------- dated ---------- (hereinafter called "**the said contract**").
2. AND WHEREAS according to the terms of said contract, it has been stipulated that payment of 10 per cent of the value of the stores would be made, provided that the Sellers furnish to the Purchaser a Bank Guarantee from a recognised Bank, acceptable to the Purchaser for 10 per cent of the value of the said contract valid for a period covering in full the Guarantee Period as per the Warranty clause of the said conditions of the contract, being the conditions attached to and forming part of the said contract.
3. AND WHEREAS the Sellers have approached us to give the said Bank Guarantee on their behalf in your favour for an amount representing 10 per cent of the value of the contract which you have agreed to accept.
4. That in consideration of the promises and at the request, of the said Sellers, we hereby irrevocably undertake and guarantee to pay to the Government of India or at such other place as may be determined by you forthwith on demand and without any demur, any sum upto a maximum amount of ---------- (Rs. ----------) representing 10 per cent of the value of the Stores despatched under the said contract in case the Sellers make default in paying the said sum or make any default in the performance observance or discharge of the guarantee contained in the said contract.
5. We agree that the decision of the Government whether any default has occurred our has been committed by the Sellers in the performance, observance or discharge of the guarantee aforesaid shall be, conclusive and binding on us.
6. Government shall be at liberty, from time-to-time, to grant or allow extension of time or give other indulgence to the said Sellers or to modify the terms and conditions of the contract with the said Sellers without affecting or imparing this guarantee or our liability hereunder.
7. We undertake to pay to the Government any money so demanded notwithstanding any dispute or disputes raised by the Sellers in any suit or proceeding pending before any Court or Tribunal relating there to our liability under this present being absolute and unequivocal.

The payment so made by us under this bond shall be a valid discharge to our liability for payment thereunder and the Sellers shall have no claim against us for making such payment.

8. This Bank guarantee comes in to force when the balance ten per cent of the value of the stores shipped per Vessel ---------- *vide* Bill of Lading No. ----------dated ---------- or R/ R No. ----------dated ---------- (in the case of indigenous contracts) under the said contract, has been paid and will remain in full force and effect up to ---------*i.e.* for ---------- months counted from the date of placing the stores in services, and shall continue to be enforceable for further six months *i e*. upto ---------- (date), hereinafter called the said date.
9. This guarantee will not be discharged due to the change in the constitution of the Bank or the Sellers
10. That no claim under this guarantee shall be entertained by us unless the same has been preferred by the Government within the said date.

Date ---------- Signature ----------

Place ---------- Printed Name ----------

Witness ---------- ----------

(Designation)

(Banks common Seal)

ANNEXURE-II/1-20

*Copy of Board's letter No. 88/RS (*G)/779/12 *dated 6th May 1988 addressed to General Managers, All Indian Railways and others.*

Sub : **Warranty clause in the tenders for procurement of unit exchange spares.**
Ref : Item No. 31 of C. R. B's D. O. No. 87/ ER- 1/ 1100/4 dated 28th August 1988 addressed to General Managers of All Indian Railways and Production Units.

With a view to ensuring quality of supply of unit Exchange spares, the Board have decided that a suitable Warranty clause be introduced in the tenders issued by the Railways/ Production Units for these spares.

In this connection clause 3200 already exists in I.R.S. conditions of contract which binds the suppliers with Warranty obligations. Board desire that this Warranty clause should be specifically included in the tenders for the procurement of unit exchange spares. They also desire that the consumers should maintain proper records to watch the performance of these spares for invoking this clause. Suitable instructions may be issued accordingly to all concerned.

ANNEXURE-II/1-21

Copy of Board's letter no. 88/RS (G) /779/12 dated 9th August 1988 addressed to General Manager All Indian Railway and others.

Sub : **Warranty clause in the tenders for procurement of unit exchange spares.**

Ref : (i) Board's letter of even no dated 6th May 1988.
(ii) Deputy C.O.S., South Central Railways D.O. No. S.236/P/4/DSL/Vol.2 dated 6 th June l988.
(iii) W.A.P's letter No. WAP/ S/ 1/ P dated 4th July 1988.

In this connection it is clarified that the warranty clause previously included in the special Conditions of contract has been merged with standard conditions of contract and included under clause 3200 (3201 to 3204). The extracts of the clause are enclosed for information.

ANNEXURE-I

3200. Warranty/Guarantee-

3201. The Contractor/Seller here by covenants that it is a condition of the contract that all goods/stores/ articles furnished to the Purchaser under this contract shall be of the highest grade, free of all defects and faults and of the best materials, quality, manufacture and workmanship throughout and consistent with the established and generally accepted standards for materials of the type ordered and in full conformity with the contract specification, drawing or sample, if any and shall if operable, operate properly.

3202. The Contractor also guarantees that the said goods/store/articles would continue to conform to description and quality as aforesaid, for a period of 30 months after their delivery or 24 months from the date of placement in service whichever shall be sooner, and this warranty

shall survive notwithstanding the fact the goods/stores/articles may have been inspected, accepted and payment therefor made by the purchaser.

3203. If during the aforesaid period, the said goods/stores/articles be discovered not to conform to the, description and quality aforesaid or have deteriorates otherwise than by fair wear and tear the decision of the Purchaser in that behalf being final and conclusive than the Purchaser will be entitled to reject the said goods/ stores/articles or such portions thereof as may be discovered not to conform to the said description and quality. On such rejection, the goods/stores/articles will be at the Seller's risk. If the Contractor/Seller so desires, the rejected goods may be taken over by him or his agents for disposal in such manner as he may deem fit, within a period of 3 months from the date of such rejection at the expiry of the period, no claim whatsoever shall lie against the Purchaser in respect of the said Goods/Stores/articles, which may be disposed of by the Purchaser in such manner as he thinks fit. Without prejudice to the generality of the forgoing all the provisions in the Indian Railways Standard Conditions of Contract relating to the 'Rejection of stores' and 'Failure' and 'Termination' add and Clause 3100-02 above shall apply.

3204. The Contractor/Seller shall if required, replace the goods or such portion thereof as have been rejected by the Purchaser, free of cost, at the ultimate destination or at the option of the Purchaser, the Contractor/Seller shall pay to the Purchaser, the value thereof at the contract price and such other expenditure and damage as may a rise by reason of the breach of the conditions herein before specified. Nothing herein contained shall be prejudice any other right

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ANNEXURE-II/1-22

Copy of Board's letter No. 89/ RS (G)/753/1 *dated 13th October 1989 addressed to General Managers, All Indian Railways, Production Units etc.*

Sub : **Expeditious placement of non-ferrous virgin Metal purchase orders.**

In continuation of this office letter No. 76/RS (G)/753/2 dated 3rd / 7th August 1984, Ministry of Railways (Railway Board) have decided that C. O. Ss. may accept proposals for purchases from Government of India Undertakings *viz.* M.M.T.C., Hindustan Zinc Ltd. And Hindustan Copper Ltd., in respect of non ferrous metals up to the value within powers of purchase of C.O.S. in consultation with Associated Finance without going through the formalities of Tender Committee.

2. This issues with the concurrence of the Finance Directorate of this Ministry.

Sd/-
(**R. S. LAHAN**)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE 11/1-23

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 77/RS(G)/17 New Delhi, 16th October 1990

The General Manager (Stores),
All Indian Railways & Production Units.

Sub : **Inclusion of unregistered firms for calling Limited Tenders**

It has come to the notice of the Board that:—

(i) In some cases while floating Limited Tenders unregistered suppliers were shown as registered ones intentionally to favour them; or

(ii) Certain unregistered firms were included in the panel for no valid reasons and without approval of the competent authority.

As regards (i) above, Board desire that each Purchase Section should maintain a register for registered firms (Trade Groupwise) with all relevant details such as current address, value upto which the firm is registered the date upto which the registration is valid etc. It should be the responsibility of the Purchase Section staff to clearly indicate, at the time of submitting the proposal for approval of panel for issue of the tender, as to whether a particular firm remains registered for that particular group or not. The responsibility for correctness of the status of a firm in regard to the status as registered/unregistered as included in the purchase proposal shall rest exclusively with the in-charge of the Purchase Section.

So far (ii) above is concerned, it has been decided that whenever unregistered firm is included in the proposal for calling Limited Tenders the Purchase Sections should clearly indicate the detailed reasons for the inclusion of such unregistered firms *e.g.* being last supplier or as suggested by the indentor on certain valid reasons or registered with other Railways/Production Units/DGS&D/NSIC Unit.

It is also desired that panel of firms should be drawn in two parts (a) registered firms (b) unregistered firms. At the end of each part, the total number of firms proposed should be indicated so as to avoid any unauthorised change at a later date. Any changes made at the higher level should be attested by the person making the addition/deletion and the responsibility for such a change will rest with the person who made the change.

The Purchase Officer within whose competence the purchase proposal falls should make special efforts to check the decision for inclusion of unregistered firms in the panel before approaching the next higher authority for approval.

Whenever a proposal for calling Limited tenders involves issue of the same to unregistered firms it shall be the responsibility of the Incharge of the Purchase Section (Asstt. Supdt./Supdt.) to ensure that approval of the Authority next higher than the Purchase Officer in whose competence the purchase lies has been obtained. The said authority shall satisfy himself before approval is granted for including the unregistered firms in the panel, that suitable Jjustification has been indicated against each unregistered firm for its inclusion in the panel.

Please acknowledge receipt.

(**R. S.Lahan**)
Dy Director, Railway Stores (G) , Railway Board

ANNEXURE-11/1-24

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 86/RS(l)/874/6-Audit Para New Delhi, 16th November 1990

The General Manager (Stores),
All Indian Railways & Production Units.

Sub : **Incurrence of Extra expenditure on account of non-exercise of the Option Clause.**

******

Para 3.30 of the C & AG's Report (Railways) for 1988-89 highlights incurrence of extra expenditure amounting to Rs. 6.40 lakhs on account of non-exercise for the full quantity permissible under the option clause, by the Railway Board in 1987, resulting in the same being purchased subsequently in May, 1988 at a higher rate.

The need for exercising the option clause for the full quantity had not bee felt in May, 1987 due to slow pace of conversion of KC Wagons, for which RBAB's were required, unfortunately however, the facts militating against the exercise of the optic clause had not been recorded in the relevant case,

To avoid recurrence of such a situation it is imperative that full facts/ datee representing changes in the original senario, *vis-a vis* the exercise of the option clause in a contract etc., should be placed on record.

(**A. K. Singh**)
Joint Director, Railway Stores (Wagons), Rly Bd

ANNEXURE-11/1-25

(RAILWAY BOARD), RAIL BHAVAN

No. 91/RS(G)/779/3 New-Delhi, 12th June 1991

The General Managers,
All Indian Railways & Production Units.

Sub : **Procurement of capital assets—spares.**

*****

Railways/Production Units are presently procuring capital assets as per specifications drawn up by them/RDSO. The initial spares required for maintenance and operation of these assets are also being ordered along with the capital assets and subsequent requirements of spares are being met by continued imports to the extent items are not available indigenously. Certain items of spares are, however, not manufactured by the suppliers of capital assets. To safeguard Railways interest it is necessary that Railways procure such items of spares which are the bought-out items for the manufacturers of capital assets directly from the concerned sub-suppliers with a view to economise on the cost of spares.

2. Keeping the afore said objective in view, please ensure that the technical-specifications drawn up by your Railway/Production Unit/Project whether relating to purchase of capital assets and/or transfer of technology have a suitable Clause aiming at

(i) obtaining the details of all spare parts bought from outside sources by the prime contractor, and the sources of supply ;

(ii) determining the prices as quoted by the actual manufacturer; and

(iii) ensuring that the original spare part manufacturer quotes directly to the Railways for all future requirements.

3. Please acknowledge receipt of this letter.

(**R.S.Lahan**)
Dy. Director, Railway Stores (G) , Rly Bd

ANNEXURE-11/1-26

MINISTRY OF RAILWAYS (RAILWAY BOARD)

No. 87/RS(G)/753/2 New Delhi, 20th November 1991
The General Manager (Stores),
All Indian Railways & P. Us.

Sub : **Delegation of GM's powers to the Controller of Stores to accept single tender purchase from stock yards/buffer imports of M/s. SAIL TISCO, IISCO in respect of items and to make 100 per cent payment in advance to them.**

*****

Ministry of Railways have decided that the powers delegated to CMMs *vide* Board's letter No. 87/RS (G)/753/2 dated 30th December 1987 to accept single tender purchase, allowing 100 per cent payments to SAIL, TISCO & IISCO upto Rs. 50 iakhs in each case will also be applicable to M/s. Rashtriya Ispat Nigam Ltd., Vizag,

This issues with the concurrence of Finance Directorate of Board's office.

Please acknowledge receipt.

(**R.S.Lahan**)
Dy. Director, Railway Stores (G)

ANNEXURE-11/1-27

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No: 89/RS(G)/779/13. New Delhi, dated 11 th January & February 1992.

The General Manager (Stores),
All Indian Railways/PUs. CLW, DLW, ICF, W & AP, RCF.
Metro Rail, Calcutta,
Railway Electrification, Allahabad,
Chief Administrative Officer
Diesel Component Works, Patiala.

Sub : **Postal despatch of L.T. Enquiries by Regd. Post & receipt of acknowledgement there of.**

*****

Please refer to Board's letter No. 79/RS(G)/779/8 Pt. dated 6th January 1988 wherein it was advised that all tender enquiries against Limited Tenders be sent under certificate of posting (or registered post) instead of by ordinary post to ensure that enquiries against Limited Tenders are mailed to all parties concerned. The matter has been reviewed and it has been decided that all enquiries against Limited Tenders valued over Rs. 50,000 be despatched to the parties concerned by Regd. Post and beiow Rs. 50,000 under certificate of posting. However, in cases where the number of firms to whom enquiries are being sent are 3 or less, all enquiries be sent by Regd. Post irrespective of valve of the limited Tender.

Please acknowledge receipt.

Sd/-
(**R.S.Lahan**)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE-II/1-28

No: 92 RS(G)/164/SC/7 New Delhi, 23rd July 1992

The General Manager (Stores),
South Central Railway.Secunderabad.

Sub : **Procurement policy of Paint Brushes and Varnish to IS Specification**

Ref : Dy. COS(G)/S. C. Railway's DO No. S. P 1/71./Policy dated 3rd June 92.

*****

The suggestion given by Dy. COS(G)/S. C. Railway in the above referred letter that the procurement of Brushes, Paints and Varnish may be made strictly to IS Specification and the approval of Standard sample may be dispensed with, has been examined in Board's Office in the light of the provisions of IS Specifications. The IS Specification No. 384-1979 for Brush, Paints and Varnish and IS-487-1976 for Brush Paint and Varnish (i) Oval and (ii) Round, have the provision of an approved tender sample as the basis for supply. These specifications

stipulate that the bristles should match with those of tender sample in so far as colour, lustre and stiffness are concerned. Since bristles have to be inspected at the time of supply with reference to approved tender sample for these stipulations, it is necessary that the Purchase Officer arranges to approve the tender sample before placement of supply order. Therefore, the procedure presently being followed by the Railways for calling the samples of Brush, Paint and Varnish along with the offers and carry out the performance tests on the Brushes, may be continued so that an approved tender sample is available before the order is placed to enable the inspecting authority to inspect accordingly the bulk supply against the order.

(**R.S.Lahan**)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE-II/1-29

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No.87/RS(G)/753/2 *New Delhi, Dated : 15th/19th October 1992*

The General Manager,
All Zonal Railways,

Sub : **Delegation of General Manager's powers to the COSs to accept SingleTender Purchase Order from Stockyard/Buffer Import, M/s. SAIL,TISCO, IISCO in respect of Steel items and to make 100 per cent payment in advance to them.**

*****

Kindly refer to Ministry of Railway's letter No. 64/RS(G)385/1 dated 19th February 1981 wherein COSs were authorised to purchase steel items on Single Tender basis from Stockyards/buffer imports of M/s. SAIL, TISCO, IISCO at JPC prices and to make 100 per cent payment in advance to them. With the decontrol of steel prices the need for change in the extant instructions has been under consideration. The local purchase of Stockyard items by Railways/Production Units/Metro Railways from SAIL TISCO, IISCO & RINL (Rashtriya Ispat Nigam Ltd.) etc. should be done: —

(a) after obtaining quotations price lists from all the local Stockyards.

(b) at the lowest possible reasonable price subject to availability of items;

(c) Non-availability of items from the most economical stockyard, on the day of purchase, should be recorded in writing by the COSs/CMMs.

To facilitate exercise of the powers delegated, Railways are advised to get themselves placed on the mailing list of all Stockyard quotations. The delegation will be in force for one year from the date of issue of this letter.

This issues with the concurrence of Finance Dte. of Railway Board.

(**R.S.Lahan**)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE-II/1-30

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 92/RS(G)/363/1 *Dated 8th April 1993*

The General Manager (Stores),
All Indian Railways and Productions Units.

Sub : **Manufacture of Railway items by Ordnance Factories.**

*****

Various Ordnance Factories under the Ministry of Defence who have show; their interest to manufacture items for use on Railways in their works have requested Ministry of Railways (Railway Board) for the grant of certain facilities for the purpose. The matter has been examined in detail and it has been decided to provide the following facilities to the Ordance Factories, under the Ministry of Defence, when they quote against tenders issued by Zonal Railways, Production Units etc. :--

(a) Exemption from payment of Earnest Money.
(b) Exemption from furnishing Security Deposit.
(c) Issue of Weekly Bulletin Tenders free of cost to the Ordance Factories registered with the Railways.

In addition to the facilities mentioned above, it has aiso been decided to authorise the Controllers of Stores/Chief Materials Managers of Zona! Railways/Production Units etc., to consider supply of Tender Documents including drawings and specifications free of cost to the Ordnance Factories on merit of each case.

This issues with the concurrence of Finance Directorate of the Ministry of Railways.

Please acknowledge receipt.

(R.S.Lahan)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE-II/1-31

MINISTRY OF RAILWAYS (RAILWAY BOARD)

No. 93/RS(G)/779/5 Dated : 31st May 1993

The General Manager (Stores),
All Indian Railways and Productions Units.

Sub : **Inclusion of Option Clause in the contracts for requirements of continuing nature.**

*****

In a recent case it has been observed that on one of the Railway Production Units inclusion of Option Clause in the contract was omitted, though the requirements of the items ordered were of continuing nature. This has deprived the Production Unit concerned to avail the lower rates at which the item was ordered. Board have taken a serious view of the same and desire that Option Clause must be included in the contracts, where the requirements of the material is of continuing nature.

It is, therefore, requested that inclusion of Option Clause as laid down in Clause 3800 of the IRS Conditions of Contracts, 1986 in the contracts being finalised from time to-time-may, invariably, be ensured.

Please acknowledge receipt.

(**R.S.Lahan**)
Dy. Director, Railway Stores (G) ,
Railway Board

ANNEXURE-II/1-32

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

New Delhi
No.93/RS(G)/779/5, Dated : 6th September 1993

The General Manager (Stores),
All Indian Railways and P. Units.
Metro Railway, Calcutta, CORE/Allahabad

Sub : **IRS Conditions of Contract inclusion of option clause therein.**

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Please refer to Board's letter of even number dated 31 st May 1993 advising all Zonal Railways/Production Units etc. to include option clause in all contracts, where the requirements of the material is of continuing nature.

A doubt has arisen, whether the option clause as mentioned above is required to be included in all contracts irrespective of the valve of the contract or the limit of more than Rs. 5 Lakhs as laid down in Board's letter No. 78/RS(G)/777/1 Dated 31st December 1979 will continue to be followed.

In this connection, it is clarified that the guidelines issued under Board's letter dated 31st December 79 mentioned above will continue to be followed while incorporating the option clause in the tender/contract. However the limit of Rs. 5 Lakhs as mentioned in para 3 of Board's letter dated 31st December 79 ibid may be read as Rs. 10 Lakhs.

This issues with the concurrence of the Finance Directorate of Board's office. Please acknowledge.

Sd/-
(**R.S.Lahan**)
Dy. Director, Railway Stores (G)
Railway Board

No.93/RS(G)/779/5 New Delhi,
Dated 31st September 1993

Copy to:
1. FA & CAOs, All Indian Railways, Metro Railways, Calcutta/Allahabad.
2. The Chief Administrative Officers, MTP/Rlys. Bombay/Madras/New Delhi.

ANNEXURE-II/1-33

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 73/RS(G)779/30 Pt.ll. Dated, 17th January 1995

The General Managers,
All Indian Railways & Production Units,

Sub : **Procurement of Quality Spares.**

The question regarding ensuring quality and reliability of item procured for the maintenance and production of rolling stock, electrical signalling equipment and such of the machinery and plant which are considered vital from the angle of safety and reliability etc.. has remained under consideration of the Board all along. Instructions have been issued from time-to-time to procure such items from the approved suppliers through limited tenders even by dispensing with the mode of advertised tenders. However, during the discussions in various fora and the meetings held in Railway Board, it had been represented that process of obtaining approvals was time consuming as each case was required to be processed for GM's approval under Stores Code **Para 331- S** and hence any advantage accruing in this respect gets lost in the whole process.

2. After detailed examination of the matter the Board have decided in partial relaxation to the provisions under **Para 331-S** as follows: —

(i) A Committee consisting of COS, FA & CAO (Coord) & PHOD of the concerned department such as CME/CEE/CSTE etc., will draw out lists of items of critical nature, where quality is of paramount importance and also the names of firms considered fit for supply of these items in acceptable quality. Such lists will be drawn for various groups of items and the short-listed firms for various items under each group. Care, may, however, be taken to see that the firms manufacturing products of acceptable quality only are included in the list. The procurement of these items will then be made only through limited tenders from the firms shortlisted by the Committee.

(ii) The recommendations of the Committee for limiting procurement of such critical items will than be put up for personal approval of G. M. of the Zonal Railways/ Production Units for one time approval for fulfillment of provision under **Para 331 -S** of Stores Code instead of approval on case by case basis.

3. Once the lists have been so approved, the procurement during validity of this list would be through limited tenders only from shortlised firms. However, wherever the Committee considers necessary developmental orders can be placed to develop new sources whose products should be thoroughly tested before additions/ deletions to the list are made.

4. This system is approved by the Board on experimental basis for a period of 2 years to begin with. Its continuation will be considered after evaluation of the results on expiry of two years period.

5. The existing delegation in respect of restrictive procurement through R. D. S. O. approved sources in respect of items specified as such would however continue.

6. This issues with the concurrence of Finance Directorate of Railway Board.

(R. M. Agarwal)
Executive Director, Railway Stores (G)
Railway Board.

ANNEXURE-II/1-34

MINISTRY OF RAILWAYS ,(RAILWAY BOARD)

No. 95/RS (G)/796/1. New Delhi, Dated, 10th January 1997

The General Manager (Stores),
All Indian Railways & Production Units,

It has been decided in consultation with the Finance Dte of the Ministry of Railways,to revise the Cost of tender forms of Stores Contracts to be applicable on all Railways uniformly, as under:—

Sl. No.	Tender Value	Cost of Tender documents
1.	Upto Rs. 5 lakhs each	Rs. 150/-
2.	Above Rs. 5 lakhs & upto Rs. 15 lakhs each	Rs. 500/-
3.	Above Rs. 15 lakhs & upto Rs. 50 lakhs each	Rs. 1,000/-
4.	Above Rs. 50 lakhs each	Rs. 2,000/-
5.	Tender enquiry booklet (100 forms)	Rs. 15/-

Receipt of this letter may please be acknowledged,

(**Ashok Kumar**)
Dy. Director, Rly. Stores (G),
Railway Board.

ANNEXURE-II/1-35

MINISTRY OF RAILWAYS , (RAILWAY BOARD)

No. 97/RS(G)/779/8. New Delhi, Dated, 4th August 1997

The General Manager (Stores),
All Indian Railways & Production Units.

Sub : **Refund of Tender Fee**

The issue, whether Tender Fee should be refunded in the event of the tender being discharged even before its opening, had come up for decision in Board's Office.

The issue has been examined and it has been decided that:—

(i) Where tender is discharged after opening of tender, the cost of tender documents (Tender Fee) need not be refunded.

(ii) In cases, where the tender is dropped/discharged even before its, opening the cost of tender document (Tender Fee) should be refunded.

This issues with the concurrence of Finance Dte of Board's Office.

Please acknowledge receipt.

(Ashok Kumar)
Dy. Director, Rly. Stores (G),
Raillway Board.

ANNEXURE-II/1-36

MINISTRY OF RAILWAYS, RAILWAY BOARD

No. RS(S)/92/747/1. New Delhi, Dated, 3rd December-1997

The General Managers (Stores),
All Indian Railways & Production Units.

Sub : **Procedure for procurement of steel consequent on decontrol of steel prices.**

Reference is invited to Board's letter of even number dated 16th June 1992 on the subject noted above laying down the policy and procedures regarding procurement of steel and payment terms consequent upon decontrol of steel prices with effect from 16/ 17th January 1992. It has been decided to continue with this procedure till 30th June 1998. in respect of other "**than flat products**" only *viz.* channels, angles, 'E' Sections, Rounds, Tor Steel and Pig Iron.

2. It has also been decided that the requirements of pig iron for the year 1998-99 small be procured through open tender. The Zonal Railways/PUs may send their indents for this item to Steel Cell, Calcutta by 31st January 1998 for contract period commencing from 1st July 1998 to 30th June 1999 so that procurement action could be initiated.

3. This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Please acknowledge receipt.

(A.C.ANKODIA)
Executive Director, Rly. Stores (Steel),
Railway Board

ANNEXURE-II/1-37

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 93/RS(G)/779/5 Pt. Dated, 19th/26th May. 1999

The General Managers (Stores),
All Indian Railways & Production Units,

Sub : Operation of Option Clause in Stores Contracts.

* * *

Clause 3800 of IRS Conditions of Contract provides for exercise of 30 per cent option clause. Difficulty is, however, experienced if the quantity ordered is for 1 or 2 Units/ items only where 30 per cent option would mean 0.3 or 0.6 of a Unit.

2. Accordingly, in regard to operation of 30 per cent option clause in Stores Contracts It has been decided that while operating (+ 30 per cent option clause), the practice of rounding off the number to the nearest whole number is appropriate as well as logical and the same

may be adopted. Less than 0.5 should be ignored and 0.5 or more should be rounded off to the next whole number.

3. It has further been decided that at the time of issue of tender, the option quantity could also be specified in numbers, like in case of M & P items where the quantity ordered is 1 or 2 Units only.

4. This issues with the concurrence of Finance Dte of Board's Office.

(Ashok Kumar)
Dy. Director, Rly. Stores(G),
Railway Board.

ANNEXURE-II/1-38

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 99/RS (G)/709/1 Date: 6th September1999

The General Managers, All Indian Railways/Production Units.
COFMOW, Rly. Offices Complex, Tilak Bridge, New Delhi.

Sub. **: Proper maintenance of assets—quality procurement of stores.**

Railway Board have been stressing the importance of reliability in maintenance of assets and reduction in failure rates. A Committee of Additional Members was nominated by Board to make recommendations with a view to improve the system for ensuring quality procurement of materials. The recommendations of this committee have been considered in the Board's office and it has been decided to implement them so as to improve quality of materials being procured and thereby the reliability of assets.

Following decisions have been taken by Board for implementation.

1. Procurement of materials from approved sources

1.1. Instructions have been issued by Board from time to time for procurement of safety and critical items from RDSO/Production Uinis/Railways approved sources. In this connection copies of instructions issued under Board's letter No. 73/RS (G)/779/30 Pt. II dated 30th March 1987, 19th November 1987, 17th January 1995 and 26th October 1995 are attached. The procedure of procurement through approved sources shall continue till further advice.

1.2. Lists of items for procurement from approved sources haven also been issued in the past by the technical directorates. These lists are being reviewed and updated by the respective technical directorates of the Board and will be issued shortly.

1.3. RDSO/Railways should also make a provision of the approved vendors acquiring ISO 9000 accredition within a stipulated time frame.

1.4. Procedure Order No. 77/RS (G)/779/17 dated 23rd/27th January 1979 envisages procurement of materials from the approved sources for a minimum quantity of 80 per cent wid above even against the advertised tenders. Procedure also envisages placement of development orders on new sources considered capable for development as per quality

norms, separately without delaying the placement of regular orders on the already developed sources.

l.5. Placement of development orders should not be considered as routine but considered only in the following situations.—

(i) where the approved sources are not adequate and it is desirable to develop more sources for bringing in more competition or improvement in quality.

(ii) Where the rates received from the new sources are lower than those applicable to approved sources and where new sources are having potential for supply of quality material and are having infrastructure of plant and machinery and testing equipment as per the quality assurance programme.

1.6. Approval of vendors in the approved list of suppliers should be for a period of two years at a time. The performance of the approved sources with respect to quality supplies will be the responsibility of the approving authority who will systematically monitor the quality norms so that quality of supplies is of the highest standard as per specifications. The vendors whose quality is suspect will be systematically weeded out.

1.7. Wherever sources have been approved under Part I and Part II, ordering on Part II sources shall not be more than 15 per cent of the total quantity and this will be within the procurement quantity. Ordering on new sources in such cases shall be restricted to 5 per cent and this could be within or outside the procurement quantity.

1.8. In cases where sources are not approved separately under Part II, but there is a need for placement of repeat development orders, the philosophy of ordering on Part II sources given above shall be applied.

1.9. The quantity to be procured from new development vendors should be restricted to the minimum, which may be adequate for monitoring performance of the item.

1.10. Each educational/development order should not exceed 33 per cent of the quantity ordered on any of the approved sources in a tender case.

1.11. During consideration of tenders for ordering on regular soruces, due weightage should be given for the past performance both for quality and delivery in distribution of quantities wherever required, so as to ensure timely receipt of quality materials. Vendor rating system should therefore be implemented expeditiously and separate instructions on this will follow.

1.12. In case of developmental tenders for developing indigenous sources for impoted items or where number of sources is considered inadequate, it is considered advisable even to permit differential rates within reasonable limits to different firms, as it is in the Railways interest to develop multi sources with appropriate quality norms.

1.13. Items repeatedly failing and causing concern be identified by the approving authority and their specifications and sources revalidated.

2. Procurement of spares for maintenance of equipment/machine :

2.1. In the purchase of spares used for maintenance of expensive equipment/machines, rate contracts for the spares be entered into for a period of 2 years and with predetermined price variation clause with OEMs to facilitate uninterrupted supply of genuine spares. Procurement from an alternative source be allowed only after proper scrutiny and approval of the source.

2.2. Wherever possible, annual maintenance contract be entered into (beyond warrarnty) at the time of procurement of new equipment/machine and price catalogues for spares and

components should also be invariably asked for at the time of procurement of the new equipment/machine.

3. Running contracts for low value spares :

3.1. In case of low value items vulnerable for failures like rubber components, low value castings and forgings, certain specified hardware items, etc., running contracts should be finalised on reliable/quality sources. These running contracts may cover 2 years requirement at a time and should be centrally operated by the office of Controller of Stores, so as to keep a check on the total drawal against contract.

Receipt of this letter may be acknowledged and Board kept informed of the action taken in the matter.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

(Ashok Kumar)
Dy. Director, Railway Stores (G), Railway Board

ANNEXURE-II/1-39

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 99/RS (G)/709/1 Dated 16th September 1999

The General Managers, All Indian Railways & Production Units.
COFMOW, Rly. Offices Complex, Tilak Bridge, New Delhi.

Sub. : **Proper maintenance of assets—quality procurement of stores**

Ref : Board's letter of even number dated 6th September 1999.

* * *

Railway Board have been concerned for quite some time regarding proper maintenance of assets and achieving zero failure rates. Based on the recommendations of the Committee of Additional Members, instructions have been issued *vide* Board's letter referred above on procurement of materials. The Additional Members' Committee in its deliberations has made various other recommendations to improve the quality of materials approval of vendors, vendor approving authority and its responsibility, systematic reporting of material failures, vendor rating, introduction of ISO 9000 etc. and thereby improve the reliability of assets.

Following decisions have been taken by Board for implementation.

1.0. Approval of Vendors :

1.1. The approval of sources should be done after ensuring acceptable QAP, technical capability, manufacturing of quality product, adequate testing equipment for maintaining quality standard, capacity and financial status. The approving agency should also lay down the process of manufacture, requirements of stage inspection, inspection procedure and the facilities considered necessary to maintain quality.

1.2. Approval of vendors in the approved list of suppliers should be for a limited period say two years (at a time). The performance of the approved sources with respect to quality

supplies will be the responsibility of the approving authority who will systematically monitor the quality norms so that quality of supplies are of highest standard as per specifications. The vendors whose quality is suspect will be systematically weeded out.

2.0. Vendor Development Cell :

2.1. Each Railway/Production Unit should have a separate cell consisting of stores and technical officers for purpose of vendor development. This cell shall lay down norms for development, inspect firms for their approval, review the vendors based on quality performance of materials supplied, upgrade vendors from Part II to Part I or from development to regular status and *vice-versa* etc.

2.2. The Development Cell shall be headed by an SAG Stores officer to be assisted by JA Grade officers from other disciplines as per need. Similarly, development cell for track items will function.

2.3. The Vendor Development Cell will have the responsibility of gathering information on quality of various products from consignees, RDSO, pre-inspection agencies and suppliers. The Cell will be responsible for scrutinising the records for the purposes of ensuring quality products, assessment of vendor performance rating etc., and co-ordination, taking up with the firms, RDSO etc. if the supplies are not as per the required quality norms.

3.0. Quality File :

3.1. A quality file should be maintained by the source approving authority containing the basic information of description, specifications, approved sources, records of quality and delivery performance of the sources and other relevant information for each item. The file should also contain information like rejections during stage and final inspection. This information may be given by inspecting agencies through appropriate column in inspection certificate. However, considering the large number of items, this may be done to begin with for items with annual consumption value of Rs. 3 lakhs. In case of lower value items, which are considered critical, railways may if so desired decide to open quality files for a limeted number of such items. The information in the quality file shall be an important input for the Tender Committee/Accepting Authority at the time of consideration offenders.

4.0. Vendor Rating :

4.1. Source approving authority should develop systematically a scientific vendor rating system so that rating of the vendors is available at the time of decision making. However, considering the amount of basic information required over an extended period of time for working out the ratings of the vendors, the relevant information for this purpose be laid down and systematically collected in the quality file. Since most of the railway materials are being inspected by RITES or RDSO and these agencies are in the complete know of the contracts placed, deliveries made, stage and final inspection results and the quantities rejected during manufacture or at the consignee's end, these agencies have the necessary information that is required for obtaining the vendor ratings. Relevant information should, therefore, be obtained from these agencies regularly and kept in the quality file. Once a reliable data has been built over a period of time, the actual rating system can be introduced and ratings used for decision making.

5.0. System of reporting material failures :

5.1. A system of reporting material failures, recording and analysis of failures, for safety, vital and critical items should be introduced in the technical wings on each railway and production unit. This positive reporting of material failures and information will go a long way to eliminate

suppliers who have not been able to maintain quality supplies according to their original approval. This will also help vendor appraisal systematically and will also help appropriate purchase decisions to improve quality procurement and to discourage inferior suppliers. Railways and PUs will report systematically to the authorities who are responsible for issue of lists of approved vendors for appropriate action.

6.0. Quality Assurance Programme :

6.1. RDSO and Production Units/Railways should review the drawings and specifications to introduce identification marks of suppliers and month/year of manufacture so that materials, in the actual use can be traced to the suppliers for premature failures. This must form a part of inspection. The location for these identification marks should be such that they do not get obliterated on wear & tear or failure of the material.

6.2. Inspection parameters and testing procedure including sample sizes for destructive and non-destructive testing etc. wherever consider necessary be laid down. Pre-inspecting agency should incorporate the test results in the inspection Certificate and the inspector should sign the firm's records of inspection wherever these are performed in his presence.

6.3. At the time of drawing up of specifications and drawings, details of the process of manufacture, stage inspection requirement, test data and the quality assurance programme be prescribed to achieve the desired quality, the inspection procedure and the manufacturing facilities considered necessary including adequate testing equipment for guidance of vendor approving & inspecting agencies.

6.4. In case of items where even materials to laid down specifications are not coming . upto desired quality levels, the specifications and the manufacturing processes should be discussed with the major manufacturers. The nominated source approving agencies, like RDSO/CLW/DLW/ICF should initiate such dialogues after suitably identifying the items causing failures.

7.0. ISO—9000 certification of vendors :

7.1. In case of high value items Railways/Production Units/RDSO should lay down ISO certification as a criteria for fresh registration/renewal of registration. For this purpose value limit for firms' turnover of Rs. 50 lakhs per year is considered reasonable.

7.2. In case of vital & safety items, ISO certification may be laid down if considered necessary irrespective of the annual turnover. Lists of such items where ISO certification is considered necessary shall be issued by Stores directorate in consultation with the concerned technical directorate of the Board.

7.3. In case of materials supplied by authorised vendors and not by the OEM, the ISO certificate of the OEM can be considered as fulfilling the requirement of this clause.

7.4. These instructions should be brought into force after giving a reasonable time to the vendors for obtaining ISO Certification say, for tenders opened in December 2000 or later.

8.0. Quality and Records of Maintenance Spares of Machines :

8.1. In case of expensive equipment/machine, record of annual usage and values of spares should be kept. This data may be used at the time of further procurement of new equipment/machine. This will discourage manufactures to quote unreasonably high prices for spares.

8.2. Third party inspection in case of supply of spares by OEM may be dispensed with and instead spares may be taken on manufacturers' warranty and fit for the purpose certificate. Rotating warranty bond for a fixed amount be taken in such cases. This will however not apply to spares obtained through authorised agents. For S & T and safety items third party inspection will continue to be carried out by RDSO or railways representative as in vogue.

8.3 It will be desirable to introduce the concept of kits of similar items for overhauling major assemblies rather than buying the items individually.

9. Indentification of items for rate/running contracts :

9.1 In view of the flexibility available on quantities to be ordered against Rate/Running Contracts, Railway Board may identify items that can be considered for finalisation of Rate/Running Contracts on centralised basis wherever it is considered advantageous.

10. Inspection :

10.1. Inspections should be thorough and should be done by inspectors having adequate technical knowledge who can appreciate the effect of any variations. Inspection should therefore be entrusted to inspectors with the relevant technical knowledge.

10.2 Concept of random checking of materials may be introduced for materials supplied by approved firms including type test, etc to ensure that the approved firms are continuing to maintain quality. In cases of sub-standard quality, the firms should be appropriately dealt with. Such act should be done with the approval of head of the unit (Depot, workshop, Shed, etc.).

Receipt of this letter may be acknowledged and Board kept informed of the action taken in the matter. This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

(Ashok Kumar)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE-II/1-40

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTALAYA)
(RAILWAY BOARD)

No.99/RS(G)/709/2-IC dated 17.7.2000

The Controller of Stores
All Indian Railways and Production Units

Sub : **Procurement of quality stores from approved sources.**

Ref : Board's letter No.99/RS(G)/709/1 dated 6.9.99 and 16.9.99.

…

The Railway Board have been stressing upon the procurement of quality materials, to ensure proper maintenance of assets and to achieve zero failure rate. In this regard, Railway Board had issued instructions from time to time that spares required for the maintenance and

production of rolling stock i.e, Electric locos, Diesel locos, EMUs, Coaches, Wagons etc., and Signal & Telecommunication be procured from the sources approved by RDSO, Production Units & concerned Railways. For other items the bulk procurement should be made from registered/successful suppliers.

A doubt has arisen on one of the Railway as to whether approval of vendors has to be carried out necessarily through a committee of 3 PHOD of concerned Technical Department, COS & FA&CAO, to be approved by GM as was envisaged in Board's letter no.75/RS(G)/779/30/Pt.II dt.17.1.95 for obtaining one time sanction of the GM for the purpose of issuing limited tender. These instructions were valid for two years only.

Attention is invited to Board's letter No.99/RS(G)/709/1 dt.16.9.99 which clearly lays down that the list of the approved suppliers should be updated and reviewed by the Vendor Development Cell consisting of Stores & Technical JA grade officers headed by SAG stores officer. In view of the above, it is clarified that approval of vendors is not necessarily required to be done through a committee of 3 PHODs for items of Rolling Stock. It is however, reiterated that procurement of spares required for Rolling Stock should be made from approved sources of RDSO, Production Units and vendor development cell of the concerned Railways as the case may be as envisaged in Board's letter referred to above.

This disposes of COS/SCR's D.O.S/245/Quality spares/99 dt.31.5.2000.

Sd/-
(V.K. Jain),
Director Railway Stores(IC)
Railway Board

ANNEXURE-II/1-41

Government of India
Ministry of Railways
(Railway Board)

No.2000/RS(G)/779/22 New Delhi, dt.12.2.2001

The General Managers, All Indian Railways
Including CLW, DLW, ICF, RCF & W&AP etc.,

Sub : **Incorporation of Specific time frame for approval of Drawings/ Prototype in the Contracts.**

It has come to the notice that contracts for the procurement of Plant & Machinery, Equipments, Rolling stock etc., where prior approval of drawings/prototype is required from Railways before manufacture of bulk quantities for supply, are placed without incorporating specific time frame and appropriate scheme required for approval of drawings/prototype, by the concerned agency.

Cases have come to notice where there was abnormal delay in approval of such drawings/prototype either due to abnormal time taken by the manufacturers or by approving agencies which resulted in delay of delivery of final products and extension of delivery period

without liquidated damages etc., without appropriate responsibility being fixed on the part of contract or approving authorities. This results in potential losses to the Indian Railways on account of claims for waiver of interest payable buy the firms on the advances paid to them in the contract or claims for non-levy of liquidated damages and other financial implications.

In view of the above, Board desire that in all contracts, where approval of drawings/prototype is srequired, a specific time schedule for submission of drawings/ prototypes for approval by the approving agency should invariably be incorporated, with the consent of approving agency to avoid post contract complications. The time period should be specified in two parts as under:-

1. Time period for approval of drawings /prototype.
2. Time period for supply of bulk quantities/development order quantities after approval as item (i).

This issues with the concurrence of Finance Directorate of the Ministry of Railways.

Please acknowledge receipt of this letter. Hindi version will follow.

Sd/-
(V.K. Jain)
Director, Rly. Stores(IC)
Railway Board

ANNEXURE-II/1-42

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/709/4-IC New Delhi Dt.23.02.2001.

Sub : **Quality of Material.**

Procurement of quality material has been engaging the attention of the Railway Board for quite sometime with the purpose of achieving reliability and maintenance of assets with zero failure rates. In order to ensure supply of quality material and to bring quality awareness among the firms it has been decided that following clauses be incorporated in the tenders as well as purchase orders :--

1. Material peculiar to railway such as parts and fittings of rolling stock except raw material, which have been found rectified during inspection and which could not be rectified, are required to be defaced by the inspecting authority to avoid recycling of such rejected material and to avoid ultimate failures of assets. All such rejected materials peculiar to railways should be mechanically defaced to prevent sale to Railways again.
2. In case the firm fails to offer the material for inspection against inspection call issued to inspection agency or if the material have to be re-inspected due to rejection of the material at firm premises by inspecting agency or due to non-despatch of material within validity of inspection certificate, then 50% of the inspection charges applicable for the offered quantity subject to maximum of Rs.5000/- and actual test charges incurred will be paid by the supplier to the inspecting agency.

3. In case the purchase orders are placed on traders/agents for the items, which are peculiar to the railways, traders/agents should indicate the source of supply and inspection to be carried out at their manufacturer's premises rather than traders/agents premises, to ensure genuineness of quality of the material.

This has been issued with the concurrence of Finance.

-Sd-
(P.S.Meena)
Dy. Director, Rly. Stores(G)
Railway Board.

No.99/RS(G)/709/4-IC New Delhi dated 9.5.03

CORRIGENDUM

The General Manager,
All Indian Railways/Pus

Sub : **Quality of Material**

Ref : Board's letter of even No. dated 23.2.2001.

In partial modification of Board's letter of even No. dated 23.2.2001 para (1) may be read as under:-

"Material peculiar to railways such as parts and fittings of rolling stock except raw material which have been rejected by the inspecting authority and could not be rectified during inspection, are required to be defaced by the inspection authority to avoid recycling of such rejected material and to avoid ultimate failures of assets. All such rejected materials peculiar to Railways should be mechanically defaced to prevent sale to Railways again.''

(P.S. Meena)
Dy. Director, Railway Stores(G)
Railway Board.

ANNEXURE-II/1-43

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/709/4 Dated 03/12/02.

Sub : **Quality of Material.**

***Ref* : Board's Letter of even number dated 23/02/2001.**

Certain irregularities in procurement of Bearing have been brought into Board's notice by one of the Zonal Railways. The matter has been considered in consultation with the Associate Finance and decided that in partial modification of Board's letter referred above, the following clauses may be incorporated in the tenders as well as purchase orders.

a) The lists of approved suppliers should indicate the names of the manufacturers only and no RIDs/Agents be mentioned.

b) A suitable clause as a special condition in the tender may be incorporated stipulating therein that only manufacturers should quote and if they intend to quote through RIDs/Agents, authorization by the firm should be on case to case basis i.e., tender specific.

c) It should be ensured that the inspection for items peculiar to the Railways is carried out at manufacturer's premises as stipulated under para 3 of Board's letter referred above. In case of items such as bearings, where inspection may be required to be carried out at RIDs/Agent's premises, the manufacturers shall also associate during the inspection so as to ensure genuineness of material. A suitable clause in this respect may also be incorporated in the tender & contracts.

This issues with concurrence of Finance.

(Hindi version will follow)

-sd-
(P.S.Meena)
Dy.Director, Rly. Stores (G)
Railway Board

ANNEXURE-II/1-44

Copy of letter No.2000/RS(IC)/165/8/Pt. dated 3.12.2002 of Shri P.C. Sharma, EDRS(G),Railway Board addressed to GMs of All Indian Rlys and PUs.

Sub : **Putting up and Downloading of Tender documents on Internet (Stores Contract).**

Ref: (i) No.99/RS (IC)165/18/Pt.I dated 10.5.2000
(ii)2000/RS(IC)/165/8 dated 19.10.2000.

Please refer to Board's above said letters vide which the instructions have been issued to Railways to place the procurement calendar, tender notices and details of the high value contracts finalized by he Railway on the Website of the concerned Railway/PU.

It has now been decided by the Railway Board that in addition to the above, the tender documents for all open tenders invited by the Railways/PUs for procurement of stores should also be put on the website of the concerned Railways/PUs.

Board has also decided that the Railways should establish the system to facilitate downloading of the tender documents by the prospective bidders/tenderers.

The tenderers submitting the offers on the tender documents downloaded from the Internet should enclose the requisite cost of tender documents along with their tender failing which such tenders should be summarily rejected. However the mode of payment towards cost of tender document will continue to be as per the existing instructions.

The correctness of the tender documents so downloaded and submitted by the bidders under consideration zone should be properly checked before acceptance of the bid. The tender conditions should also be modified by incorporating a suitable clause that the

tenderers/firms who are found to be indulging in changing/adding or deleting the contents of the tender documents will be liable to face necessary action as per extant instructions which could be removal from the approved list, banning, suspension of business dealings etc. Suitable security features like appropriate password protection etc. should also be incorporated so as to check unauthorized access that will prevent inadvertent or malicious modification of the contents of the tender documents.

Board desires that the Railway should gear up to implement these instructions by 31.12.2002.

Railways/PUs should report the above compliance in their PCDOs for appreciation of Railway Board.

May kindly acknowledge the receipt of this letter.

ANNEXURE-II/1-45

Ministry of Railways, (Railway Board)

NO: 2000/RS(G)/779/4 **New Delhi. Dt . 25.08.03**

Sub : **Exemption from payment of Excise Duty on freight charge.**

In terms of revised notification on Central Excise Act effective from 1.7.2000, the excise duty is chargeable on excisable goods considering the “Transaction Value”. The revised act provides that while arriving at the transaction value, actual cost of transportation (freight) from the “place of removal” upto the “ place of delivery” to consignee of such excisable goods will be excluded provided the cost of transportation is charged from the buyer in addition to the price for the goods and shown separately in the invoice for such excisable goods.

Considering above revision in Excise Rules and to safeguard Financial interest of the Railway with regard to Excise Duty on freight (transportation) charges, the tender / contract conditions may be suitably modified instructing the *Tenderer / Suppliers that while quoting in the tender as well as submitting their invoice / bills should indicate the freight charges separately from the price of goods, failing which the supplier would be liable to pay any element of Excise duty that may become applicable on freight (transportation) charges.”*

This issues with the concurrence of Finance Dte of Board’s office.

Sd/-
(P.S. Meena)
Dy. Director,
Railway Stores(G)
Railway Board.

ANNEXURE-II/1-46

Ministry of Railways, (Railway Board)

No.2001/F(S)-I/PW7/2 **New Delhi 5.9.03.**

Sub : Powers of purchase of COS/CMM, etc.

Ref : Board's letter No.2001/F(S)-I/PW7/2 dt.20.12.01 & 28.12.01, 9.1.03 & 27.1.03.

In supersession of Board's earlier letters of even number dated 20.12.01 & 28.12.01, 9.1.03 & 27.1.03, instructions with regard to purchase powers of COS/CMM etc. as modified are as under: -

I.

Sl. No.	Particulars	Powers as enhanced
1	Open Tender System	To be adopted by public advertisement in the most open and public manner as a general rule, subject to exceptions noted in Paras 331-S and 332-S in all cases, in which the estimated value of tenders to be received is Rs. 5 lakhs or above.
2	Invitation of Limited Tender (a) In normal circumstances (b) In emergencies (at the discretion of C.O.S/CMM.)	 (a) COS/CMM upto Rs. 5 lakhs. (b) COS - upto Rs. 50 lakhs. CMM - upto Rs. 25 lakhs
3	Single Tender for non-proprietary articles without finance concurrence in (a) in normal circumstances (b) Emergencies affecting maintenance, out-turn, operation etc.	 (a) COS/CMM upto Rs. 1 lakh. (b) COS/CMM upto Rs. 2 lakhs. Invitation of Single tender & purchase will require personal approval of COS/CMM
4	Direct Acceptance of tender cases.	AMM - Rs. 75,000/- SMM - Rs. 2 lakhs Dy.CMM - Rs. 5 lakhs
5	In respect of Stores for which DGS&D has entered into Rate or Running Contact, the COS may at his discretion make direct purchase, if stores are urgently required or can be more conveniently obtained locally or	Upto Rs. 25,000/- in each case and not exceeding Rs.1,00,000/- in aggregate (in each case) in one year.

	from the nearer station. [Store Code Para 707 & 802 (i)].	
6	Placement of Rate Contract against DGS&D Rate/Running Contract.	COS – Full Powers. CMM/Dy.CMM - as per their level of acceptance.
7(a)	Acceptance of deviation from IRS Conditions of contract without prior financial concurrence.	COS – upto Rs. 5 lakhs in each case. CMM – upto Rs. 2 lakhs in each case.
7(b)	100% advance payment against *pro forma* Invoice with finance concurrence.	COS/CMM upto Rs. 2 lakhs in each case.
8	Power of Divisional Stores Officers' and Depot Stores Officers' for placement of orders against DGS&D Rate Contracts.	Sr. Scale & above Rs. 1 lakh for non-stock items only for each case. Jr. Scale Rs. 40,000/- for non-stock items only for each case.
9..	Power of Divisional Stores officer and Depot Stores Officers for purchase of non-stock items through normal mode of tenders in terms of para 328-S of Stores Code Volume 1.	Sr. Scale & above Rs. 1 lakh in each case for non-stock items only.
10	Vetting of Indents and Purchase Order.	i) Above Rs.1,00,000/- for safety items as defined in Boards letter No. 99/RS(IC)/165/SRC dated 19.4.2000 subject to 10% test-check by Accounts and ii) Above Rs. 50,000 for other than safety items However all the Purchase Orders, which do not require vetting, may also be got noted in the liability register for strict budgetary control.

II Further for JAG as Finance member of TC, where only one SAG FA&CAO is available, delegation is being raised to Rs. 2 crores.

III Cases already processed and decided as per earlier instructions need not be re-opened.

IV The Board also desire that post audit of the transactions below Rs.5 lakhs should be conducted thoroughly and cases of serious irregularities noticed, if any, should be reviewed at the level of COS andFA&CAO for necessary remedial action.

V. Attention is also invited to the existing Board's instructions according to which, if only a single quotation is received against the limited tender, the tenders should normally be re-invited except in case of urgency where also the urgency has to be certified by an officer not less than a JAG officer for all purchases upto

Rs.10,000/- and by SAG officer for purchase above Rs.10,000/- and prices are found to be reasonable.

VI. The above delegation of power is subject to no additional manpower will be created for handling the work at field level and the requirement of staff, if any, will be met by redistribution of existing posts.

These instructions should be rigidly followed.

Please acknowledge receipt. (Hindi version will follow).

Sd/-
(Suresh Kumar)
Exec.Director.(Finance)
Railway Board

ANNEXURE-II/1-47

Ministry of Railways, (Railway Board)

2003/RS(G)/779/13 New Delhi, dated 4.2.2004

The General Managers, All Indian Rlys & Pus.

Sub : **Increasing transparency in procurement/sale.**

Ref : (i) Board's letter No.99/RS(IC)/165/18/Pt.I dated 10.5.2000
(ii) Board's letter No.2000/RS(IC)/165/8 dt.19.10.2000 & 3.12.02
(iii) CVC's letter No.98/ORD/1 dated 18.12.2003.

…

Vide letters under reference (i & ii) instructions were issued to all Railways/PUs to put Procurement calendar, tender notices, Contract placed, Notices inviting tender schedule and Tender documents for all open tenders on internet and to establish system to facilitate downloading of tender documents from internet.

Now, CVC *vide* letter under reference (iii) (copy enclosed), have issued the following instructions with regard to all cases where tendering process is involved and where open tender system is resorted to for procurement of goods and services or for auction/sale etc., of goods & services :--

(a) (i) In addition to the existing rules and practices regarding giving publicity of tenders through newspapers, trade journals and providing tender document manually and through post etc., the complete bid documents alongwith application form shall be published on the website of the Organisation. It shall be ensured by the concerned Organisation that the parties making use of this facility of website are not asked to again obtain some other related documents from the department manually for purpose of participating in the tender process *i.,e* all documents up-to-date should remain available and shall be equally legally valid for participation in the tender process as manual documents obtained from the deptt. through the manual process.

(ii) The complete application form should be available on the website for purpose of downloading and application made on such a form shall be considered valid for participating in the tender process.

(iii) The concerned Organisation must give its website address in the advertisement/NIT published in the newspapers.

(iv) If the concerned organization wishes to charge for the application form downloaded from the Computer, then they may ask the bidding party to pay the amount by draft/cheque etc., at the time of submission of the application form and bid documents.

(b) While the above instructions must be fully complied with, efforts should be made by Organisations to eventually switch over to the process of e-procurement/e-sales wherever it is found to be feasible and practical.

(c) The above directions are issued in supercession of all previous instructions issued by the CVC on the subject of use of web-site for tendering purposes. These instructions shall take effect from 1st January 2004 for all such organizations whose websites are already functional. All other organizations must ensure that this facility is provided before 1st April 2004.

You are, therefore, requested to follow the above instructions and report the compliance in your MCDOs for appreciation of Railway Board.

Kindly acknowledge receipt.

(P.C. Sharma)
Exe.Director, Rly.Stores (G),
Railway Board

No. 98/ORD/1

CENTRAL VIGILANCE COMMISSION

Satarkta Bhavan, Block 'A'
G.P.O. Complex, I.N.A.
New Delhi – 110 023
Dated the 18th Decembaer, 2003.

Sub. : **Improving Vigilance Administration Increasing Transparency in Procurement/Sale etc.**

The Commission is of the opinion that in order to bring about greater transparency in the procurement and tendering processes there is need for widest possible publicity. There are many instances in which allegations have been made regarding inadequate or no publicity and procurement officials not making available bid documents, application forms etc. in order to restrict competition.

Improving vigilance administration is possible only when system improvements are made to prevent the possibilities of corruption. In order to bring about greater transparency and curb the mal-practices mentioned above the Central Vigilance Commission in the exercise of the powers conferred on it under Section 8(1)(h) issues following instructions for compliance

by all Government Departments, PSUs, Banks and other agencies over which the Commission has jurisdiction. These instructions are with regard to all cases where open tender system is resorted to for procurement of goods and services or for auction/sale etc. of goods and services :--

(i) In addition to the existing rules and practices regarding giving publicity of tenders through newspapers, trade journals and providing tender documents manually and through post etc. the complete bid documents alongwith application form shall be published on the web site of the organization. It shall be ensured by the concerned organization that the parties making use of this facility of web site are not asked to again obtain some other related documents from the department manually for purpose of participating in the tender process i.e. all documents upto date should remain available and shall be equally legally valid for participation in the tender process as manual documents obtained from the department through manual process.

(ii) The complete application form should be available on the web site for purposes of downloading and application made on such a form shall be considered valid for participating in the tender process.

(iii) The concerned organization must give its web site address in the advertisement/NIT published in the news papers.

(iv) It the concerned organization wishes to charge for the application form downloaded from the computer then they may ask the bidding party to pay the amount by draft/cheques etc. at the time of submission of the application form bid documents.

3. While the above directions must be fully complied with, efforts should be made by organizations to eventually switch over to the process of e-procurement/e-sale wherever it is found to be feasible and practical.

4. The above directions are issued in suppression of all previous instructions issued by the CVC on the subject of use of web site for tendering purpose. These instructions shall take effect from 1st January, 2004 for all such organizations whose web site are already functional. All other organizations must ensue that this facility is provided before 1st April, 2004.

-sd/-
(P. Shankar)
Central Vigilance Commissioner

ANNEXURE-II/1-48

Ministry of Railways, (Railway Board)

No. 78/RS(G)/777/1 New Delhi-110001, dated 07/05/2004.

Sub **: Warranty Clause for procurement of items.**

The standard Warranty Clause for the procurement of items as laid down in the IRS Conditions of Contract (Para 3200), is 24 months from the date of placement in service or 30 months from the date of delivery whichever is earlier. At times, Warranty Clause is also

specified in the specifications made by technical departments, which many a times, is at variance with Warranty Clause as per IRS conditions of contract. This variance leads to ambiguity and legal problem including litigation and arbitration etc., at post contract stage.

It is, therefore decided that

(i) Warranty Clause specified in the tenders should normally be same as that in IRS conditions of contract.

(ii) Wherever it is considered necessary to have Warranty Clause in technical specifications at variance with Warranty Clause in IRS conditions of contract, then technical department, while submitting the indents, and while providing the specifications, will advise clearly about applicable Warranty Clause for procurement to avoid problems at post contract stage.

(iii) While procuring the material, it should be ensured that the applicable Warranty Clause is specified in tender documents clearly and in unambiguous terms.

This issues with the concurrence of Financial Directorate of Ministry of Railways.

Please acknowledge receipt.

(P.C.Sharma)
Exe. Director, Railway Stores (G),
Railway Board.

ANNEXURE-II/1-49

Ministry of Railways, (Railway Board)

No: 87/RS(G)/753/2 New Delhi, Dt. 09.02.2005

Sub : **Delegation of General Manager's powers to Controller of Stores and Chief Materials Manager to accept Single Tender Purchase Order from Stock yards / Buffer Import of M/S SAIL, TISCO, IISCO & RNIL in respect of steel items and to make 100% payment in advance to them.**

Please refer to Board's letter of even no dated 14.12.2001, wherein Controller of Stores/ Chief Materials Managers were authorised to purchase steel items on single tender basis from stockyard / Buffer Imports of SAIL, TISCO, IISCO , RINL up to 13.12.2004.

The matter regarding extension of this provision has been reviewed by the Board and it has been decided that the present system of local purchase of steel items from stockyard, to extend for a further period of 3 (Three) years w.e.f from 14.12.2004 *i.e* with retrospective effect, subject to the conditions stipulated in the Board's above mentioned letter.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge receipt.

(P.S. Meena)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE-II/1-50

Ministry of Railways, (Railway Board)

No: 87/RS(G)/753/2 New Delhi,Dt. 15.02.2005

CORRIGENDUM

Sub : Delegation of General Manager's powers to Controller of Stores and Chief Materials Manager to accept Single Tender Purchase Order from Stock yards / Buffer Import of M/S SAIL, TISCO, IISCO & RNIL in respect of steel items and to make 100% payment in advance to them.

Ref : Board's letter of even number dt 09.02.2005.

The second para of the Board's above referred letter may please be substituted by the following :--

" The matter regarding extension of this provision has been reviewed by the Board and it has been decided to extend the present system of local purchase of steel items from stockyard, for a further period of 3 (Three) years w.e.f from 14.12.2004 *i.e* with retrospective effect, subject to the conditions stipulated in the Board's above mentioned letter.

(P.S. Meena)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE-II/1-51

Ministry of Railways, (Railway Board)

No. 2006/RS(G)/779/2 Dated. 23.03.2006.

The General Manager/ All Rlys/ PUs,

Sub : Operation of 30% Option Clause in Stores Contracts.

A doubt was raised by one of the Zonal Railways as to whether in the fixed quantity contracts, (+) 30% Option Clause could be exercised after the original quantity was supplied, in full, before the end of the delivery period.

The matter has been examined in consultation with Legal and Finance Directorates of Ministry of Railways. It has been decided after detailed deliberation on the issue that since the provision of 30% Option Clause in the contracts allows the purchaser to vary the quantity at any time under para 3800 of 'IRS Conditions of contract', this should be construed to mean any time before the delivery date. In other words, till final delivery date of the contract, (+) 30% Option Clause can be exercised, by giving reasonable notice, even though quantity ordered initially has been supplied in full, before the last date of delivery period.

This issues with the concurrence of Finance and Legal Directorates of Ministry of Railways.

(Aruna Jain)
Dy.Director, Rly.Stores(G)-II
Railway Board.

Copy to COS/All Rlys/PUs

ANNEXURE-II/1-52

Government of India
Ministry of Railways
(Railway Board)

No. 93/RS(G)/779/5 Pt.II Dated. 13.04.2006

The General Manager/ All Rlys/ PUs,

Sub : **IRS Conditions of contract- Inclusion of Option Clause therein.**

Attention is invited to Board's letter no: 78/RS(G)/777/1 dated 31.12.1979, wherein it had been laid down that the clause 704 of Appendix III to the Indian Railway Code for the Stores Department (increase or decrease of quantities) may be deleted. However, in respect of purchase of value of more than Rs. 5 lakhs per tender a suitable option clause on the same lines may be incorporated as a special condition to the tender, wherever considered necessary. Subsequently the monetary limit of Tender/ Contract for incorporating option clause was revised from Rs. 5 lakhs to Rs. 10 lakhs, vide Board's letter no: 93/RS(G)/779/5 dated 06.09.1993.

The matter regarding option clause again came up for discussion during 61st Periodical Conference of the Controllers of Stores of Railways and PUS with Railway Board held on 15th & 16th June, 2005 at New Delhi. Further, a few irregularities regarding operation of option clause have also been brought to the notice of Railway Board. In this context, Board after detailed deliberation on the matter has decided that:

The existing instructions are considered as adequate and no further changes in them are considered necessary.

Quantity variation under option clause against each individual purchase order (even though issued from the same tender) shall not exceed + or - 30% of the ordered quantity against each purchase order.

The option clause shall be exercised during the currency of the contract such that the contractor has reasonable time/notice for executing such increase or decrease, +30 % option clause can be exercised even if the original ordered quantity is completed before the last date of delivery as clarified vide Board's letter no: 2006/RS(G)/779/2 dated 23.03.2006.

This issues with the concurrence of the Finance Dte. of Railway Board.

Sd/-
(Aruna Jain)
Dy.Director, Rly Stores(G)-II
Railway Board.

ANNEXURE-II/1-53

Ministry of Railways, (Railway Board) **RBS No: 15/2006**

No: 2000/RS(G)/379/2 Dt. 09.08.2006

The General Manager, All Indian Railways & PUs

Sub : Pre-inspection of material by M/s RITES/RDSO

Ref : Board's letter no: 86/RS(G)/379/17 dated 07.08.1987.

Board have been receiving references from inspecting agencies to enhance the minimum limit of value of the purchase order to be pre-inspected by third party *i.e* M/s RITES/RDSO where the value of such orders is too less and the inspection charges of such orders being disproportionate to the value of goods to be inspected.

The matter has been considered in association with Finance Directorate and it has been decided to enhance the value limit of purchase order for dispensation for pre-inspection of materials by M/s RITES/RDSO to Rs. 1 lakh in normal case from the present limit of RS. 20,000/-, subject to condition that for purchase orders valued below Rs. 1 lakh in normal cases, inspection of material by consignee will be mandatory before releasing the payment. However, in special cases (to be indicated by the indentor) where the inspection involves technical expertise or facility, that is ordinarily not available with the consignee, RITES/RDSO' inspection may be insisted upon, even if the value of purchase order does not exceed Rs. 1 lakh. This condition should be stipulated in the purchase orders issued hereafter.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge receipt.

(Aruna Jain)
Director, Rly.Stores(G)-II
Railway Board.

ANNEXURE-II/1-54

Ministry of Railways, (Railway Board)

No.87/RS(G)/753/2 New Delhi, dated 01.09.2006.

Sub : **Delegation of General Manager's power to the Controllers of Stores to accept Single Tender Purchase from Stockyards/buffer imports of M/s SAIL, TISCO, IISCO, RINL in respect of Steel items and to make 100 percent payment in advance to them.**

Ref : Board's letter of even no dated 14.12.2001 & 09.02.2005.

The enhancement in the powers of purchase of COS to accept proposals for Single Tender purchase from Stockyards/buffer imports of M/s SAIL, TISCO, IISCO & RINL in respect of steel items for imported/indigenous steel as soon as offers are received without going into the formalities of Tender Committee examinations & to allow 100% advance payment of amount to the firm in case of purchase of steel from stockyard on Single Tender basis has been considered by the Board and it has been decided to enhance this purchase power upto

the value of Rs.75 lakhs, in each case. Other instructions as detailed in Board's letter of even no. dated 14.12.2001 & 09.02.2005 will remain the same.

This issues with the concurrence of Finance Directorate of Ministry of Railways

(Aruna Jain)
Dy.Director, Railway Stores (G)-II
Railway Board

ANNEXURE-II/1-55

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)779/2 New Delhi Dated 04.09.2006

The Controller of Stores
Integral Coach Factory
Chennai

Sub : **Improving Vigilance Administration Increasing Transparency in Procurement/sale etc., – Use of web-site regarding.**

Ref : ICF's letter No.ICF/S/P/04-Tenders/06 dated 07.07.2006.

Board has examined above referred letter, wherein difficulties being expressed by your Railway in implementation of Board's directives issued *vide* letter No.2003/V-1/CVC/1/21 dated 19.7.2004. In this connection, it is advised that:-

1. Board's directives issued *vide* letter dated 19.07.2004 clearly stipulate that if organization desires to limit the access of tender documents in a limited tender to only registered contractors, it may do so by issuing passwords to all the registered contractors/suppliers. Accordingly, access of priced documents through web-site may be regulated by issuing password to only approved/registered contractors/ suppliers.
2. Updation of amendments can be taken care by mentioning latest amendment number to the drawing for obtaining such drawing later from RDSO/ICF/RCF as the case may be before participation in tender.

It is further advised that instead of attaching each Drawing with tenders, ICF may keep all the drawings and latest amendments scanned in a Single Drawing Folder, which may further be uploaded on their web-site. The vendors, thus, may select drawing number and download latest amendments from the common folder. The cost of any price documents including drawing etc may be recovered from tender cost through instructions to tenderer.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC)
Railway Board.

ANNEXURE-II/1-56

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS **RBS No: 27/2006**
(RAILWAY BOARD)

No. 2001/RS(G)/779/4 New Delhi, Dated: 12.12.2006.

General Managers,
All Indian Railways/PUs

Sub : **Recommendations of the Task Force on Tendering Procedures-regd. calling of global tenders to check cartel formation by RDSO approved sources.**

A Task Force consisting of three Executive Directors – EDRS(G), EDF(S) & EDTK(M) was constituted by Board to examine the pros and cons of the various issues related to tendering procedures. One of the recommendation of the Task Force is " to invite global tenders, provided it is cost effective, for the items where cartel formation is repeatedly noted. In such global tenders, the condition of procurement of bulk quantity from RDSO approved sources should be dispensed with. Where in the global tender, potential overseas suppliers are found capable to supply the item, bulk quantity orders may be placed on such new firms. The capability and capacity of such firms should be verified by suitable means such as by seeing the documents of their past supplies to other customers, feedback from such customers etc".

The above recommendation of the Task Force has been considered and approved by the Board.

In view of the above, following guidelines are issued:-

(1) Railways may invite global tender for items wherever cartel formation is repeatedly noted by indigenous sources.

(2) While inviting such tenders, the condition of procurement of bulk supply from RDSO approved sources should be dispensed with as tender condition.

(3) In such global tenders, bulk quantity orders may be placed on potential indigenous / overseas suppliers, capable to supply the item.

(4) The capability & capacity of such potential indigenous / overseas supplier should be evaluated by inclusion of desired conditions stipulations in the tender. However, such condition should not aim to restrict the competition.

(5) It must be ensured that the procurement made through such Global tenders is cost effective with respect to the rates obtained in cartel formation situation.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC)
Railway Board

ANNEXURE-II/1-57

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No: 87/RS(G)/753/2 New Delhi,Dt. 30.11.2007

General Manager/ All Rlys & PUs

Sub : **Delegation of General Manager's powers to Controller of Stores and Chief Materials Manager to accept single tender purchase order from stock yards/buffer Import of M/s SAIL, TISCO, IISCO & RINL in respect of steel items and to make 100% payment in advance to them.**

Please refer to Board's letter of even no. dated 09.02.2005 and 15.02.2005, wherein Controller of Stores/ Chief Materials Managers were authorised to purchase steel items on single tender basis from stockyard / Buffer Imports of M/s SAIL, TISCO, IISCO , RINL up to 13.12.2007.

The matter regarding extension of this provision has been reviewed by the Board and it has been decided to extend the currency of the subject authorization for a further period of 3 (Three) years from 14.12.2007 *i.e* upto 13.12.2010, subject to the conditions stipulated in the Board's letter of even no. dated 14.12.2001.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge the receipt.

- Sd-
(Aruna Jain),
DDRS(G)-II, Railway Board

ANNEXURE-II/1-58

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2007/F(S)I/PW/1 New Delhi, Dated:07.12.2007.

General Manager/ All Rlys & PUs

Sub : **1. Constitution of Tender Committee and authority competent to accept Stores purchase on Zonal Railways & PUs.**

2. Value limit for floating advertised & limited tenders

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1. The Ministry of Railways have reviewed the powers of Acceptance of Stores Tenders and have decided that in supersession of the existing instructions, the constitution of Tender Committee for considering tenders and powers of acceptance in tenders for procurement of various types of stores tenders will be as under:

Sl. No.	Value Limit of Tender	Acceptance by	Stores	Concern Deptt	Finance
1	Rs. 10 lakhs to Rs. 30 lakhs	JAG	Sr.Scale	Sr.Scale	Jr.Scale
2	Rs. 30 lakhs to Rs. 1 Crore	SAG	JAG	JAG	Sr.Scale
3	Rs. 1 Crore to Rs. 2 Crores	SAG	JAG	JAG	JAG
4	Rs. 2 Crores to Rs. 15 Crores	PHOD/ CHOD	SAG	SAG	SAG
5	Rs. 15 Crores to Rs. 25 Crores.	AGM *	PHOD/ CHOD	PHOD/ CHOD	SAG
6	Rs. 25 Crores to Rs. 50 Crores.	GM	PHOD/ CHOD	PHOD/ CHOD	PHOD/ CHOD

* In units where there is no AGM, the accepting authority will be GM against item 5 as well of above table.

** The above are however upper limits for Constitution of Tender Committees. General Managers are free to delegate lower limits for the same, keeping local requirements in mind in consultation with FA&CAO.

2. Value limits for issue of Limited tenders and Advertised tenders :

The value limits for issue of LT & AT have also been revised as detailed below:

SN	Item	Proposed Delegation
1	Open Tender System	To be adopted by public advertisement in the most open and public manner as a general rule subject to exceptions noted in Paras 331-S and 332-S in all cases, in which the estimated value of tenders to be received is above Rs. 10 lakhs.
2	Invitation of limited Tenders: (a) In normal circumstances	(a) COS/CMM – upto RS. 10 lakhs

3. Direct Acceptance powers for supply tender cases are revised as below:

SN	Level	Delegation
1	AMM	Upto Rs. 2 lakhs
2	SMM	Upto Rs. 5 lakhs
3	DY.CMM	Upto Rs. 10 lakhs

4. All purchase proposals not involving foreign exchange valued over Rs. 50 crores and purchase proposals involving foreign exchange valued over Rs. 50 crores are to be submitted to Railway Board, duly approved by GM, for obtaining approval of the Competent authority.

5. It is reiterated that the total value of a tender will be the criterion to decide the competent authority for acceptance where purchase proposals against the tender which are put up in parts. The Stores Members of the Tender Committee will put up the proceedings direct to the accepting authority.

Sd/-
(A.K. Bhatnagar)
Dy. Director, Finance (Stores)
Railway Board.

ANNEXURE-II/1-59

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBS:09/2008

No. 2007/RS(G)/779/1 Dated 04.04.2008.

The General Manager/All Rlys/PUs.

Sub : **Powers of purchase of COS/CMM, etc.**

Ref : (i) Board's Letter No. 88/RS(G)/779/28 dated 25-03-1992
(ii) Board's letter No. 83/F(S)I/PW7/1 dated 02-03-1994
(iii) Board's letter No. 2001/F(S)I/PW7/2 dated 12-10-01
(iv) Board's Letter No. 2002/F(FEX) I/1 dated 28-02-2003
(v) Board's letter No. 76/RS(G)/779/36/Pt. dated 09-06-2003
(vi) Board's letter No. 2001/F(S)I/PW7/2 dated 05-09-2003
(vii) Board's letter No. 2001/F(S)/1/PW7/2 dated 07-07-2004
(viii) Board's Letter No. 87/RS(G)/753/2 dated 30-12-1987
(ix) Board's Letter No. 87/RS(G)/753/2 dated 01-09-2006

Ministry of Railways have decided that in supersession of Board's letter under reference (i) to (vii) on the above subject, following delegation of powers should be made applicable with immediate effect. Further the powers delegated to COS/CMM *vide* Board's letter under reference (viii) & (ix) should be revised as detailed at item 17 of the following table :--

SN	Item	Delegation
1	Invitation of limited Tender:	
	(a) In emergencies (at the discretion of COS/CMM).	(a) CMM – upto Rs.1 Crore. COS – upto Rs. 2 Crores. AGM – upto Rs. 5 Crores.
	(b) For Safety Items	(b) CMM – upto Rs. 1 Crore. COS – upto Rs. 2 Crores. AGM – upto Rs. 5 Crores. (c) CMM – upto Rs. 1 Crore.

	(c) For items for which approved list is issued only by centralised agency/ RDSO/PU/CORE.	COS – upto Rs. 2 Crores AGM – upto Rs. 5 Crores
2	Approval of quantities before placement of indent on centralised procurement agency or floating of tenders for direct purchase.	COS - Full powers. CMM/DyCMM/SMM/AMM – upto their power of acceptance.
3	Invitation of Single Tender for non-proprietary articles without finance concurrence in: (a) Normal circumstances (b) Emergencies effecting maintenance, outturn, operation etc.	 a. COS/CMM – upto Rs. 3 lakhs b. COS/CMM – upto Rs. 5 lakhs Invitation of single tender and purchase will require personal approval of COS/CMM
4	Issue of limited tenders/ B.T.	AMM - Rs. 2 lakhs SMM - Rs. 5 lakhs Dy.CMM - Rs. 10 lakhs
5	Vetting of indents and purchase orders.	1. Above Rs. 1 lakh for safety items as defined in Board's letter no. 99/RS(IC)/165/SRC dated 19-04-2000 subject to 10% test check by accounts. 2. Above Rs. 50,000/- for items other than safety items.
6	Placement of supply order against DGS&D rate/running contract	COS - full powers CMM/Dy.CMM/SMM – as per their level of acceptance
7	Direct procurement of stores by COS for which DGS&D has entered into rate/running contract, if stores are required urgently or can be more conveniently obtained locally or from nearer station.	Upto Rs. 1 lakh in each case subject to ceiling limit of Rs. 5 lakhs in each case per annum.
8	Acceptance of deviation from IRS conditions of contract without prior financial concurrence.	In direct acceptance case – one level higher than normal powers of acceptance but not below the level of JA Grade. In TC case – normal power of acceptance of tender.
9	100% advance payment against *pro forma* invoice with finance concurrence	In direct acceptance case – COS/CMM - upto Rs. 5 lakhs AGM - upto Rs. 10 lakhs In TC case – normal power of acceptance of tender.

10	Powers of Divisional Stores Officers and Depot Stores Officers for purchase of items through normal mode of tenders (Open, Limited, Bulletin and Single tenders) in terms of Para 328-S of Stores Code Vol.I a) For stock items urgently required and b) For non-stock items required for the purpose of train operation, rolling stock maintenance, signaling and track maintenance, passenger amenity items, items required for ART & ARMV, cleanliness, touch and feel items, safety items, urgent sanctioned project related items. c) For stock items & non-stock items not covered in (a) & (b) above.	For (a) & (b) both – 1. Sr. DMM/ Dy.CMM(Depot) – Rs. 3 lakhs per case. 2. DMM/SMM(Depot) Independent Incharge – Same as that of Sr. DMM/Dy.CMM (Depot) 3. DMM/SMM(Depot) other than Independent Incharge – Rs. 1.5 lakhs per case 4. Assistant DMM/AMM (Depot) Independent Incharge – Same as that of DMM/SMM(Depot) other than independent incharge 5. Assistant DMM/AMM (Depot) other than Independent Incharge – Rs. 1 lakh per case Above powers to be exercised within annual ceiling limits which may be decided by COS in consultation with associate Finance. These powers to be exercised within available budgetary limits and each demand allocation and primary unit. c)1. Sr. DMM/ Dy.CMM(Depot) – Rs. 2 lakhs per case. 2. DMM/SMM(Depot) Independent Incharge – Same as that of Sr. DMM/Dy.CMM (Depot) 3. DMM/SMM(Depot) other than Independent Incharge – Rs. 1 lakh per case 4. AMM(Division)/AMM (Depot) – Rs. 1 lakh per case
11	Powers of Divisional Stores and Depot Stores Officers for placement of supply orders against DGS&D rate contracts	1. Sr. DMM/ Dy.CMM(Depot) – Rs. 3 lakhs per case. 2. DMM/SMM(Depot) Independent Incharge – Same as that of Sr. DMM/Dy.CMM (Depot) 3. DMM/SMM(Depot) other than Independent Incharge – Rs. 1.5 lakhs per case 4. Assistant DMM/AMM (Depot) Independent Incharge – Same as that of DMM/SMM(Depot) other than independent incharge 5. Assistant DMM/AMM (Depot) other than Independent Incharge – Rs. 1 lakh per case

		Above powers to be exercised within annual ceiling limits which may be decided by COS in consultation with associate Finance. These powers to be exercised within available budgetary limits and each demand allocation and primary unit.
12	JAG level Tender Committee member in case of single SAG officer.	1. In case of only one FA&CAO, JAG level Finance officer will be member of Tender Committee upto Rs. 8 crores 2. In case of only one SAG Stores officer, JAG level stores officer will be member of Tender Committee upto Rs. 8 crores. 3. In case of only one SAG Level Officer in User Department, JAG level officer of user department will be member of Tender Committee upto Rs. 8 crores.
13	Urgency certification in case of receipt of a single quotation against limited tender if prices are found to be reasonable.	JAG level officer for all purchase upto Rs.50,000/-. SAG level officer for purchases above Rs.50,000/-.
14	Local purchase of items of small value both stock and non-stock.	Upto Rs. 1 lakh per case however powers for Local purchase on single quotation basis upto Rs.10,000/- each item.
15	Hiring of material handling equipment by depot officers.	Dy.CMM/Depot upto Rs. 20,000/- per case with monthly limit of Rs. 2 lakhs. SMM (Depot-Independent Incharge) upto Rs. 10,000/- per case with monthly limit of Rs. 1 lakh AMM (Depot-Independent Incharge) upto Rs. 5,000/- per case with monthly limit of Rs. 50,000/-.
16	Placement of purchase orders on other railway units by depot/ divisional officers for material assistance.	1. Sr. DMM/ Dy.CMM(Depot) – Rs. 5 lakhs per case 2. DMM/SMM(Depot) Independent Incharge – Same as that of Sr. DMM/Dy.CMM (Depot) 3. DMM/SMM(Depot) other than Independent Incharge – Rs. 2 lakhs per case 4. Assistant DMM/AMM (Depot) Independent Incharge – Same as that of DMM/SMM(Depot) other than independent incharge 5. Assistant DMM/AMM (Depot) other than Independent Incharge – Rs. 1 lakh per case
17	To accept Single Tender purchase from Stock yards/ buffer imports of M/s SAIL, TISCO, IISCO, RINL in respect of Steel items and to make 100% payment in advance to them.	COS- 3 Crores CMM-2 Crores
18	To invite all types of global tenders.	COS- Full powers up to his power of acceptance with FA&CAO's concurrence.

19	Acceptance of all types of global tenders & release of FE and payment through letter of credit/TT	COS/CMM – upto their power of acceptance for indigenous tenders.
20	Signing of PAC	Indenting officer- upto Rs. 25,000/- JAG/SG officer – Rs. 75,000/- SAG officer – upto Rs. 3 lakhs PHOD/ CHOD -- Above Rs 3 lakhs

Powers as detailed at item 18 have been delegated personally to COS & FA&CAO. These powers are not to be delegated down below.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores(IC)
Railway Board

ANNEXURE-II/1-60

RBS No. 13 /2008

Government of India
Ministry of Railways
Railway Board/ New Delhi

No. 2000/RS(G)/379/2 Dated 27-05-2008

The General Manager, All Indian Railways & PUs including NF(C).

Sub : **Pre-inspection of Safety items procured from non-RDSO approved sources.**

Ref : Board's letter of even no. dated 09-08-2006.

As per Board's letter under reference above, all Railways have been advised to ensure mandatory third party pre-inspection by RDSO/RITES. It is further advised that in line with Board's letter of even no. dated 09-08-2006, safety items which are not covered in RDSO specifications and have to be procured by the Railways from non-RDSO approved sources, systematic pre-inspection shall be ensured; For such cases following guidelines may please be followed:

(i) For all items including safety items which are not covered under RDSO specifications, shall be got pre-inspected by professional agencies like RITE RDSO in normal case following Board's letter of even no. dated 09-08-2006, as per which, pre-inspection of supplies by third parties(RITES/RDSO) is mandatory for purchase orders valuing more than Rs. 1 lakh. Such pre-inspection by RITES/RDSO must therefore be ensured for all items.

(ii) In case value of purchase orders is below Rs. 1 lakh, mandatory pre inspection of materials may be undertaken by the consignee not below the rank of Sr. Scale. However, where it is not possible for a Senior Scale Officer to inspect the materials at firms' premises before dispatch, inspection shall be undertaken by

an official not less than a Section Engineer for authorizing dispatch of materials from firm's premises to consignee where they shall be got inspected by an officer not below the rank of Sr. Scale for acceptance and release of the payment.

(iii) In specific cases of purchase orders valuing less than Rs.1 lakh, where the inspection involves technical expertise or a special facility that is ordinarily not available with the consignee, the pre-inspection shall continue to be made by RDSO/RITES as advised in Board's letter of even no. dated 09-08-2006.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Please acknowledge the receipt.

SD/-
(Aruna Jain)
DDRS(G)-II
Railway Board

ANNEXURE-II/1-61

RBS No.14/2OO8

Government of India
Ministry of Railways/Railway Board/New Delhi

No. 93/1/RS(G)/779/5 Pt.II Dated03.06.2008

The General Manager, All Indian Railways & PUs including NF(C).

Sub : **Enhancement in the minimum value of Tenders for inclusion of Option Clause in the Supply Contracts.**

In terms of Board's letter No. 781RS(G)177711 dated 31.12.1979, it was advised that in respect of purchases of value of more than Rs. 5 lakhs per tender a suitable Option Clause may be incorporated as a special condition to the Tender wherever considered necessary. Further, in terms of Board's letter of even no. dated 31.05.1993, it was advised that Option Clause must be included in the contracts, where the requirements of the material is of continuing nature. Subsequently, *vide* Board's letter of even no. dated 06.09.1993, the minimum value of purchase (i.e.) Rs.5 lakhs per tender for inclusion of option Clause was raised to Rs. 10 lakhs.

The above matter was reconsidered by the Board and it has been decided to enhance the existing value limit of Rs 10 lakhs to Rs. 75 lakhs per tender, for inclusion of suitable Option Clause.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge receipt.

SD/-
(Aruna Jain)

ANNEXURE-II/1-62

Ministry of Railways, Railway Board

No. 2006/RS(G)/77912 Dated: 04-06-2008

The General Manager, All Indian Railways & PUs including NF(C).

Sub : **Operation of 30% Option Clause in Stores contracts.**

Ref : Board's letter of even number dated 23.3.2006.

1.0. After issue of Board's letter mentioned above, references seeking clarifications on the decision conveyed through the letter was received from a few Zonal Railways. Recently, certain queries were also made by the Vigilance Directorate of Railway Board. The whole matter has been re-examined in consultation with the Legal Advisor/Railway Board and accordingly, the following instructions are hereby issued:

2.0. On the aspect of Option Clause, instructions contained in Board's letter Nos. 78/RS(G)/777/1 dated 31.12.1979, 93/RS(G)/779/5 dated 31.05.1993 and 93/RS(G)1779/5 dated 06.09.1993 with future amendments, if any, are to be invariably followed.

3.0 In the tenders for fixed quantity contracts for procurement of materials of which the requirements are of continuing nature and the tender value is more than Rs.75 lakhs, the following must be stipulated in the tender in addition to the existing conditions:

> *"The Purchaser reserves the right to vary the ordered quantity by (+) 30% at any time, till final delivery date of the contract, by giving reasonable notice even though the quantity ordered initially has been supplied in full before the last date of Delivery Period."*

4.0. For Running contracts, Special Condition No. 3800 on Contractual Quantity variations will apply.

5.0. Clarifications

5.1.. "Reasonable notice" as mentioned above is only for the purpose of allowing the contractor suitable time to make necessary arrangements for the supplies and not for seeking any consent from the contractor towards exercise of the contractual Option Clause. To this end, a reasonable delivery schedule for the enhanced ordered quantity stipulated in the relevant amendment to the contract will suffice.

5.2. The purpose of "Reasonable Notice" for exercise of (-) 30% Option Clause consequent to decrease in prices subsequent to the placement of contract should be served by giving a reasonable opportunity to the contractor to unconditionally agree to accept such lower rates for the quantity unsupplied on the date of reduction/decrease of prices or the (-) 30% quantity, whichever is less. Here also, no consent from the contractor towards exercise of the contractual Option Clause is necessary.

5.3. In case DP is extended in a contract with (+) 30% Option Clause either for the full ordered quantity or a part quantity which remained unsupplied on the date of expiry of the original DP, then during the extended delivery period also, quantity variations can be made on the total ordered quantities.

6.0. Instructions contained in Paras 2.0, 3.0 and 4.0 shall supersede those in Board's letter. No. 2006/RS(G)/779/2 dated 23.03.2006.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(Trilok Kothari)
Director Railway Stores(lC) , Railway Board

ANNEXURE-II/1-63

Government of India
Ministry of Railways/Railway Board/New Delhi RBS 16/2008

2008/RS(G)/777/1 Dated 23/6/2008

General Manager, All Indian Railways & PUs including NF(C).

Sub : **Submission of sealed sample from department/Depot.**

On the subject of submission of sealed sample from indenting department/Depots, Railways are advised to follow the following guidelines as stipulated below:-

1.0. As per the existing guidelines on procurement of materials, purchase of materials is to be done as per drawing/standard/ specification etc. and purchase as per sample should not be done.

2.0. However, in certain specifications, there may be built in sample clause. Usually such clauses are stipulated to illustrate indeterminable characteristics such as general appearance, luster and feel etc. of materials like bed sheets etc. In such cases, supply shall be in conformity with the sample in such respects only, whereas for the remaining characteristics the supplies must be in conformity with the laid down drawings/specifications.

3.0. In all such cases as aforesaid, Controllers of Stores should issue suitable local instructions to guide procurement, inspection, receipt and accountal of materials. It should be ensured that sealed and signed samples are available in the following manner

(i) One No. in the sample room of COS Office

(ii) One No. with the supplier to guide manufacture.

(iii) One No. with the Inspecting Authority to guide inspection.

(iv) One No. with the Depot officer/Indentor.

4.0. This issues with the approval of Competent Authority.

SD/-
Trilok Kothari
Director Railway Stores(lC)
Railway Board

ANNEXURE-II/1-64

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

RBS NO.19/2008

No.2007/RS(G)/779/1 New Delhi, dated 28.07.2008

The General Manager All Indian Railways & PUs

Sub : **Delegation of powers of purchase of COS/CMM etc.,**

Ref : (i) Board's letter No.86/RS(G)779/46 dated 07.4.1988
(ii) Board's letter No.83F(S)I/PW7/1 dated 02.03.1994
(iii) Board's letter No.79/RS(G)/779/29 dated 03.04.1998
(iv) Board's letter No.2003/RS(G)/779/1(1/03) dated 21.02.03
(v) Board's letter No.98/RS(G)/779/10(CS) dated 25.02.2003
(vi) Board's leter No.2008/RS(G)/779/1 dated 04.04.2008.

Ministry of Railways have reviewed the existing powers of purchase delegated to COS, CMM etc., and have decided to enhance them in partial supersession of Board's letters under reference at (ii), (iv), (vi), Para 439(a) of Indian Railway Sores Code & supersession of Board's letter under reference at (i), (iii) and(v) for the items detailed in table below:-

SN	Item	Delegation
1	Invitation of limited Tender In emergencies (at the discretion of COS/CMM) For Safety items For items for which approved list is issued only by centralized agency/RDSO/PU/CORE.	For (a), (b) & c) Dy.CMM – upto his level of acceptance CMM- upto Rs.1 Crore COS - upto Rs.2 Crores AGM – upto Rs.5 Crores
2	Vetting of purchase orders	1. Above Rs.8 lakhs for safety items as defined in Board's letter No.99/RS(IC)/165/SRC dated 19-04-2000 subject to 10% test check by accounts 2. Above Rs.4 lakhs for items other than safety items.
3	Purchase of oils and lubricants marketed by Public Sector Undertakings in single tender basis.	COS – upto Rs. 3crores CMM – upto Rs.2 Crores In each case with finance concurrence and to make 100% advance payment to the firms without going into the formalities of tender committee's examination.

		Limited Tender to be called in place of Single Tender in case prices are not government administered.
4	Invitation of Single Tender for proprietary items where it has been possible to certify that a similar article, which could be used in lieu is not manufactured/sold by any other firm. (PAC 'c' is certified).	COS / CMM / DY.CMM / SMM / AMM – upto their level of acceptance.
5	Invitation of Single Tender for where it has not been possible to certify that a similar article, which could be used in lieu is not manufactured/sold by any other firm.. (PAC 'a' certified).	COS – Rs.5 lakhs CMM- Rs.3 lakhs Dy.CMM – Rs.2 lakhs SMM – Rs.1 lakh AMM – Rs.50,000
6	Invitation of Single Tender – Developmental items	COS – Rs. 5 lakhs CMM – Rs.3 lakhs Dy.CMM- Rs. 2lakhs
7	100% advance payment against proforma invoice with finance concurrence.	In direct acceptance cases – CMM – upto Rs. 5 lakhs COS - upto Rs.10 lakhs lin TC cases – COS upto his powers of acceptance.
8	Variation of Indian Railways Standard Conditions of Contract.	COS may also waive operation of clauses relating to 'Liquidated damages', Risk Purchasers' and 'Arbitration' appearing in the contract valued upto Rs.5 lakhs at the post contract stage in order to avoid disproportionate administrative expenditure in small recoveries.
9	To write off loss due to risk purchase, general damages, liquidate damages.	COS – upto Rs. 1 lakh CMM – upto Rs.50,000 Dy.CMM – upto Rs.25,000 These powers should be exercised with utmost care only and only when all other modes of recovery except through arbitration and legal action have been exhausted. Suitable administrative action should be taken against defaulting firms.
10	Acceptance of stores dispatched after the expiry of delivery period by the consignee.	a. Delay upto 6 months for order valued upto Rs.3 lakhs b. Delay upto 21 days for orders valued between Rs.3 lakhs to Rs.6 lakhs

		provided the initial delivery period does not exceed 6 months. For all other orders, valued over Rs.6 lakhs prior extension of delivery period from the purchase office will be necessary.
11	Acceptance of excess/short supply by depot officers without formal amendment to the contract.	Upto 5% of the value of contract or Rs.3 lakh whichever is less subject to total value of receipt not exceeding normal purchase power of COS.

The above enhancement in the purchase powers are to be exercised, ensuring the expenditure within the budgetary allocations and availability of funds.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores(IC)
Railway Board.

ANNEXURE-II/1-65

Government of India
Ministry of Railways
Railway Board

No. 2008/RS(G)/779/2 New Delhi, dated: 07-11-2008

The General Manager, All Indian Railways & PUs including NF(C).

Sub : **Confirmation in tender file regarding the uploading of NIT and tender documents on the website.**

Ref : Board's letter of even No. 2003/RS(G)/779/13 dt. 04-02-04.

In Board's letter under reference above, following CVC's instructions, it was laid-down that, in all cases, where tendering process is involved and where Open Tender System is resorted to for procurement of goods and services or for auction/sale etc. of goods and services, the complete application form along with related documents should be available on the website of the concerned Railway in downloadable format :--

2.0. In this regard now CVC has advised that the concerned authorities may check and ensure that tender document, where open tender system is resorted to, are uploaded on the website of the concerned Railway and are available for downloading through Internet. This should be checked at following stages specifically:-

I. After seeking approval of Competent Authority & before publishing tender notices/NIT/ corrigendum in news papers;

II. While publishing the tender in newspaper for wide publication, the CPRO/PRO must ensure that the tender notice has already been uploaded on the website by taking an undertaking/ certificate from the executive to that effect.

III. These aspects must also be ensured by the Tender Committee while scrutinizing such tender and by the Tender Accepting Authority before awarding the tender

3.0. Any open tender (except single and spot tender) not having token of confirmation (in the form of internet download record) in tender file regarding the uploading of NIT and tender documents on website should be treated as inadequately circulated/advertised tender.

4.0. Zonal Railways and PUs are to issue suitable local instructions to adhere to above advices of CVC.

Sd/-
(Trilok Kothari)
DRS(IC), Railway Board

ANNEXURE-II/1-66

Specimen copy of bid document for indigenous tenders

www.southernrailway.org
email: store@srrailnet.gov.in

SOUTHERN RAILWAY
TENDER FORM

Fax No.044-26748723
Earnest Money: Rs.
Tender Cost: Rs.

To
The President of India,
Acting Thro' Controller of Stores,
Southern Railway, Ayanavaram,
Chennai-600023.

Dated:…….

Sub: **Tender No…… to be closed at 14.00 hours and opened at 14.30 hours on ……**
Ref: Tender Notice No…….dated…….. Schedule of Requirements.

P.L.No……Description of Stores tendered Sample Tender Total quantity reqd…….Unit…..					
Description of Stores offered		Make/Brand		App.Wt per Unit	
Basic rate	Unit	Packing charges	Excise duty	Fwdg charges	Other charges/discount
Basic rate in words					

Consignee Name	Reqd at	Quantity	Unit	Sales tax	Surcharge sales tax	Turn over tax	Freight charges
Delivery terms							
Delivery period							
Total value at rate quoted							
EMD deposited vide							

Value……

Terms: Besides other general conditions, this tender is subject to special conditions enclosed. (1) Inspection agency RDSO/RITES/Consignee (2) Delivery period…….(3) Delivery terms:……..(4) Payment terms……(5) Risk purchase period-within 9 months (6) Security deposit: In case of acceptance of your offer, you will be required to pay security deposit at the rate of 10% of the order (subject to ceiling limit of Rs.10 lakhs for contract value up to Rs.10 crores and Rs. 20 lakhs for contract above 20 crores) and no EXEMPTION is available for safety items. (7) Evaluation will be done consignee wise (8) Railways reserve the right to place entire or bulk quantity on RDSO/ICF/DLW/CLW approved sources (for items reserved to be procured only from RDSO/ICF/DLW/CLW approved sources (9) +/- 30% option clause applicable for tender value more than Rs. 75 lakhs

Likely suppliers: a)……..(Regd)
b)……..(Un regd)

Note :–

This Tender Schedule consists of the following

a) Tender Form

b) Tender Schedules and Conditions of Contract for supply of stores Booklet in 19 Pages

c) Instructions to the Tenderers Booklet in 10 Pages.

Railway reserve the right to issue any corrigendum to the tenderer till ten days prior to the opening of the tender. Tenderers are also advised to check the website before submitting their offer whether any such corrigendum to the tender has been issued or not.

i) Tenderer to give consent in a mandate form for receipt of payment through **EFT.**

ii) Tenderer to provide the details of Bank A/C in line with RBI guidelines for the same. These details will include Bank Name, branch Name & address, Account type, Bank A/c No and Bank & branch code as appearing on MICR cheque issued by bank.

iii) Tenderer to attach certificate from their bank certifying the correctness of all above mentioned information.(As mentioned in para(ii) above)

iv) In case of non-payment through **EFT** or where **EFT** facility is not available, payment will be released through Cheque.

v) Suppliers having their office in cities,where **EFT** is not available may open an account in any of the nationalized banks/other accredited banks who have core banking facility in chennai and furnish the details to FA&CAO/S&W/PER.

vi) The Tenderer should quote the exact percentage of **VAT** that they will be charging extra.

vii) While quoting the rates, tenderer should pass in (by way of reduction in prices) the set off/input tax credit that would become available to them by switching over to the system of **VAT** from the existing system of Sales tax duly stating the quantum of such credit per unit of the item quoted for.

viii) The tenderer while quoting for tenders should give the following declaration; "We agree to pass on such additional set off/input tax credit as may become available in future in respect of all inputs used in the manufacture of the final product on the date of supply under the **VAT** scheme by way of reduction in price and advise the purchaser accordingly" .

ix) The suppliers while claiming the payment will furnish the following certificate to the paying authorities; " We hereby declare 'that additional set offs /input tax credit to the tune of Rs has accrued and accordingly the same is being passed on to the purchaser and to that effect the payable amount may be adjusted".

x) Even for contracts where CST is payable, this input tax credit may become admissible to the supplies where the supplier happens to be located in hte state in which **VAT** has been implemented. Accordingly the certificate under para (ix) above should be furnished in all such existing contracts where CST is payable.

xi) For the states in which the **VAT** has not yet been introduced, the existing system of Sales tax shall continue.

xii) Quotations through Telex, Telegrams, etc will not be accepted against any tender. Regarding **quotations received through FAX:-**

(a) Offer received through FAX will be considered in case of procurement of items through proprietary article certificate & single tender, only subject to the firm submitting post confirmation copy on their letter head duly signed by the authorized person as per the tender conditions within ten working days from the date of opening.

(b) However, for other type of tenders i,e for Bulletin, Limited and Advertised/Open Tenders etc ., offers received through FAX and and found in the tender box at the time of opening of Tenders and complete in all respects and duly signed by the authorized signatory will be treated as in time offer subject to the firm/firms submitting post confirmation copy duly signed by the authorized person as per the tender conditions within ten working days from the date of opening.

(c) All other offers received by FAX not covered in para(a) & (b) above will be treated as invalid. The offers received by FAX as covered in para(b) above shall be deemed as unresponsive in case the confirmation copy is not received within the time stipulated in para(b) above. ,

(d) No purchase order will be issued against the FAX offer without receipt of the confirmation copy of the same.

(e) It shall be the sole responsibility of tenderers to ensure that the offers submitted by FAX are dropped in appropriate tender box in sealed cover/covers and within the prescribed time and date. The Railways shall not be responsible in any way for any delay in dropping the FAX offers in the appropriate tender box. The Railway Administration will not be responsible for any postal delay. Last and delayed tenders will not be accepted.

ISO Certified firms to indicate the same in the offer.

Past performance by way of PO's from other zonal railways/Production units to be enclosed. Firms to mention name of Contact person with Phone No' and e-mail id.

Cartel condition applicable as per instructions to the tenderers.

"In the event of the offers conforming to any aspect of the definition of cartel mentioned in "The Competition Act 2002(12 of 2003),in addition to the existing remedies, the purchaser also reserves the right to refer the matter to the Competition Commission of India (CCI),which is a statutory body constituted under "The Competition Act 2002(12 of 2003), for providing necessary relief to the Purchaser who represent Central Government organisation serving the public.In addition,the purchaser also draws attention of the tenderers to chapter VI of the " The Competition Act 2002(12 of 2003) which deals with Penalities. This will be in addition to the other rights and remedies available to the Railway Administration under the Contract and Law."

DECLARATION OF THE TENDERER

I/We engage to supply to Southern Railway the articles specified above upon the terms of the Indian Railway Standard Condition of Contract (latest revision) and upon the terms of the Special Conditions and Instruction for the guidance of the Contractors issued by the Southern Railway (Advt No E-03/2008) . In consideration of the Controller of Stores agreeing to consider this quotation ,it will hold good for 90 days from opening date in case quotation involves release of Foreign Exchange the same will hold good for 180 Days. The acceptance of this Tender by the Controller of Stores shall constitute a binding contract between me/us and the President of India.

Only for tender uploaded in website

I/We have downloaded the tender form from the internet site www.southernrailway.gov.in / www.tenders.gov. in/ And I/We have not tampered/modified the tender forms in any manner. In case, if the same is found to be tampered/modified I/We understand that my/our tender will be summarily rejected and full earnest money deposit will be forfeited and I/We am/are liable to be banned from doing business with Railways and/or prosecuted.

Signature of the Tenderer

CONTROLLER OF STORES

ANNEXURE-II/2-01

Copy of letter No. 59-B (C)-3129 dated 26th/27th December 1960 from C. T. Venugopal, Additional Member, Finance (B), Railway Board, New Delhi, addressed to General Managers, All Indian Railways, etc.

Sub : **Importance of dealing with Tenders correctly**

I. A case has come to the notice of the Railway Board in which the Officers of the Finance Branch, whose advice was sought in regard to the draft tender notice and tender conditions couched their advice in far too general terms to be readily appreciated, with the result that the importance of the point sought to be made was lost sight of. The Tender Committee finalised the tender, on the basis of which the agreement was executed, ignoring in effect the advice of Finance. It appears that the Finance Branch did not also properly brief the Finance Officer concerned, before he went to attend the Tender Committee Meeting or show him the point that was raised in the advice tendered by Finance.

2. Even thought their may have been justification for not readily adopting the advice of Finance, on the ground that it was not readily intelligible, it was atleast necessary for the officers of the department concerned, who received the letter from Finance, to clear up with the higher level Finance Officers what exactly the Finance advise sought to convey .An advise from Finance, which had been issued over the signature of the Dy. Financial Advisor should have given the fullest consideration, and the matters should have been resolved in discussion with him or, if necessary, even with the F. A. & C. A. O sufficiently in advance of the Tender Committee Meeting., instead of proceeding without modifying the tender conditions. The lapse in the matter led to the contractor making a claim for payment which was not intended and which it proved difficult to resist.

3. The duty of the Officers comprising the Tender Committee in the matter of appreciating the scope of the tender conditions in relation to the rates offered, has already been stressed in Board's letter No. 57-B (C)-3024 dated 28th May 1959. It is also necessary for Railway Administration to ensure that any advice given by the Finance Branch in regard to draft tender notice and draft tender conditions is given the fullest consideration, so that clarification in all matters as necessary is obtained before the Tender Committee meets. The Finance Branch is also to ensure follow up action and check up the position immediately on receipt of the Tender Committee's, proceedings or immediately on receipt of a copy of the agreement. Non-adoption of Finance advice if noticed would then be taken up promptly and matters remedied at the earliest opportunity, instead of acquiescing in an agreement which may give an unintended advantage to the contractor.

ANNEXURE-II/2-02

Copy of letter No. 61/WS/LCT/41 dated 23rd October 1961 from ***Joint*** *Director, Civil Engineering. Railway Board, New Delhi, addressed to General Managers, All Indian Railways, etc.*

Sub : **Acceptance of Tenders--Reasons for accepting higher rates to he recorded**

A case has been brought to Board's notice wherein the Tender Committee did not record clear reasons in support of its proposal for the acceptance of a rate, higher than that

accepted in the same area a short while earlier, for the same nature of work. 'Tender Committees normally examine the reasonableness of the recommended rates and should, when recommending the acceptance of a higher offer, record clear reasons for over looking the lower one. The Board believe that the Tender Committees satisfy the former requirement by taking into consideration factors like, lowest contract rate for the same or similar material or work in the particular or contiguous area the conditions of supply or of undertaking the work the latest data regarding availability of materials and prices, thereof, the working conditions etc. In order, however, to facilitate the work. of the Tender Committees, the Board desire that instructions should be issued by you directing that complete and latest information on the points mentioned earlier and on other aspects relevant for the consideration of the tenders should be made available to the Tender Committee through an authenticated briefing note at appropriate level from the executive department concerned duly vetted by the Accounts Department so that the Tender Committee may suitable indicate in their recommendations, the ground on which the rates proposed by them for acceptance are considered reasonable.

ANNEXURE-II/2-03

Copy of Board's letter No. 61/ W5/LCT/14 dated 21st December 1961 addressed to General Managers, Northern Railway, with copy to All Indian Railways.

Sub : **Acceptance of Tenders-Reasons for accepting higher rates to be recorded**

Ref : Your Chief Engineer (S & C)'s D. O. letter No. W. 362/0/SEC/W-1 dated 10th November 1961 to Additional Member/Works.

1. The Board have carefully considered the points raised in the above cited letter and wish to clarify that the object of the instructions contained in their letter of even number dated 23rd October 1961 was to ensure that Tender Committees, whose constituent members are not always the same, do not act, while framing their recommendations without knowledge of the rates and conditions accepted in the recent past for similar works or supplies in the same area or contiguous areas.

2. The Board desire, therefore, that along with the tabular statement of tenders which is invariably prepared for the consideration of the Tender Committee, a short briefing note should be furnished for the information indicating the last accepted rate for similar works or supplies in the same area or contiguous areas and also any special conditions attached to the said works or supplies. Such a briefing note should be readily vetted by the Accounts Department, as it will be based only on information available with the Railway. It should be ensured that the preparation and vetting of the briefing note is carried out promptly so that the acceptance of tenders is not delayed on this account. You may kindly consider laying down a suitable timetable for this purpose.

ANNEXURE-II/2-04

Extracts of paras 2 to 5 of Railway Board's letter No. 63-AC./III/28/4 dated 13th June 1963.

Sub : **Receipt, accountal and refund of Earnest Money paid by Tenderers**

2. The lapses noticed in the receipt and accountal of earnest money were as follows

(a) In response to a tender for earthwork in 5 zones (1 to V) a contractor furnished earnest money of two different amounts staring that these might serve as earnest money for any two of the five zones. The Administration did not take steps promptly to ascertain from him for which specific zones lie was tendering, so that at the very start he could have been ruled out from consideration for the other zones. In all oases of earnest money deposits for individual works (as distinct from the lump sum earnest money deposits), the tenderers should be asked to specify clearly the details of the work to which earnest money deposit relates *vide* **Para 1114-E** and **Para 339-S**.

(b) The contractor paid the earnest money in two Deposit-at-call-receipts and partly as a cheque. The Railway should not have **accepted the earnest money** in the **form of Cheque** *vide* **Para 1115-E**. The acceptance of earnest money partly by Deposit-at-call receipts and partly by cheque was also incorrect.

(c) There was a delay of six months in releasing the Deposit-at-call-receipt furnished by the contractor for one ofthe two zones, due to the Railway having adopted the unnecessary procedure of cashing the Deposit-at-call-receipt and crediting the amount to the Railway and then arranging the refund in cash, instead of endorsing the Deposit-at-call-receipt in favour of the contractor as soon as it was clear that he was an unsuccessful tenderer

.

3. Attention in this connection is invited to Board's letter No. 59 AC III/8/23 dated 18th March 1961 wherein the Board had advised all the Railway Administrations having a Divisionalized system to adopt the procedure followed on the Central Railway *i. e.,* arrange for the remittance of the earnest money by the tenderers to the Divisional Pay Master/Chief Cashier and Pay Master instead of at the stations. This. would cut short delays in the refund of earnest money. In spite of these instructions, it has been noticed during Additional Member, Finance's inspection of certain Divisional Accounts Offices, that the practice of the contractors paying the earnest money and security deposits at stations is still being followed. This, apart from complicating the procedure of accountal of earnest money received from contractors, also results in delay in arranging refund to the contractors. It has, therefore, been emphasized again that the contractors should lodge such monies with the Divisional Pay Master rather than at stations, *vide* para 3 (vi) of Additional Member, Finance Inspection Report sent with his D. O. letter No. 62/ACS. Insp./69 dated 28th January 1963. The Board desire that the procedure followed on your Railway should again be reviewed, and necessary arrangements made immediately to ensure that remittance of earnest money is made by the contractors as a rule to Divisional Pay Masters and Chief Cashier and Pay Master, instead of at the stations, so that, credits for these amounts Could be accounted or in the Deposits Register promptly and delay in arranging the refund of earnest money to the contractors avoided. The Board have also repeatedly emphasized that there should be no delay in arranging payments of contractors bills and refunds of their security deposits etc. *(vide* Board's letter No. 59 AC III/28/8. dated 18th May 1960 and 21st September 1960) as such delay will almost certainly tend to put up the contract rates to the disadvantage of the Railway. Delay in refund of earnest money to the unsuccessful tenderers will also have the same effect.

4. The procedural lapses noticed in dealing with the tenders in the particular case referred to, were as follows: -

(a) When the tenderer tendered for only two zones *viz.* III and IV and had subsequently advised the Administration that he was interested only in one zone, the Administration as a matter of routine asked him to revalidate the tender for all the five zones without ascertaining for which zone he had tendered and had kept his offer open.

(b) When fresh tenders were invited, the contractor in question did not submit his fresh tender, but sent a telegram subsequently that he could tender for these zones at his old rates; as a result of this he was called for negotiations, ignoring the fact that he had not submitted a formal fresh tender. Calling for negotiations a contractor who had not tendered at all should be resorted to only when rings is suspected and not otherwise vide Boards' letter No. 56-B (C) 2983 dated 1st September 1956.

5. Some of these lapses at any rate could have been spotted if the Officers on the tender committee as well as supervisory Class III staff who had been entrusted with tabulation of tenders in the Executive Office had exercised reasonable care while going through the tenders. Apparently an Accountant of the Finance Branch was not entrusted with the prior scrutiny of tender papers in this case. The Officers on the Tender Committee in addition to their well defined responsibilities in regard to securing the most economical rate as well as a dependable contractor for the work are not precluded from exercising general scrutiny of tender papers to spot any incompleteness or indefiniteness in any of the tenders and accompanying documents.

ANNEXURE-II/2-05

Copy of Railway Board's letter No. 63-B(C)-PAC/III/13(19) dated 9th October 1963 from Shri C. T. Venugopal, Additional Member Finance, addressed to General Manager, All Indian Railways and others.

Sub : **Recommendation No. 19 of the P. A. C. contained in their 13th Report (1963-64) Loss due to irregular rejection of a lower Tender**

In a recent, case reported in the Audit Report (Railways) 1963 and brought before the Public Accounts Committee, it was noticed that an offer received from a firm prior to the consideration of quotations by tender Committee, in respect of an item of Stores strictly conforming to the required specifications was neither included included in the abstract of quotations nor submitted to the Tender Committee for their consideration, on, the ground that the earlier offers of the same firm wire much cheaper :than their last quotations and therefore there was no particular advantage in putting up the last offer to the Tender Committee. Actually owing to the earlier offers of the firm at the lower rates being technically not acceptable, the question of shelving the technically acceptable later offer did not arise; this apart under the established procedure, all the tenders should have been put up to the Tender Committee for their consideration without any screening by any other official. The Board while reiterating the correct procedure trust that the Railway Administration will ensure that such a lapse does not occur.

ANNEXURE-II/2-06

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 78/RS(G)177915 New Delhi, dated 30th March 1978

The General Manager (S),
All Indian Railways and Production Units and M. T. P. (Calcutta).

Sub : **Procedure for Tender Opening-Discussions in the C. O. S. Conference held on 13th and 14th September 1977.**

The procedure adopted on Railways in regard to opening of bulletin/limited tenders the estimated value of which is below Rs. 50,000 before consideration, was discussed in detail in the last C. O. Ss. conference held in September 1977. Para 11.8.0 of the minutes of the meeting circulated under letter No. 77/RS(G)/509/4 dated 18th October 1977 and Board's letter No. 68/RS(G)/779/29 dated 26th September 1968 and 78/RS(G)/779/4 dated 27th January 1975 are relevant. Based on the conclusions arrived at in the meeting, Ministry of Railways have decided that the following procedure should be adopted uniformly by all Railways and Production Units :--

(1) Opening of the tenders at the prescribed time should be done in the presence of Accounts and Stores Representatives.

(2) Immediately after opening, the tenders should be machine numbered with four digit number and date stamped. This number may start from unity every day. The tenders should be initialled and dated by the Stores and Accounts Representatives, who would also certify the number of tenders opened each day. If a cover opened contained forward tenders, these should be put in separate envelope sealed cover initialled by Accounts/Stores Representatives and redropped into the box. Late tenders, if any, will be also machine numbered and accounted separately in the register showing the Serial number.

(3) The rates as quoted should be circled. Where the rates are not quoted in “words” the same should be written in “ words ”, circled and initialled. Where more than one offer is received against the tender, the number of offers should be indicated on the top and initialled.

(4) The clauses involving financial implications *viz.*, Sales Tax, Duties, Discounts etc., wherever separately mentioned in the quotation should be circled.

(5) All corrections in the quotations should be noted, recorded and initialled by the tender opening clerk, Stores and Accounts Representatives. The number of corrections should also be noted in the tender at the bottom.

(6) After the above steps are completed the tenders should be sorted according to the cases. The total number of tenders received and placed on cases for the day should be counted, tallied and accounted.

(7) The tenders should be arranged in each case in the ascending order of rates generally grid marked 1/9 and 2/9 and 3/9 etc., where 9 tenders are received and

similarly in other cases. The tenders will again be machine numbered casewise with a 6-digit number and the specific number of tenders placed in each case indicated on the flap with other relevant details such as corrections etc.

(8) The cases duly completed as above should be handed over to the purchase officers, concerned as far as possible on the same day in the evening. The number of tenders as per the four digit machine number should be reconciled with the 6 digit machine number everyday.

(9) A late tender should also be sent to the purchase section for promptly putting them up on the case so that the purchase officer is aware of such late offers for further necessary action.

(10) Reference of the tender cases to the Consuming Departments should be reduced to the minimum and where such a reference is made a proper record of these cases should be maintained and the cases should be sent in sealed covers addressed by name to the officers concerned.

(11) In all references to other Departments the validity of the offer should be boldly indicated in the note and the Department should be requested to furnish their comments expeditiously. The officer to whom they are referred should be reminded as frequently as necessary till their receipt.

(12) A confidential tender processing section with nominated staff of each purchase section should be organised who should deal with tender cases completely till final acceptance by the purchase Officer and then only pass on the case to the purchase Section for further processing. This section should be responsible for speedy finalisation and furnishing of statistical information on tenders to purchase officers.

(13) In the case of limited tenders estimated value over Rs. 50,000 the case should be processed similar to an open tender.

Sd/-

(**S. B. J. RAJAIAH**)
Director, Railway Stores,
Railway Board.

ANNEXURE-II/2-07

Copy of Railway Board's letter No. 78/W1/CT/47 (Task Force) dated 3rd March 1979 addressed to General Managers, All Indian Railways and others etc., and copies endorsed to A. D. A. I. etc.

Sub : **Report of the Task Force on Vigilance Recommendation No. 212**

As a result of discussions held in the Parliament and an assurance given by the Minister for Railways to review the implementation of **Kripalani Committee Report** on 14th June 1977 a Task Force was set up by the Railway Minister to make comprehensive study of the subject of corruption on the Railways in the current context covering additional facts of railway working and operation which have come up due to developments in the intervening quarter century after the Kripalani Committee made deliberation on these issues.

2. The Task Force has submitted its report making certain recommendations. Recommendation No. 212 which has been accepted by the Board is reproduced below for strict compliance-

Recommendation No. 212 :

" Formal guidelines to specify responsibility of staff of Drawing Office/Accounts Office- *vis-à-vis* members of tender committee be laid in respect of preparation and evaluation of comparative statement /briefing notes for tenders. A joint note by tender committee to bring out specifically any deviation of the procedures, special conditions influencing the decision etc. may be prescribed so as to facilitate the approving authority to take it into consideration and become responsible for them while according approval ".

2.1. The Board while accepting this recommendation have desired that the Railway Administrations should issue necessary instructions in respect of the responsibility for preparation and checking of the comparative statement and briefing note, if such instructions have not been issued so far. The comparative statement should be prepared by the departmental office from where the tenders are invited and checked in the Accounts Office. The departmental officer and the Accounts Officer who are associated with the opening of tenders should check the comparative statement and sign it in token of having done so. It may be ensured that hereafter each and every page of the comparative statement is signed by the staff preparing it also by officers checking the same before it is put up to the Tender Committee. Regarding the briefing note the level at which it would be prepared and checked is left to the Railway's discretion. But the officials who prepare and check the briefing note should sign each page of the briefing note and their responsibility in this respect should be clearly laid down.

The Tender Committee should go through the comparative statement, briefing note and the tender papers carefully in order to see that all special conditions quoted by the Tenderers, deviations from standard specifications and procedures etc., have been taken into account and their recommendations should bring out clearly all such aspects so as to facilitate the approving authority, to take them into consideration while according his decision on the tender.

The receipt of this letter may please be acknowledged.

Extracts of para XII-4.6 of the Report of the Task Force on Vigilance.

XII-4.6. Evaluation of Tenders :

Though the system of having a comparative statement/a briefing note from the Drawing Office/Works Accountant exists on all the Railways in some form or the other, the specific responsibility of the individuals (Head Estimators, Head Draftsmen, Works Accountants, Members of the Tender Committee, etc.), have not been clearly brought out in regard to its compilation/use. It has been noticed that these documents sometimes remain unsigned by any person and responsibility for these omissions are not clearly established in absence of which unscrupulous persons take advantage of the situation. It is considered wise that formal guidelines in this regard are issued by each railway so that the responsibility of the Members of the Tender Committee are clearly defined *vis-a-vis* the responsibilities of the staff of Drawing Office/Accounts Office etc. in preparation of these documents based on which necessary decisions are ultimately taken. It is also considered that the joint note put up by the Tender Committee should specifically bring out any deviations of the procedures, special conditions influencing the decision etc. so that the approving authority takes cognizance of the same and becomes responsible for them while according approval.

ANNEXURE-II/2-08

Copy of' letter No. 79/RS (G)/657/2 dated 22nd March 1980 received from the Dy. Director, Railway Stores (G), Railway Board, New Delhi, addressed to G M.(S.), All Indian Railways/Production Units etc.

Sub : **Opening of Tender-ensuring presence of authorised representatives of the Tenderers.**

A copy of D. G. S. & D's Office Order No. 40 dated 29th January 1980 on the above noted subject is sent herewith. The instructions contained therein will *mutatis mutandis* apply to the railways.

DA: As above

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS

(CO-ORDINATION SECTION 1) NEW DELHI-1

Office Order No. 40

Sub: **Opening of Tender--ensuring presence of authorised representatives of the Tenderers.**

According to instructions contained in Office Order No. 12 dated 27th January 1968, the purchase officers are required to ensure that only the authorised representatives of the tendering firms are present at the time of opening of tenders and if necessary, the purchase officers may open the covers and check the names of tendering firms and their representatives before reading out the tenders in case of doubt of the *bonafides* of any representative.

2. It has been further decided in consultation with the Department of supply that-

(i) Where opening of tenders could not be completed in one sitting and has to be carried forward to *a* second sitting on the-same day after a break or to the next day, the officers opening the tender should get the signatures of atleast two representatives present on the covers of all unopened tenders. He should also record a note as to the total number of tenders remaining unopened which may also begot countersigned by the two representatives whose signatures have been obtained on the covers of unopened tenders. Thereafter that tenders should be kept in the custody of the officer opening the tenders.

(ii) If any contingency arises where a representative of a particular firm comes to attend the tender opening but the quotation of that particular firm had not been received and the representative tries to hand over a duplicate copy of the same at the time of opening of tenders, the officer opening the tenders should not accept such tenders, since the tender enquiry clearly indicates the time and date by which tenders should reach D.G. S. & D. as also the time and date of opening of tenders and there is also a clear stipulation in para 6 of D.G. S. & D. 100 about the latest hour of receipt of tenders, there is no question of accepting such tenders if handed over at the time of opening of tenders. If subsequently any representation is received from the particular firm, the contract officer should invariably be consulted in the matter before taking final decision and awarding of contracts.

3. All the purchase officers are requested to note for compliance.

Sd/-

(**J. R. CHADHA**)

Deputy Director (CS-II)

ANNEXURE-II/2-09

Copy of Board's letter No. 78/RS (G)/779/5 dated 20th August 1983 addressed to General Managers, All Indian Railways (except Northern Railway and Production Units.

Sub : **Non-acceptance of late/delayed/post-dated Tenders.**

Reference your letter No. 129- S/O/Pt. IX/PG dated 16th July 1983 on the above mentioned subject. It is clarified that even though consideration of late/delayed Tenders have been stopped for placement of orders yet the provision laid dawn in Ministry of Railways letter No. 79/RS (G)/779/5 dated 30th March and 17th April 1979 on Tender opening have to be applied to late/delayed Tenders also.

ANNEXURE-II/2-10

Copy of Board's letter No. 83/F (S) I/PW7/1 dated 4th July 1989 addressed to General Manager, All Indian Railways and others.

Sub : **Procurement of Stores through Limited Tenders**

Vide Board's letter of even Number dated 14th February 1989 the existing limit of Rs. 1lakh for inviting Limited Tenders has been enhanced to Rs. 2 lakhs. A question has been raised as to whether ex- post facto sanction of the General Manager is required if the value of the Limited Tender after its opening exceeds the prescribed limit. The matter has been reviewed and it has been decided that ex-post facto sanction of the General Manager is not necessary if the value exceeds upto 15 per cent over the estimated value. Beyond this limit the ex-post facto sanction of the competent authority is required to be obtained.

ANNEXURE-II/2-11

MINISTRY OF RAILWAYS, RAILWAY BOARD

No.99/RS(G)/779/2 New Delhi, dated 23.09.04

The General Managers, All Indian Railways & PUs.

Sub : **Receipt and opening of Tenders.**

A copy of Central Vigilance Commission's Office Order No.05-04-1-CTE-8 dated 8.6.04 on the above mentioned subject is enclosed for information and necessary action.

DA: As above.

(P.S. Meena)
Dy. Director, Railway Stores (G)
Railway Board.

No.05-04-1-CTE-8

Government of India
Central Vigilance Commission
(CTEs Organisation)

Satarkta bhawan,
INA Colony,
New Delhi – 110 023

Dated 8.6.2004

OFFICE MEMORANDUM

Sub : **Receipt and Opening of Tenders.**

In the various booklets issued by the CTE Organization of the Commission, the need to maintain transparency in receipt and opening of the tenders has been emphasized and it has been suggested therein that suitable arrangements for receipt of sealed tenders at the scheduled date and time through conspicuously located tender boxes need to be ensured.

A case has come to the notice of the Commission, where due to the bulky size of tender documents the bid conditions envisaged submission of tenders by hand to a designated officer. However, it seems that one of the bidders while trying to locate the exact place of submission of tenders, got delayed by few minutes and the tender was not accepted leading to a complaint.

In general, the receipt of tenders should be through tender boxes as suggested in our booklets. However, in cases where the tenders are required to be submitted by hand, it may be ensured that the names and designation of atleast two officers are mentioned in the bid documents. The information about these officers should also be displayed at the entrance/reception of the premises where tenders are to be deposited so as to ensure convenient approach for the bidders. The tenders after receipt should be opened on the stipulated date and time in presence of the intending bidders.

(Gyaneshwar Tyagi)
Technical Examiner

ANNEXURE-II/2-12

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No.99/RS(G)/779/2 New Delhi, dt. 07.12.2004.

Sub : **Procedure for Tender Opening.**

Instances of not complying with the stipulated guidelines while opening the tenders by the Railways have come to the notice of Railway Board. In one such case, it has been found that in one of the Railway organisation while opening tenders, a correction in the basic price with white fluid was neither initiated nor correction recorded by the tender opening officials at the time of tender opening.

As per the instructions contained in sub para V of Board's letter No.78/RS(G)/779/5 dated 30.03.78 all corrections in the quotations should be noted, recorded and initialed by the tender opening clerk, Stores and accounts representatives. The number of corrections should be noted in the tender at the bottom.

Strict compliance of the above instructions may please be ensured so that such lapses are not repeated in the future. A copy of Board's letter No.78/RS(G)/779 dated 30.03.78 is enclosed for ready reference.

(P.S.Meena)
DY. Director, Rly Stores (G),
Railway Board.

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No.78/RS(G)/779/5 New Delhi, dt. 30.02.1978.

Sub : **Procedure for Tender Opening – Discussions in the COS conference held on 13th and 14th September 1977.**

The procedure adopted on Railways is regard to opening the bulletin/limited tenders the estimated value of which is below Rs.50,000/- before consideration, was discussed in detail in the last COSs. Conference held in September 1977. Para 11.8.0 of the minutes of the meeting circulated under letter No. 77/RS(G)/509/4 dated 18th October 1977 and Board's letter No.68/RS(G)/779/29 dated 26th September 1968 and 78/RS(G)/779/4 dated 27th January 1975 are relevant. Based on the conclusions arrived at in the meeting, Ministry of Railways have decided that the following procedure should be adopted uniformly by all Railways and Production Units :--

(1) Opening of the tenders at the prescribed time should be done in the presence of Accounts and Stores Representatives.

(2) Immediately after opening, the tenders should be machine numbered with four digit number and date stamped. This number may start from unity every day. The tenders should be initialled and dated by the Stores and Accounts Representatives, who would also certify the number of tenders opened each day. If a cover opened contained forward tenders, these should be put in separate envelope sealed/cover initialed by Accounts/Stores Representatives and redropped into the box. Late tenders, if any, be also machine numbered and accounted separately in the register showing the serial number.

(3) The rates as quoted be circled. Where the rates are not quoted in "words" the same should be written in "words", circled and initialed. Where more than one offer is received against the tender, the number of offers should be indicated on the top and initialed.

(4) The clause involving financial implications *viz.*, Sales Tax, Duties, Discounts etc., wherever separately mentioned in the quotation should be circled.

(5) All correction in the quotation should be noted, recorded and initialed by the tender opening clerk, Stores and Accounts Representatives. The number of corrections should also be noted in the tender at the bottom.

(6) After the above steps are completed the tenders should be sorted accordingly to the cases. The total number of tenders received and placed on cases for the day should be counted, tallied and accounted.

(7) The tenders should be arranged in each case in the ascending order of rates generally and marked 1/9 and 2/9 and 3/9 etc., where 9 tenders are received and similarly in other cases. The tenders will again be machine numbered case wise with 6 digit number and the specify of tenders placed in each case indicated on the flap with other relevant details such as corrections etc.

(8) The case duly completed as above should be handed over to the purchase officers, concerned as far as possible on the same day in the evening. The number of tenders as per the four digit machine number should be reconciled with 6 digit machine number everyday.

(9) A late tender should also be sent to purchase section for promptly putting them up on the case so that the Purchase Officer is aware of such late offers for further necessary action.

(10) Reference of the tender cases to the Consuming Department should be reduced to the minimum and where such a reference is made a proper record of these cases should be maintained and the cases should be sent in sealed covers addressed by name to the officers concerned,

(11) In all references to other Departments the validity of the offer should be boldly indicated in the note and the department should be requested to furnish their comments expeditiously. The officer to whom they are referred should be remained as frequently as necessary till their receipt.

(12) A confidential tender processing section with nominated staff of each purchase section should be organized who should deal with tender cases completely till final acceptance by the Purchase Officer and then only pass on the case to the Purchase Section for further processing. This section should be responsible for speedy finalization and furnishing of statistical information on tenders to purchase officers.

(13) In the case of limited tenders estimated value over Rs.50,000/- the case should be processed similar to an open tender.

(S.B.J.RAJAIAH)
Director, Railway Stores,
Railway Board.

ANNEXURE-II/3-01

Copy of Board's letter No. 70/WI/CT/32 dated 7th / 9th September 1970 addressed to General Manager, Northern Railway with copy to General Managers of other Railways.

Sub : **Constitution of Tender Committee for consideration of Tenders**

It has come to the notice of the Railway Board that the constitution of the Tender Committee for consideration for works of your Railway at the Divisional level, comprise of Officers who are also delegated with powers for accepting such tenders. The Board feel that the Officer holding powers as the recommending authority by virtue of his position as a member of the Tender Committee being also the accepting authority for such tenders is not proper and desirable. It is, therefore, desired that for works of any magnitude pertaining to any Department, the Tender Committee to consider tenders may be so constituted that an authority holding powers for recommending the tenders by virtue of his position as a member of the Tender Committee, shall not be the accepting authority also for such tenders. Suitable amendments may accordingly be made to the Constitution of the Tender Committee.

ANNEXURE II/3-02

Copy of letter No.74 A. C. III/30/6 dated 29th June 1978 from Joint Director, Finance (A), Railway Board, New Delhi, to General Managers, All Indian Railways and I. C. F.

Sub: **Recommendation No. 275 of Task Force Report on Vigilance-Association of Accounts Representatives with Tender Committees.**

It has been laid down in **Para 341** of Stores Code that whenever practicable and convenient, a Tender Committee with the Accounts Officer as a member should be formed for opening and acceptance of tenders. In cases where, Tender Committees are not formally, constituted the advice of the Accounts Officer should be obtained in considering tenders involving Rs. 10,000 or more and where it is not practicable to obtain such advice at the time of considering the tenders, it should be sought immediately thereafter.

2. The association of Accounts Officers in Tender Committees is with a view to ensuring that the financial interests of the organisation are not lost sight of by the Committee in its deliberations. The Accounts Officer is also expected to advise and ensure that various codal provisions rules/regulations are being complied with and that any deviation in this regard is suitably advised for appropriate sanction bearing an overall management interest. The Accounts Officer being an independent person is expected to look at the transactions in a dispassionate and objective manner. While the role of Accounts Officers in Tender Committees, auctions etc, as outlined above is well known, the responsibility of the Accounts Department is being reiterated so that the various Accounts Officers entrusted with the responsibility of tendering advice in respect of various financial matters are fully guided and give this responsibility its due importance.

3. The receipt of the letter may please be acknowledged.

ANNEXURE-II/3-03

Copy of Board's letter No. 84/ RS (G)/771/1 dated 23 rd February 1984 addressed to General Managers. All Indian Railways, Production Units etc.,

Sub : **Irregularities in the award of contract against limited Tenders**

In a case investigated by the C. B. I. into alleged irregularities in the award of a contract against limited Tender by one of the Zonal Railways, the following lapses came to notice: -

(i) A paragraph in T. C. Proceedings included" other offers being higher not considered for acceptance which was actually irrelevant since there was no other higher offer available against the Tender. When asked to comment, the Railway stated that normally draft proceedings of the Tender Committee were made by the Clerks and they had included the above phraseology which was not noticed by T. C. Members while signing the T. C. P.

(ii) Further it was noted from the records that on two occasions when limited Tenders were issued, the names of the firms to whom Tenders were sent were not available on office copy of the invitation to Tender nor any record thereof was available.

2. As per the normal practice, the members of the Tender Committee meet and draw up the proceedings of the T.C. after the Tenders are opened and scrutinised. Preparation of Tender Committee minutes by clerks is therefore, objectionable. Further non-maintenance of proper records of the names of the firms to whom Tenders have been issued on the files is irregular.

3. The Ministry of Railways have taken a serious view of the irregularities indicated in Para 1 above and desire that instructions may be issued to all concerned for maintaining proper secrecy of Tenders and also complete records on the files.

(**S. KRISHNAN**)
Jt. Director Railway Stores (IC), Railway Board

ANNEXURE-II/3-04

Copy of Board's letter No. 84/RS (G)/777/ 1 dated 14th April 1984 addressed to General Managers. All Indian Railways, Production Units etc.,

Sub : **Irregularities in the award of Contract against Limited Tenders**

Ref : Your letter No. S/G1/222/7 dated 14th March 1984.

It is clarified that Boards letter of even number dated 23rd February 1984 was issued as a result of irregularities pointed out by the C. B. I. in the award of contract by one of the Zonal Railways. The instructions were meant to emphasise the need to draw up the proceedings by the members of the Tender Committee only and not by Clerk/ Subordinate Staff so that the errors pointed out by CBI are not repeated. These instructions, however, do not in any way, preclude the members of the Tender Committee in getting assistance from Subordinate Staff in the Confidential Tender Section as per instructions already issued *vide* Board's letter No. 78/RS (G)/779/5 dated 30th March 1978.

(**JOGINDER SINGH**)
Dy. Director Railway Stores (G), Railway Board.

ANNEXURE-II/3-05

Copy of Board's letter No. 87/Rs (G)/772/2 *of 20th August 1987 addressed to General Manager (S), South Eastern Railway, Garden Reach Calcutta and others.*

Sub: **Procurement of Imported Stores--Level of Tender Committee and Level of Approving Authority**

Ref : C.M.M.(G)'s D. O. No. ADMN (P)/S- 189/A/4/ Pt.II/6479 dated 15th May 1987.

It is clarified that the value of purchase against import contracts should be taken as C.I.F. for determining the level of Tender Committee and the Approving Authority.

This issues with the concurrence of the Finance Directorate of this Ministry.

ANNEXURE-II/3-06

Copy of Board's letter No. 87/RS (G) 779/27 *dated 30th December 1987 addressed to General Managers, All Indian Railways and others.*

Sub : **Decentralisation of work regarding procurement and distribution of Stationery articles-abolition of Government of India Stationery Office, Calcutta and its branches at New Delhi, Bombay and Madras.**

A copy of letter No. A. 27023/4/85-Sty dated 16th October 1987 from the Ministry of Urban Development New Delhi addressed to all the Ministries/Departments of Government of India etc., along with a copy of Government of India Resolution-No. A.27023/4/85-Sty. dated 16th October 1987 are appended for information and necessary action. The purchase powers for decentralised items will now be applicable for the stationery items also.

This issues with the concurrence of Finance Directorate of this Ministry.

ANNEXURE-I

Copy of Office Memorandum No. A.27023/4/85-Sty. *dated 16th October 1987 from the Ministry of Urban Development addressed to All the Ministries Departments of Government of India etc.*

Sub : **Decentralisation of work regarding procurement and distribution of Stationery articles-abolition of Government of India Stationery Office, Calcutta and its branches at New Delhi, Bombay and Madras.**

The undersigned directed to forward herewith a copy of Government of India Resolution No.A.27023/4/85-sty. dated 16th October 1987 to All the Ministries/Departments with the request to take appropriate action in matter.

ANNEXURE-II

(To be published in Part-I Section I of the Gazette of India)
GOVERNMENT OF INDIA
MINISTRY OF URBAN DEVELOPMENT
NIRMAN BHAWAN
New Delhi dated 16th October 1987

RESOLUTION

No.A-27023 /4/85-Sty.

It has been decided by the Government of India to wind up the operations of the Government of India Stationery office, Calcutta and its three regional Stationery Depots at New Delhi, Bombay and Madras and decentralise the work relating to procurement and distribution of Stationery items with immediate effect. The Stationery articles lying with the G.I.S.O., Calcutta and the three regional Depots and such materials as are already in pipelines will be issued to the inventors within a period of three months from the date of publication of this resolution. The Ministries/Departments of the Government of India will henceforth themselves arrange for purchase of Stationery items in accordance with their requirements as per provisions of the rules and procedures existing or as may be framed/amended from time to time.

ORDER

Ordered that the above Resolution be communicated to all the Ministries/Departments of the Government of India, President's Secretariat, Prime Minister's Office, Cabinet Secretariat Parliament Secretariat, Comptroller and Auditor General of India and all the State Governments and Union Territories and other Organisations as per standard list.

Ordered that the above Resolution be published in the Gazette of India for general information

(Sd.),
(**R. L PARDEEP**)
Joint Secretary, Government of India

ANNEXURE-II/3-07

Copy of Board's letter No. 85/F (S) I/PW/1 dated 28th February 1990 addressed to General Managers, All Indian Railways, Production Units etc.,

Sub : **Constitution of Tender Committee on Zonal Railways and Production Units.**

A Question has been raised as to what should be, the level of Tender Committees to consider Tenders in regard to purchase of Stores, in case the lowest offer (s) as received as/are unacceptable on Technical considerations.

This point has been examined and it is clarified that while level of the Tender Committee to consider the Tendered offers could be decided based on the lowest acceptable as per the

Technical note, it would be incumbent on the said Tender Committee to examine individually all the offers received lower than the lowest acceptable offer whether Technically acceptable or not and to make appropriate recommendations in each case for consideration of accepting authority. In this connection. it may be noted that a Tender can be passed over only with the approval of the accepting authority based on the recommendations of the Tender Committee and not otherwise .In this connection, attention is also invited to instructions as issued under Board's letter No. 72/ WI/ CT/ 12 (P) dated 11th December 1981.

Sd/-
Executive Director/Finance
Railway Board

ANNEXURE-II/3-08

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 92/F(FEX)1/1 New Delhi, Dated 28th May 1992/1st June 1992

The General Managers, All Indian Railways including CLW, DLW, ICF, WAP, RCF and Metro Railways, Calcutta
The Director General, RDSO, Lucknow.
The C.A.O., D.C.W., Patiala.
The CAO, COFMOW, New Delhi.

Sub : **Foreign exchange payments under Liberalised Exchange Rate Management System (LERMS).**

Please refer to this Ministry's reference of even number dated 24th March 1992 enclosing *inter alia* a copy of DEA's O. M. No. 4(2) FEB. 1/92 dated 12th March 1992 on the above subject. According to this OM, in the context of the new system of partial convertibility of the Rupee and introduction of dual rate of exchange, *i.e.* '**official rate'** and '**market rate'** only import of goods by Ministries/Departments of the GOI as per the authorisation of Foreign Exchange Budget (FEB) of the Deptt. of Economic Affairs was covered by eligibility for foreign exchange at official rate. All other transactions including official travel, service payments, contributions /subscriptions to international organisations, consultancies etc. as well as Bilateral /Multilateral flows and capital transactions were to be covered under 'market rate'.

2. The above decision has since been followed by DEA's Resolution No. 4(4) FEB.I/92 dated 3rd April 1992 published in the Gazette Extraordinary of India, Part I Section I the same date. A copy of the Resolution is enclosed for information and necessary action. As laid down in para 3 of the said Resolution, departmental undertakings like Railways, Deptt of Tele-communications, etc. will meet all their foreign exchange payment liabilities at 'market rate'. Consequently there would be no allocation of foreign exchange j from Foreign Exchange Budget (FEB) of the DEA to the Railways this year.

3. In view of the decision of the GOI as referred to in para 2 above there would be no allocation of free foreign exchange from the Foreign Exchange Budget (FEB) to the Railways/Production Units, etc. by this Ministry this year. All the Units will meet their requirements of foreign exchange from the market. However, foreign exchange payment even at 'market rate' would be subject to the standard financial procedure-governing authorisation of

Rupee expenditure including internal finance clearance for incurring the expenditure in foreign exchange. As the market rate will be higher than the exchange rate prevailing when the Budget proposals were formulated the Railways/Production Units should keep their total expenditure within the Budget by either restricting imports or by savings elsewhere or by both. Railways/Production Units should strive to meet their requirements out of indigenous sources as far as possible.

4. Consequent upon the changes in procedures for transactions relating to foreign exchange, the instructions in vogue *vide* Railway Board's letter No. 82/F(FEX)1/1 dated 13th January 1986 restricting the powers of GMs for release of foreign exchange from **'free resources'** to Rs. 10 lakhs in each case (on GIF basis) subject to a ceiling of Rs. 1 crore annually, has become redundant, as allocation of Foreign Exchange Budget by DEA is no more available for release. As such, these instructions stand withdrawn with immediate effect. Likewise, there will be no need for obtaining Board's approval for floating global tenders for procurements to be financed out of free resources. Instructions contained in Board's letter No. 85/F(S)I/PW/7/1 dated 29th December 1989 stipulating that in respect of import tenders valuing more than Rs. 2 crores, the Tender Committee recommendations duly approved by GM should be submitted to the Board for final approval will be followed.

5. The foreign exchange payments made and commitments entered into during each month, both in Rupee terms and in foreign currency, will continue to be advised to this office regularly as at present. This statement may please be furnished invariably by the 10th of the succeeding month.

6. As regards transactions financed out of Billateral/Multilateral credits, etc., while these will also be covered under **'market rate'**, all the extant procedures for obtaining Board's approval etc., including foreign exchange release, for such transactions will continue as before. Similarly, if contracts are proposed for imports from countries covered under Rupee Payment Agreements, these cases may also be forwarded to the Board's office as in the past, for further processing, including Foreign Exchange release.

Please acknowledge receipt.

Sd/-
(P. RAJAGOPALAN)
Exec. Director, Finance (L &F), Railway Board.

D. A.: As above

No. 92/F(FEX)1/1

New Delhi,
Dated 28th May 1992
1st June 1992

Copy, alongwith copy of the enclosure, forwarded to the FA & CAOs, All Indian Railways/ Production Units, Metro Railway, Calcutta, DCW, COFMOW and Director (Finance), RDSO.

Sd/-
(P. RAJAGOPALAN)
Exec. Director, Finance (L &F), Railway Board.

D. A.: As above

Copy to —Adv. (TD), Adv.(Sig.), Adv.(PU), Adv. (Mech.), Adv. (Works), EDRS(P), EDRS(S), EDRS(G), EDRE, ED Track(M), ED Track (P),EDTrack(MC), EDRE(S & T), EDME(W), ED(MTP), EDCE(B & S),ED(C& IS), ED(Dev.), EDEE(PS), Jt. Secy.(G), Railway Board—for information and necessary action.

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

RESOLUTION

New Deihi, Dated 3rd April 1992.

Sub : **Release of foreign exchange by Government Departments Delegation of Powers etc.**

No. F. 4(4)FEB. l/92-Ministry of Finance Department of Economic Affairs Resolution No. 4(5) FEB. 1/90 dated 26th June 1990 and the orders issued thereunder lay down the procedure for authorisation of foreign exchange for meeting payment liabilities on account of import of goods and services by Adm Ministries/Departments. and import of bulk commodities by the designated canalising agencies. The authorisation for Admn. Ministries/ Departments provide for foreign exchange requirements of all departmental | undertakings and the State Governments as well as a few specified public Sector| Undertakings which are within the purview of Foreign Exchange Budget allocations notified by Department of Economic Affairs every year.

2. In accordance with this procedure, administrative Ministries have full powers to approve contracts and release foreign exchange for all their payment requirements provided a the requisite clearances/approvals from essentiality, administrative and technical angles, are obtained and relevant provisions of financial and tendering procedures are complied with. Further, the total foreign exchange payments are to be restricted to the FEB ceiling notified by Department of Economic Affairs. The procedure also provides for the sub- allocation of the approved provision to the Public Sector Undertakings, referred to in that preceding paragraph.

3. The above procedure has been reviewed in the light of instructions *vide* OM. No. 4(2)FEB. I/92 dated 12th March 1992 issued in pursuance of Liberalised Exchange Rate Management System (LERMS). According to these instructions, foreign exchange at the 'official rate' can be obtained from authorised dealers (ADs) by Ministries/Departments of the Government of India for the import of goods by submitting a certification of the Financial Adviser/Internal finance wing of the Ministry/Department concerned that the said imports are as per authorisation of the Foreign Exchange Budget of Department of Economic Affairs (DEA). It is hereby clarified that Ministries/Departments would have access to foreign exchange at "official rate' only for import of goods required for departmental purposes and approved in the Foreign Exchange Budget. For import of goods in excessf of the FEB ceiling Ministries/Departments would have to avail of foreign exchange at the ‘market rate’. All payments for non-goods transactions including officiaj travel, servicef payments, contributions/subscriptions to international organisations, consultancies, etc. will have to be made by obtaining foreign exchange at "market rate'. All public Sector Undertakings including those mentioned in paragraph 1 above as well as departmental undertakings like Railways, Department of Telecommunications, Department of Posts Doordarshan and All India Radio will meet all their payment liabilities at ‘market rate’.

4. In the light of revised procedure as described above, it will no longer be necessary for Department of Economic Affairs to directly control and monitor such foreignexchange payments of administrative Ministries/Departments and PSUs as are made at **'market rate'**. There would thus be no allocation of Foreign Exchange from the Foreign Exchange Budget for these payments. However, foreign exchange payments by Ministries/' Departments even at

'market rate' would be subject to the standard financial procedure governing authorisation of rupee expenditure inclding internal finance clearance for incurring the expenditure in foreign exchange. Thus the Foreign Exchange Budget allocations of administrative Ministries, to be notified by Department of Economic Affairs, will henceforth provide only for payment liabilities for import of goods required for departmental use as well as similar requirement of the respective departments of State Governments, which are within their sectoral charge.

5. Ministries/Departments of the Government of India may continue to exercise full powers to make foreign exchange payments for the import transactions covered under the FEB allocations to be notified by Department of Economic Affairs subject to the following conditions: —

(a) All requirements in regard to financial tendering and budgetary procedures are complied with;

(b) The foreign exchange liability is met fully within the FEB Ceiling notified by the Department of Economic Affairs;

(c) The Financial Adviser/Internal Finance Wing will issue a certificate that the import of goods for which access to foreign exchange at 'official rate' is sought, is required for departmental use and the requisite provisions exists in the Foreign Exchange Budget is approved by Department of Economic Affairs.

6. For conversion of multiple currency bids from foreign bidders, the existing provisions contained in Department of Economic Affairs OM No. F. 4(5)FEB. E/88 dated 28th December 1988 as modified from time to time will be followed for the purpose of award of contracts.

7. Foreign exchange transactions relating to bilateral/multilateral credits will not require approval of DEA provided the administrative financial and bidding procedures as per the normal rules and those prescribed under relevant agreements are followed. Approvals of DEA would however be needed for any borrowing under commercial terms including suppliers' credit of more than one year duration.

8. For bulk commodities under the canalized list, Department of Economic Affairs will henceforth notify FEB allocations only for commitments for import of crude, diesel and kerosene by IOC and finished fertilizers by MMTC. The import commitments will be made by the canalised agencies against these allocations in consultation with concerned administrative Ministries. Department of Economic Affairs may also consider authorising additional import of these commodities over and above the FEB allocation provided the payment thereof is made at **'market rate'**. The import of other canalised commodities will be regulated by the concerned administrative Ministries and the canalising agencies. Payments for such imports will be made only on **'market rate'** of exchange.

9. Department of Economic Affairs will issue suitable instructions in regard to reporting of foreign exchange payments at **'official rate'** of exchange by the administrative Ministries/ Departments and the canalising agencies referred to above.

Sd/-
(Y. VENUGOPAL REDDY)
Jt. Secy.

ANNEXURE-II/3-09

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 93/RS(G)/645/1/PAC-165 New Delhi, Dated 11th March 1993.

The General Managers (Stores), All Indian Railways & Production Units.

The General Manager,
Railway Electrification, Allahabad.

The General Manager,
Metro Railway, Calcutta.

Sub : **Procedure for dealing with tenders by the Tender Committee**.

The Independent Committee of Experts set up by Railway Board in Feb., '91 as recommended by the Public Accounts Committee (8th Lok Sabha), for investigating inconsistencies and irregularities committed in two cases of purchases in 1979 by Board's Office have observed that while evaluating offers received against the tenders floated by Railway Board though a number of clarifications on technical and commercial conditions given by the firm were asked from the firm and in certain cases deviations as stipulated by the firm were accepted but one of the most important technicall deviations from the specifications quoted by the firm was lost sight of during the examination of the offer and also at the time of issuing advance acceptance of offer. The said lapse on the part of the Tender Committee has resulted in great inconvenience as the firm was reluctant in accepting the stipulation mentioned in specifications which was incorporated in the formal order placed on the Tenderer.

In view of the above the said Committee has recommended that evaluation of tender, preparation of briefing notes, technical notes etc. need to be done with greater care and attention. The Committee has also recommended that the Tender Committee members should carefully scrutinize the offer of at least the bidder recommended for award of contract. It should further be ensured that utmost care is taken to examine all technical as well as commercial aspects especially technical deviations quoted by the Tenderer. The procedure for dealing with the tenders by the Tender Committee has already been laid down *vide* Railway Board's letter No. 87/RS(G)/777/3 dated 6th November 1987.

Please acknowledge receipt.

Sd/-
(R. S. LAHAN)
Dy. Director, Rly. Stores (G)
Railway Board.

ANNEXURE-II/3-10

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 86/F(S)1/PW-7/2 New Delhi, Dated 13th September 1994.

Sub : **Constitution of Tender Committee and authority to accept track fittings purchase on Zonal Railways/ Production Units etc.**

The Ministry of Railways (Railway Board) have reviewed the instructions issued *vide* Board's letter no. 86/F(S)I/PW 7/2 dated 15th June 1987 regarding constitution of Tender Committee and authority competent to accept track fittings purchases and have decided that the instructions issued *vide* Board's letter No. 85/F(S)I/FW-7-1 dated 1st December 1993 (**Copy enclosed for ready reference**) regarding constitution of Tender Committee and authority competent to accept Stores purchases will be applicable in case of Track Fittings items also.

Please acknowledge receipt.
Encl : As above

Sd/-
(R. C.CHAUHAN)
Director, Finance Stores

ANNEXURE-II/3-11

MINISTRY OF RAILWAYS,
(RAILWAY BOARD)

No. 85/F(S)-I/PW-7/1. New Delhi, Dated 19th November 1997.

The General Managers (Stores),
All Indian Railways & Production Units.

Metro Railway, Calcutta.

Railway Electrification, Allahabad.

Sub : **Constitution of Tender Committee and Authority competent to accept Stores purchase on Zonal Railways/Production Units.**

The Ministry of Railways have reviewed the powers of acceptance of Stores tenders and have decided that in supersession of the instructions communicated in Boards' letter of even number dated 27th May 1987, even number dated 24th February 1993 and 1st December 1993 as amended from time to time the constitution of Tender Committees for considering tenders and powers of acceptance in tenders for procurement of various types of Stores will be as under:—

Sl. No.	Value Limit	Accepted by	Tender Committee		
			Stores	Consumer Deptt.	Finance
1	Above Rs.3 lakh & upto Rs. 8 lakhs.	JAG	Senior Scale	Senior Scale	Junior ***Scale***
2	Above Rs.8 lakh & upto Rs. 25 lakhs.	SAG	JAG	JAG	Senior Scale
3	Above Rs.25 lakh & upto Rs.1crore.	SAG (Co-ord)	SAG	SAG	JAG
4	Above Rs.1crore & upto Rs.2.5 crore.	SAG (Co-ord)	SAG	SAG	SAG
5	Above Rs.2.5 crore & upto Rs.5 crore.	AGM	SAG (Co-ord)	SAG (Co-ord)	SAG
6	Above Rs.5 crore & upto Rs.8 crore.	GM (upto his powers of purchase cases beyond Rs.8 crores to be sent to Board).	SAG (Co-ord)	SAG (Co-ord)	SAG (Co-ord)

Note.-- In the case of any establishment which does not have AGM, item 6 renumbered as 5 will cover Rs. 2.5 crores. and upto the limit of GMs' powers.

All purchase proposals not involving foreign exchange valued over Rs. 8 crores and purchase proposals involving foreign exchange valued over Rs. 8 crores and purchase proposals involving foreign exchange valued over Rs. 2 crores are to be submitted to Railway Board, duly approved by GM, for obtaining approval of the competent authority.

It is re-iterated that the total value of a tender will be the criterion to decide the competent authority for acceptance where purchase proposals against the tender are put up in parts. The Stores Member of the Tender Committee will put up the proceedings direct to the accepting authority.

The structure and composition of Tender Committees detailed in Para 1 above should not be altered locally excepting in an individual case, for reason to be recorded and with the concurrence of FA & CAO and approval of General Manager.

Please acknowledge receipt.

Sd/'-
(**M. S. KHAN**)
Exe. Director (Finance)

Railway Board.

No. 85/F(S)-I/PW-7/1 New Delhi, Dated 19th November 1997

Copy to:

1. FA& CAOs, All Indian Railways & Production Units, Metro Railway, Calcutta & RE, Allahabad.
2. DG/RDSO, Lucknow.
3. The Principal—
   Railway Staff College, Vadodara.
   Indian Railway Institute of Sig. Engg. & Tele-corn, Secunderabad.
   Indian Railway Institute of Mech. & Elect. Engg., Jamalpur.
   Indian Railway Institute of Elect. Engg., Nasik.
   Prof. (Inv. Mgt.), RIy. Staff College, Vadodara.
4. Chairman, Railway Rates Tribunal, Madras.
5. Executive Director, Iron & Steel, 3 Koila Ghat Street, Calcutta.

ANNEXURE-II/3-12

MINISTRY OF RAILWAYS , (RAILWAY BOARD)

No. RSP/98/4100 (Policy) New Delhi, Dated 15th January 1998.

The General Managers (Stores),
All Indian Railways, C. A. O. (R)s,
Production Units.

Sub : **Forwarding of Tender cases Board's Office for obtaining Competent Authority's approved.**

Consequent to the issue of Board's letter No. F(X)II/94/PW/3 Pt. VII dated 3rd September 1997 enhancing GM's power to conclude Tender cases valued upto Rs. 8 Crores in indegenous stores purchases, the Railways are required to forward their Tender Committees' recommendations to Boards' office, wherever the value exceeds the above limit for obtaining Competent Authority's approval

It has been decided that, henceferth, whenever Railways forward their Tender Committee recommendations, the same should invariably be accompanied by copies of original tender specifications, offers received besides the materials which are being sent till now.

Please acknowledge receipt.

(SHIVENDRA KUMAR)
Executive Director, Railway Stores (G),
Railway Board.

ANNEXURE-II/3-13

Government of India
Ministry of Railways
Railway Board

No. F(X)II-2001/PW/6
New Delhi, dt.21.09.2001

Sub : **Delegation of powers for General Managers.**

In partial modification to the powers delegated to the General Managers, *vide* Boards' letter No. F(X)-2001/PW/6 dated 9/5/2001. Item no.47 may be read as under:

Item no. 47- To enter into contracts in respect of sanctioned works and purchase of stores in excess of Rs. 15 crores for each contract the same financial limit will apply in the case of stores contracts also.

This has the sanction of President.

Please acknowledge receipt of this letter.

(Sanjay Lavannia)
Director Finance (Exp),
Railway Board

ANNEXURE-II/3-14

Government of India
Ministry of Railways
Railway Board

No.2001/F(S)I/PW7/2
New Delhi, dt.12.10.2001

Sub : Powers of purchase of COS/CMM, etc.

Ref : (i) No.83/F(S)I/PW-7/1 dt.17.12.93 & 2.3.94
No.93/RS (G)/164/1 CA-iii dt.14.9.94.
No.83/F (S)I/PW-7/1 dt.28.8.97.
No.79/F (S)I/PW-7/4 dt.7.5.90
No.87/RS (G)/753/2 dt.30.12.87 & 3.12.97.

Ministry of Railways have reviewed the purchase powers of COS/CMM and it has been decided that in supersession to all earlier letters, the revised instruction will be as under: -

Sl.No.	Particulars	Powers as enhanced
1	Open Tender System	To be adopted by public advertisement in the most open and public manner as a general rule, subject to exceptions noted in Paras 331-S and 332-S in all cases, in which the estimated value of tenders to be received is Rs. 5 lakhs or above.
2	On "Limited Tenders" basis	COS/CMM upto Rs. 5 lakhs.

	(a) In normal circumstances (b) In emergencies (at the discretion of C.O.S/CMMs.)	COS - upto Rs. 50 lakhs. CMM - upto Rs. 25 lakhs
3	"Single Tender" basis (a) Non Proprietary articles in normal circumstances (b) Non proprietary articles in emergencies affecting repair, maintenance, out-turn, operation etc.	 COS/CMM upto Rs. 1 lakh. (in case beyond Rs.5,000/- and upto Rs.20,000/-, powers to decide on adopting Single Tender system should be exercised at a level not lower than a JAG Stores Officer). COS/CMM upto Rs. 30,000/- in each case.
4	Direct Acceptance of tender case.	ACOS - Rs. 75,000/- SSO - Rs. 2 lakhs Dy.COS - Rs. 5 lakhs
5	Direct purchase of items for which Rate/running Contact exists and when it can be established that the supplies cannot be established within delivery period against the Rate Contract.	Rs. 25,000/- each purchase not exceeding Rs.1,00,000/- in aggregate in each case in one year.
6	Placement of R/C Orders against DGS & D Rate/ Running Contracts.	COS/CMM/Dy.COS as per their level of acceptance.
7(a)	Acceptance of deviation from IRS Conditions of contract without prior financial concurrence.	COS/CMM upto Rs. 1 lakh in each case.
7(b)	100% Advance payment against *pro forma* Invoice with finance concurrence	COS/CMM upto Rs. 2 lakh in each case.
8	Divisional Stores Officer's and Depot Stores Officer's powers for placement of RC orders against DGS&D R/Cs	Rs.40,000/- for non-stock items only for each purchase.
9	Vetting of Purchase Order	Above Rs. 50,000/-

Cases already processed and decided as per earlier instructions need not be re-opened.

The Board also desire that post audit of the transactions below Rs.5 lakhs should be conducted thoroughly and cases of serious irregularities noticed, if any, should be reviewed at the level of COS/FA&CAO for necessary remedial action.

Attention is also invited to the existing Board's instructions as per which where only a single quotation is received against the limited tender, the tenders should be normally be re-invited except in case of urgency where also the urgency has to be certified not less than a JAG officer for all purchases upto Rs.5000/- and by SAG officer for purchase above Rs.5000/- and prices are found to be reasonable. These instructions will be rigidly followed.

Sd/-
(A.K.Khanna)
Exec.Director.(Finance)
Railway Board

ANNEXURE II/3-15

Ministry of Railways, Railway Board

No.2001/F(S)I/PW7/2 New Delhi, dt.12.10.2001

Sub : Constitution of Tender Committee and Authority Competent to accept Stores purchase on Zonal Railways/Production Units.

Ref : Letter No. 85/F(S)I/PW-7/1 dt. 19.11.2001.

The Ministry of Railways have reviewed the Powers of Acceptance of Stores Tenders and have decided that in supersession of the instructions communicated in Board's letter mentioned above and as amended from time to time, the constitution of Tender Committee for considering tenders and powers of acceptance in tenders for procurement of various types of Stores will be as under: -

Sl No	Value limit of tender	Accepted By	Stores	Consum. Deptt.	Finance
1	Rs. 5 lakhs to Rs. 10 lakhs.	JAG	Sr.Scale	Sr.Scale	Jr.Scale
2	Rs. 10 lakhs to Rs. 40 lakhs	SAG	JAG	JAG	Sr.Scale
3	Rs. 40 lakhs to Rs. 1 crore	SAG (Co-ord)	SAG	SAG	JAG
4	Rs. 1 crore to Rs. 3 crores	SAG (Co-ord)	SAG	SAG	SAG
5	Rs. 3 crores to Rs. 8 crores	AGM	SAG (Co-ord)	SAG (Co-ord)	SAG
6	Rs. 8 crores to Rs. 15 crores	GM	SAG (Co-ord)	SAG (Co-ord)	SAG (Co-ord)

Note :– In the case of any establishment, which does not have AGM, item 6 renumbered as 5 will cover "Rs. 3 crores and upto the limit of General Manager's powers".

2. All purchase proposals not involving Foreign Exchange valued over Rs.15 Crores and Purchase proposals involving Foreign Exchange valued over Rs.2 Crores are to be submitted to Railway Board, duly approved by GM, for obtaining approval of Competent Authority.

3. It is reiterated that the total value of a Tender will be the criterion to decide the competent authority for acceptance where purchase proposals against the Tender are put up in parts. The Stores Member of the Tender Committee will put up the proceedings direct to the accepting authority.

4. In Railway Organisations including Production Units/CORE/Metro etc., where there is only one SAG Officer in Stores Department in a particular unit, the Stores Member will be a JAG Officer for Tenders upto Rs. 50 Lakhs.

5. The Structure and composition of Tender Committees detailed in para 1 above should not be altered locally excepting in an individual case, for reason to be recorded and with the concurrence of F.A & C.A.O. and approval of General Manager.

Sd/-
(A.K.Khanna)
Exec.Director.(Finance)
Railway Board

ANNEXURE-II/3-16

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2001/F(S)-I/PW7/2 New Delhi dated 20.12.2001

The General Manager/All Rlys & PUs

Sub : **Powers of purchase of COS/CMM, etc..**

Ref: (i) No.83/F(S)-I/PW-7/1 dt.17.12.93 and 2.3.94
(ii) No.93/RS(G)/164/1 CA-iii dt.14.9.94
(iii) No.83/F(S)-I/PW-7/1 dt.28.8.97
(iv) No.79/F(S)-I/PW-7/4 dt.7.5.90
(v) No.87/RS(G)/753/2 dt.30.12.87 & 3.12.97
(vi) No.2001/F(S)-I/PW7/2 dt.12.10.01

In supersession of Board's earlier letter of even number dated 12.10.01, instructions with regard to purchase powers of COS/CMM etc. as modified are as under :-

S.No.	Particulars	Powers as enhanced
1	Open Tender System	To be adopted by public advertisement in the most open and public manner as a general rule subject to exceptions noted in paras 331-S and 332-S in all cases, in which the estimated value of tenders to be received is Rs.5 lakhs or above.

2	On Limited Tender basis (a) in normal circumstances (b) In emergencies (at the discretion of COS/CMM)	 (a) COS/CMM upto Rs.5 lakhs (b) COS- upto Rs.50 lakhs CMM – upto Rs.25 lakhs
3	Single Tender basis (a) Non-proprietary articles in normal circumstances (b) Non-proprietary articles in emergencies affecting repair, maintenance, out-turn operation etc.	 (a)COS/CMM upto Rs.20,000/- (in case upto Rs.10,000/- power to decide single tender system should be exercised at a level not lower than a JAG Stores Officer) b) COS/CMM upto Rs.30,000/- in each case
4	Acceptance of tender cases	ACOS - Rs.75,000/- SSO - Rs.2 lakh Dy.COS - Rs.5 lakh
5	In respect of stores for which DGS&D has entered into Rate or Running Contract, the COS may at his discretion make direct purchase, if stores are urgently required or can be more conveniently obtaind locally or from the nearer station (Stores Code Para 707 & 802(l).	Upto Rs.25000/- in each case and not exceeding Rs.1,00,000/- in aggregate (in each case) in one year.
6	Placement of Rate Contract against DGS&D Rate/Running contract.	COS- Full powers CMM/Dy.COS – as per their level of acceptance
7(a)	Acceptance of deviation from IRS conditions of contract without prior financial concurrence.	COS/CMM – upto Rs.1 lakh in each case
7(b)	100% advance payment against *pro forma* Invoice with finance concurrence.	COS/CMM – upto Rs.2 lakh in each case.

II Cases already processed and decided as per earlier instructions need not be re-opened.

III The Board also desire that post audit of the transactions below Rs.5 lakhs should be conducted thoroughly and cases of serious irregularities noted, if any, should be reviewed at the level of COS and FA&CAO for necessary remedial action.

IV Attention is also invited to the existing Board's instructions according to which, if only a single quotation is received against the limited tender, the tenders should normally be re-invited except in case of urgency where also the urgency has to be certified by an officer not less than a JAG Officer for all purchases upto Rs.10,000/- and by SAG Officer for purchase above Rs.10,000/- and prices are found to be reasonable.

These instructions will be rigidly followed.

Please acknowledge receipt. (Hindi version will follow)

Sd/-
(A.K. KHANNA)
Executive Director, (Finance)
Railway Board

ANNEXURE-II/3-17

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No.2002/F(FEX)1/1 New Delhi, dt.9.1.2002

The General Managers
All Indian Railways & PUs, Metro Railway, Calcutta

Sub : **Enhancement of powers of General managers for imports.**

Board have decided to increase the GMs' powers for purchase of imported stores from Rs.2 crore to Rs.4 crore.

Accordingly, General Managers may henceforth exercise powers to procure imported stores with CIF value of upto Rs.4 crore in each case with the concurrence of FA&CAO.

(S. Balachandran)
Executive Director, Finance (RM), Railway Board

ANNEXURE-II/3-18

Ministry of Railway, (Railway Board)

No. 2003/F(S)I/PW7/2 New Delhi dt 9.1.03.

Sub : **Powers of purchase of COS/CMM etc**
Ref : Board's letter No.2003/F(S)I/PW7/2 dt 28.12.01

In continuation of Boards letter cited above, Para 9 of the letter may be read as under:

Sl. No.	Particulars	Powers as enhanced
9	Vetting of Indents and Purchase Orders	(i) Above rupees 1 lakh for safety items as defined in Boards letter No. 99/RS/ (IC)/165/SRC dt 19.4.00 subject to 10% test-check by accounts. (ii) Above Rs. 50,000 for other than safety items. However, all the purchase orders which do not require vetting may also be got noted in the liability register for strict budgetary control.

Sd/-
(A.K.Khanna)
Executive Director (Finance)
Railway Board.

ANNEXURE-II/3-19

Ministry of Railways, (Railway Board)

No.2001/F(S)I/PW7/2 New Delhi Dated 27.01.2003

The General Managers, All Indian Railways& PUs

Sub : **Powers of purchase of COS/CMM etc.,**

Ref : Boards letter of even number dated 20.12.2001

In continuation of Board's letter cited above, Para 3 & 7 (a) of the letter may be read as under:-

S.No.	Particulars	Powers as enhanced
3	Single Tender for non proprietary Articles without finance concurrence in	
	(a) Normal circumstances	(a) COS/CMM – Rs.1 lakh
	(b) Emergencies effecting Maintenance, out-turn operations etc. Invitation of single tender & purchase Will require personal approval of COS/ CMM	(b) COS/CMM – Rs.2 lakhs
7(a)	Acceptance of deviation from IRS conditions of contract without prior finance concurrence	COS upto Rs.5 lakhs in each case. CMM up to Rs.2 lakhs in each case

Further for JAG as Finance member of TC, where only one SAG FA & CAO is available, delegation is being raised to 2 Crores.

(A.K. Khanna)
Executive Director (Finance)
Railway Board

ANNEXURE—II/3-20

Ministry of Railways, (Railway Board)

No. 99/RS(G)/779/2 dated 08/05/2003.

Sub : Instructions regarding drawing up of Tender Committee Minutes.

It has been reported by the Vigilance Dte. Of M/o Railways that a vigilance case had arisen because the Tender Committee minutes were rather brief and not adequately elaborate although the decision of the tender Committee was justified. When the case was referred to CVC, they have instructed to advise all concerned to ensure that TC minutes are self-contained and self-explanatory.

It should, therefore, be ensured in future that while finalizing Tenders, the Tender Committee (T.C). Minutes should be self-contained and self-explanatory. The T.C Minutes should clearly bring out the reasons in sufficient details, of passing over/ ignoring of any lower

The above instructions may be followed strictly in order to avoid any Vigilance case on this account.

(P.S.Meena)
Dy. Director, Railway Stores (G)
Railway Board.

ANNEXURE-II/3-21

Government of India
Ministry of Railways
(Railway Board)

No. 2003/RS(G)/777/4/Pt.I dated. 06/02/2004.

Sub : **Handling of Tender Cases**

Ref : i) Board's letter No. 71/RS(G)/777 dt. 1.8.81
ii) Board's letter No. 87/RS(G)/777/3 dt. 6.11.87

The matter has been reviewed and to ensure transparency and fair decisions in handling of tender cases, Board have decided that:

i. When the tender cases are under examination, no authority other than those involved in the decision making process should be allowed to make queries or call for the reports except for calling the periodical progress status by the concerned authorities. This will ensure expeditious settlement in a free and fair and transparent manner.

ii. The tender cases should not be handed over to or requisitioned by the authorities not involved in the decision making process at any time. During the pendency of the tender proceedings, tender papers should be in the custody of the convener of the Tender Committee and should not be parted with to any one, till the finalization of the proceedings.

iii. Any representation/reference received during the finalization of the tender committee proceedings may be forwarded to the T.C./Convener of T.C. for its examination on its merits and action as considered necessary.

iv. Any reference/complaint received in Railway Board at the level of Ministers/Board Member/ Other higher-level officers or in the Railways at the level of GMs/PHODs should simply be forwarded to the T.C./Convener of T.C. for its examination on merits and action as considered necessary.

v. The reply to CA-iii reference should be put up only after finalization of the tender.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

-Sd-
(P.S.Meena)
Director, Railway Stores (G),
Railway Board.

ANNEXURE-II/3-22

GOVERNMENT OF INDIA RBS 6/04
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

NO: 2002/RS(G)/779/12 New Delhi dated 03.03.2004

The General Manager/All Rlys & PUs

Sub : **Maintenance of ART/ARMV – formation of Standing Spot. Purchase Committee.**

Ref : Recommendations of the High Level Committee of Disaster Management.

The matter has been examined in Board's office and it is hereby clarified that since the formation of Standing Spot Purchase Committee does not appear under "GMs' Negative Powers" as contained in Board's letter No.F(X)II-2003/PW/10 dt.9.1.2004, necessary action as deemed fit may be taken under GMs' powers to form such Standing Spot Purchase Committee at Divisional as well as H.Q. level for maintenance of ART-ARMV.

However, the Standing Spot Purchase Committee so formed should, *inter alia,* include, besides the Stores & Finance Officers, any one or more of the Mech/Elect/S&T/Medical Officers as per the need & nature of equipment /Stores under purchase & other requirements.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Sd/-
(P.S. Meena)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE-II/3-23

Ministry of Railways, (Railway Board)

No.2001/F(S) I /PW 7 /2 New Delhi, 07.07.04.

Sub : **Powers of purchase of COS/CMM etc.**

Ref : Boards letter of even number dated 05.09.2003.

In continuation of Board's letter cited above, Para 8 of the letter may be read as under.

Sl. No.	Particulars	Powers as enhanced
8	Powers of Divisional Stores officers and Depot Stores officers for placement of orders against DGS&D Rate contracts	Sr.Scale & above Rs. 1 lakh for non-stock items only for each case. Jr.Scale Rs. 50,000/- for non-stock items only for each case.

(Shivaji Rakshit)
Executive Director,Finance (Stores)
Railway Board

ANNEXURE-II/3-24

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No.F(X)II-2004/PW/7 New Delhi, Dated 14/9/2004

Sub : **Delegation of powers for entering into contracts –inclusion of Excise Duty and Sales Tax etc.**

Attention is invited to Board's letter No.F(X)II-91/PW/3,dt.13/12/1991 wherein it was clarified that while deciding the acceptability of tenders/contracts, the Excise Duty, Sales Tax and Quantum of 'Option Clause' should not be included in the value of the tenders.

2. The matter has been reviewed by Board and it has now been decided that Excise Duty, Sales Tax and all statutory levies may be included in the value of the tender for determining the level of competency of acceptance. However, the quantum of 'Option Clause' will continue to be excluded from the value of tenders. This would be applicable to Tender Committees of all levels covering both Stores Tenders and Works Tenders.

3. This disposes of FA & CAO/Const. Northern Railway's letter No.2004/Const/A/Cs/SI/Policy dt. 27/08/2004.

-sd-
(Sanjay Lavania)
Director Finance (Exp.
Railway Board.

ANNEXURE-II/3-25

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No: 2004/RS(G)/779/10 New Delhi,Dt. 15.02.2005

The Controller of Stores,
Northern Railway,
Baroda House, New Delhi.

Sub : **Discharge of tender for procurement of stores beyond powers of General Manager.**

Ref : Northern Railway's letter no: 40-08-04-0333/ACTC dated 16.11.2004.

Vide above referred letter, a clarification had been sought for by Northern Railway as to whether GMs are competent to take a decision to discharge a tender beyond their delegated financial powers for acceptance of tenders.

The matter has been examined by Railway Board and it is seen that the competent Tender Accepting Authority vested with powers to accept tender

(based on Tender Committee recommendations wherever such is the case) does not change with the type of recommendation/decision in the tender *i.e* the decision on a tender

committee proceeding either to award the contract or to discharge the tender has necessarily to be taken by the competent Tender accepting authority.

In view of the above, it is clarified that all tender cases that are beyond financial powers delegated to GMs, should be submitted to Railway Board for obtaining approval of Competent Authority.

Kindly acknowledge receipt,

- Sd/-
(P.S. Meena)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE—II/3-26
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBS No: 19/2006

No. 93/RS(G)/779/5 Pt.II

New Delhi, Dated: 05.12.2006.

General Managers,All Indian Railways/PUs

Sub : Operation of Option Clause in Supply

Board has been receiving references from Zonal Railways regarding incorporation / operation of Option Clause in supply contracts approved at Zonal level on the basis of Board's letter of even no. dated 08.09.1997.

The matter was examined by Board and it is clarified that at the time of issuing amendment to purchase order for the enhanced quantity, the following courses of action is to be adopted:

1. Approval of competent authority must be obtained for procurement of the entire quantity after inclusion of quantity to be procured under option clause (*i.e* original quantity + quantity to be procured under option clause) in case total quantity of the purchase order is exceeding the quantity for which approval of competent authority was obtained.
2. In case total value of quantity to be procured exceeds the acceptance powers of GM, the approval of competent authority in Board must be obtained for procurement of entire quantity prior to operation of option clause.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC),
Rly. Board.

ANNEXURE—II/3-27

Government of India RBS No. 02 /2007
Ministry of Railways
(Railway Board)

No.2004/RS(G)/779/10 New Delhi, dt. 01-02-2007

The General Managers,
All Indian Railway & Production Units including N.F. (Const.).
The Director General, RDSO/ Lucknow.
The Director General, Railway Staff College/ Vadodara.
The General Manager, CORE, Allahabad.
CAOs/MTP, Mumbai, Chennai, Kolkata .
CAO/MTP, NBCC Place, Bhishma Pitamah Marg, Pragati Vihar, New Delhi.
CAOs/DCW, Patiala and COFMOW, New Delhi.

Sub : **Competent authority for purchase proposal.**

Ref : Tender Committee Recommendations against CLW's tender No.85/2007.0525 opened on 14.8.2006 for procurement of Rectangular Copper Conductor size 5.6x43mm for the production year 2007-08.

It is observed that tender cases having value of purchase proposal less than Rs.15 crores are being received for approval of Railway Board. As per the delegation of powers to GM – revision of Chapter II to Chapter V, Indian Railway Financial Code volume-I circulated by the finance Dated. *vide* letter No.F(X)II-2003/PW/10 dt. 9.1.2004, GMs' have been delegated powers for entering into stores contract *vide* item 47. According this delegation, GMs have to take approval of Railway Board to enter into contract in respect of purchase of stores in excess of Rs.15 crores (GMs power at present) for each contract (stores contract).

The Railway Board *vide* letter No.2001/F(S)I/PW7/2 dt. 12.10.2001 also laid down the delegation of purchase powers to the zonal railways and Para -2 of this letter reads as under:-

"All purchase proposals not involving foreign exchange valued over Rs.15 crores are to be submitted to Railway Board duly approved by GM for obtaining approval of competent authority."

In view of the above, it is clarified that even if the initial value of lowest technically acceptable offer based on the tendered quantity is more than the acceptance power of General Manager but the final proposal for purchase is within the acceptance powers of General Manager due to quantity review or negotiation etc, the tender case need not be sent to Railway Board as the same is within the competence of General Manager to accept.

However in case, such contract have $\pm$30% option clause and if the total value of the tender exceeds GM's powers of acceptance while exercising 30% option clause , the approval of competent authority *i.e.* Railway Board is exercised necessary in terms of 446-S and 447-S of Indian Railway Code for the Stores Department.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(Trilok Kokthari)
Director Railway Stores (IC)
Railway Board

No.2004/RS(G)/779/10 New Delhi, dt. 01-02-2007

ANNEXURE-II/3-28

GOVERNMENT OF INDIA RBS 08/2008
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2004/RS(G)/779/10 New Delhi, Dated: 03 .04-2008.

General Manager/ All Rlys & Pus

Sub : **Competent Authority for purchase proposal.**

Ref : Board's letter of even no. dated 01.02.2007 (RBS No. 02/2007)

Vide the above mentioned letter of Railway Board, it was clarified that even if the initial value of the lowest technically acceptable offer based on the tendered quantity is more than the acceptance power of General Manager but the final proposal for purchase is within the acceptance powers of General Manager due to quantity review or negotiation etc., the tender case need not be sent to Railway Board as the same is within the competence of General Manager to accept.

2. Vigilance has pointed out that empowering General Managers to accept final proposal for purchase coming within their powers of acceptance due to quantity review, even if the initial value of the lowest technically acceptable offer based on the tendered quantity is more than the acceptance powers of General Manager, contradicts the guidelines which state that the total value of the tender is the criterion to decide the competent authority for acceptance. In this connection, attention is invited to Board's letter no: 85/F(S))1/(PW)7/1 dated 27.05.1987 Para 3 of which states that the total value of a tender will be the criterion to decide the competent authority for acceptance where purchase proposals are put up in parts. The spirit behind these instructions are that, after tender opening, there is no possibility of any manipulation to revise the acceptance powers downwards due to review of quantity.

3. Vigilance has further pointed out that the aforementioned empowerment may lead to mis-utilization of powers at lower levels.

4. Railway Board *vide* letter No. F(X)II-2007/PW/4 dated 14.11.2007 enhanced the powers of General Managers, for entering into Stores Contracts, upto Rs. 50 crores.

5. In view of the foregoing, it has been decided to modify the Board's letter dated 01.02.2007 (RBSNo.02/2007) in the following manner:

i) Last para on page 1 of Board's above referred letter may be replaced with the following para:

"In view of the above, it is clarified that even if the initial value of lowest technically acceptable offer based on the tendered quantity is more than the acceptance power of General Manager but the final proposal for purchase is within the acceptance powers of General Manager due to negotiation, the tender case need not be sent to Railway Board as the same is within the competence of General Manager to accept.".

ii) Replace "Rs. 15 crore " by " Rs. 50 crore " wherever the former is appearing.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores(IC).Railway Board

ANNEXURE-II/3-29

Government of India
Ministry of Railways/Railway Board

No. 2007/RS(G)/779/1 New Delhi, dated: 03-09-08

The General Manager, All Indian Railways & PUs including NF(C).
RBS 26 & 30/2008

Sub : **Vetting of indents.**

Ref : Board's letter of even no dated 04/04/08.

Ministry of Railways have reviewed the existing powers delegated to Railways on the subject and have decided to enhance them in partial supersession of Board's letter under reference, for the item as detailed below with immediate effect.

No.	Item	Delegation
1	Vetting of indents to be placed on centralized procurement agency by COS office	Same as that of vetting of purchase order (ie) 1. Above Rs.8 lakhs for safety items as defined in Board's letter No.99/RS(IC)/ 165/SRC dated 19/4/2000 subject to 10% test check by accounts. 2. Above Rs.4 lakhs for items other than safety items.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
DDRS(G)-II, Rly Board

ANNEXURE-II/4-01

Copy of letter No. 49/145/1/S dated 12th June 1950 from the Ministry of Railways, (Railway Board), New Delhi addressed to the General Manager, S. E. Railway, Calcutta and copy to All Indian Railways, the General Manager, D. L. W., Chittaranjan (District Burdwan) and Director of Railway Audit etc.

Sub : **Suggestion that fresh tenders should be invited whenever only one approved Contractor tenders for a work.**

. *Ref :* Your letter No. AW. 2858 dated 24th April 1950.

The Railway Board have decided that when in response to calls for limited tenders (as distinct from single and open tenders under the rules in force) only one tender is received fresh tenders should be invited except in urgent cases of purchases. This applies to purchase of

Stores made by the Controller of Stores, who should decide whether the purchase of Stores involved is very urgent.

Copy of letter No. AW. 2858 dated 24th April 1950 from the General Manager, S.E. Railway, Calcutta to the Secretary, Railway Board.

Sub : **Suggestion that fresh tenders should be invited whenever only one approved Contractor tenders for a work.**

Ref. : Railway Board's letter No. 49/145/lS dated 10th/12th January 1950.

I shall be glad to know if Board's orders contained in their letter quoted above apply to purchase of Stores by the Controller of Stores.

ANNEXURE-II/4-02

Copy of Railway Board's letter No. 58-B(C) 3072 dated 15th May 1958, addressed to General Managers, All *Indian Railways.*

Sub : **Audit para included in the Railway Audit Report, 1958--Extra expenditure Owing to a defective agreement.**

The Audit have brought to notice a case in which an urgent indent was placed by one Railway Administration on the Director General, Supplies and Disposals, New Delhi for the procurement of underground cables required for the execution of a work for which staff had already been appointed by the Railway Administration. The firm with whom the Director General, Supplies and Disposals signed the contract for the supply of these cables stipulated the delivery period as two months after receipt of import licence. The following clause, also which appeared in the tender of the firm was inserted in the contract entered into: -

" The delivery date quoted by the firm was contingent on the firm not being delayed as a result of non delivery of raw materials or by any other cause beyond their control ".

Later on the firm did not supply the material even after the import licence had actually been issued to them. On being served with a risk purchase notice, the firm requested for the cancellation of the order on the ground that they could not arrange supply due to difficulty in obtaining raw material. The legal opinion obtained in the matter was to the effect that it would not be possible to enforce risk purchase against the firm in view of the protective clause, referred to above, and included in the contract. 'The contract had therefore to be cancelled without financial repercussions on either side, and the Railway Administration concerned had to purchase the stores from the open market resulting in an additional expenditure to the extent of Rs. 45,000/- over and above the loss incurred on the salaries of idle staff.

The Audit have commented that the insertion of the protective clause in the contract was not warranted for the following reasons :--

(i) The firm had made no mention of the scarcity of raw material or arty other difficulty in their tender but had on the contrary, certified in the schedule to the

tender that they had sufficient raw materials in stock for the manufacture of the stores quoted.

(ii) The clause was inconsistent with the general conditions of contract governing the purchase of stores and the purchase officer who inserted it was not competent to do so without the sanction of the Ministry.

(iii) An escape clause in such wide terms was inconsistent with the urgency of the demand.

(iv) The Board agree with the audit comment and desire that all Railway Administrations, while entering into such contracts, should see that protective clauses of this nature do not find their way into the contracts.

This may please be brought to the notice of all concerned.

ANNEXURE-II/4-03

Copy of Railway Board's letter No. 57-B(C)-3024 dated 28th May 1959 from Director, Finance, Railway Board, New Delhi, addressed to General Managers All Indian Railways.

Sub : **Handling Contracts -General and Policy Matters-Tender Committee**

A case has come to the Board's notice, through an Audit para in which a clause in the Standard Form of Agreement for handling contractors applicable to a Goods Transhipment Shed was applied on a certain Railway to the case of transhipment Dump Shed without an adequate appreciation of the somewhat different circumstances prevailing in a Dump Shed. Also, the Tender Committee who considered the various offers, failed to bring out in their recommendations that due allowance would be necessary for the implications of the particular clause in the context of the conditions to operate in a Dump Shed.

The Board desire that Railway and Project Administrations should notify the Tender Committees that in addition to their generally known responsibilities, they have a special responsibilities to carefully scrutinise the rates tendered with reference to the scope of the various provisions in the Agreement governing the contracts. Such a scrutiny should be done with 'the object of ensuring that no unintended benefit accrues to the contractor on the basis of certain clauses in the Agreement, which may be appropriate for one kind of contract but may not be so for another category.

This may kindly be brought to the notice of all concerned.

ANNEXURE II/4-04

Copy of Railway Board's letter No. 60/777/RS (G) dated 13th February *1960 addressed* to- General *Managers, All Indian* Railways, etc. (circulated in F. A & C. *A. O.*/BUD/MAS D. 0. letter No. A.10/B/V/D. Para/G1/Vol. III *dated* 14th *June* 1965.

Sub : **Finalisation of Tenders within the period of validity of the offers**

1. A case has come to the notice wherein a contract could not be concluded within the period for which the tenderers' offer was open for acceptance. In the result, the contract had to be finalised at a higher price, as the tenderer when extending the period of validity of his offer enhanced his quotation.

2. It is very essential that contracts are placed within the period of validity of the offers. Extension of the validity period should be asked for from tenderers only when it is considered that for the inescapable reasons the contract cannot be finalised within the validity period and extension should be asked for well ahead of the expiry of the subsisting offers. In the case of tenders issued by the Board or for which the Board's approval is required but in respect of which the detailed examination is done by the Railway Administration, the Board should be addressed sufficiently in advance.

In respect of tenders issued by the Railways or Production Units the approval of the authority next above should be obtained by the officer in whose powers, the purchase lies. In respect of cases falling within the powers of the G. M. of a Railway, the personal approval of the C. O. S. should be obtained.

3. To ensure that every effort is made to place contracts within the period of validity of offers, the date of expiry of the offers should be indicated prominently at every stage in all notings on the purchase file. The last sentence of a purchase proposal for instance should always be (in capital) " OFFERS EXPIRE ON..... and there should be an immediate or priority slip where necessary indicating " OFFERS EXPIRE ON..... when purchase files have to be sent to other Branches such as Finance, Law, Technical Department etc. the date of expiry of the offer should also be brought out or stamped prominently at the end of notings and letters so that they are not lost sight of.

In certain cases, it may happen that tenderers when extending the validity of their offers at the request of the purchaser, qualify the extension by price increase or other stipulation regarding delayed delivery of completion etc. Such qualified extensions should also be highlighted along with the date of ' expiry of the offers in all notings on the purchase file, so that action on the file is processed at every stage by all concerned with due regard to the urgency called for.

ANNEXURE-II/4-05

Copy of letter No. 60/777/RS(G) dated 14th September 1960 from Railway Board, New Delhi, addressed to General Managers, All Indian Railways.

Sub : **Finalisation of Tenders within the period of validity of the offers**

In sub-para 2 of para 2 of the Board's letter of even number dated 13th February 1960, it has been laid down that the approval of the authority " **next above** " should be obtained by the officer in whose power the purchase lies before asking for the extension of the period of validity of a tender and that in respect of cases falling within the powers of the G. M. of a Railway the personal approval of the C.O. S. should be obtained.

2. In this connection, it is hereby clarified that the instructions under reference are to apply to tenders issued from other Departments also and that the authority vested vide Sub-para 2 of para 2 of Railway Board's letter under reference in regard to tenders falling under the powers of the G.M. is to be exercised by the respective Heads of Departments personally *i.*e**.,** by the Heads of Department from which a particular tender is issued.

ANNEXURE-II/4-06

Copy of Railway Board's letter No. 60/WI/DMF/10 dated 4th November 1960 from Joint Director (Civil Engineering) addressed to General Managers, All Indian Railways.

A case has come to the notice of the Board in which a Tender Committee recommended the acceptance of the lowest tender but when the authority competent to accept the same asked the Committee to reconsider their recommendation in view of the fact that the lowest tenderer had a large number of works in hand and may not therefore, be able to complete the work in time, the Committee reversed their earlier recommendations and recommended the second lowest tender.

It has been considered that the Tender Committee, while making their earlier recommendations, didn't take into account the tenderers capacity to execute the work, bearing in mind the load of work which he had already in mind. The Board desire that Tender Committees should examine, while making their recommendation all relevant factors such as the existing work load on the lowest two or three tenderers, their capacity to execute further works and also whether the rates quoted are reasonable and workable.

The above instructions may kindly be brought to the notice of all concerned.

ANNEXURE-II/4-07

Copy of letter No. 61-B(C)-N (27) dated 28th February/ 1st March 1962 from Shri K. P. Taimim. Joint Director, Finance-Accounts, Railway Board, New Delhi addressed to General Managers, All Indian Railways, etc.

Sub : **Loss due to incorrect evaluation of tenders for Goods handling Contract**

A case has come to Boards notice wherein, on a certain Railway, the tender schedule to the handling contract was revised to item wise the various types of work done at the station instead of some of the items of work being exhibited after conversion, as a single unit. The significance of this change in the tender schedule was, however, not appreciated by the staff gazetted and non-gazetted who dealt with the tenders as the anticipated quantities of work were not exhibited against the fresh items and the very high rate offered by one of the tenderers against one such item was not evaluated. The tender committee also overlooked this deficiency in evaluation but in the letter of acceptance issued to the contractor, whose tender was accepted, this item and the rate offered there against was exhibited resulting in unintended payments being made to the contractor till the matter came to the notice of the administration.

The Board have stressed from time-to-time, the imperative need for the correct preparation of the tender documents and incorporation therein of the anticipated quantities of work against the various items on best approximations. They would also reiterate their earlier instructions that in the evaluation and consideration of the tenders, the tender documents should be carefully scrutinized particularly in regard to the reasonableness of the rates and specially when changes have been made in the form of invitation to tender.

ANNEXURE-II 4-08

Copy of letter No. 63-TCII/6 dated 13th September 1963 from Dy Director, C.T.I.C., Railway Board, New Delhi, addressed to General Managers, All Indian Railways, etc.

Sub : **Scrutiny and the evaluation of Goods handling rates quoted by the Contractors at the time of tender.**

In continuation of Board's letter No. 61-BC/ N/27 dated 1st March 1962, the Board desire to elucidate further the background against which the need for vigilance in scrutinising the tender documents and evaluating the reasonableness of the rates quoted by handling contractor against each of the items of work was emphasised. As railways are aware, it is not an unusual feature that abnormally high rates are quoted occasionally by tenderers for specific items of handling work, where quantities of work either nil or normal. Such items of abnormal rates probably get ignored in assessment because the quantum of work estimated on the specific items involve comparatively small or negligible quantities of work or because an overall view is taken of the contract as a whole on the basis of the total financial evaluation. It may be mentioned in this connection that in a recent case brought to the notice of the Public Accounts Committee through an audit paragraph it was noticed that, the rates quoted by a handling contractor which were adjudged to be the lowest *inter alia* included a rate of Rs. 75 per Metre Gauge wagon for an item (where the quantum of work was omitted to be indicated in the schedule to the tender notice) as against the rate of Rs. 6.75 and Rs. 8 quoted by two other tenderers. The Contractor who had knowledge of the work involved by virtue of his having held the contract in the past evidently took advantage of this lacuna and quoted this abnormally high rate. In the particular case, the contract was awarded on the basis of overall financial evaluation on estimated quantities in terms of Broad Gauge wagons only for which a lower rate of only Rs. 5/- was quoted. Since the quantum of Metre Gauge work has been included under Broad Gauge the rate of Rs. 75 per Metre Gauge wagon didn't separately figure in the evaluation of the tenders. When the actual Work handled turned out to be in terms of Metre Gauge wagons, the contractor had naturally to be allowed the unintended benefit, of the higher rate. It would be appreciated that in tender respect of tenders such as for transhipment work the quantum of estimated work is liable to vary due to factors such as change in pattern of traffic, diversions due to operational reasons, accidents, breaches etc. In such contingencies, the abnormally high rates might become operative to a greater extent than originally foreseen with the result that Railway run an unintended payment on the basis of such rates. It is, therefore, therefore, necessary that Railway Administration should scrutinize the rates of individual items at the time of examining the tenders and be satisfied on their reasonableness irrespective of the quantum of traffic at that time.

The Board therefore desire that to reiterate the instructions already issued in their earlier letter dated 1st March 1962 that in the matter of evaluation and consideration of tender documents, particular care should be taken to ensure that the rates quoted for individual items are realistic and are not abnormal and unreasonable in respect of any item of work.

ANNEXURE-II/4-09

Copy of letter No. 64/W5/DL/SE/6 dated 21st July 1964 from Joint Director (Civil Engineering), Railway Board, New Delhi, addressed to General Managers, All Indian Railways and others.

Sub : **Negotiations with contractors**

It has come to the notice of the Railway Board on certain Railways the revised rates obtained on negotiations are not read out to all the tenderers who are present at the time of opening of the revised offers while on other Railways they are read out.

With a view to ensuring uniformity of practice, the Railway Board have decided that immediately after completing the negotiations, the revised rates (received as a result of negotiations) should be read out to the tenderers, who may be present.

ANNEXURE -I/4-10

Copy of Railway Board's letter No. 61/WII/CT/24 dated 31st October 1965, addressed to General Managers, All Indian Railways, etc.

Sub : **Negotiations with Tenderers--Acceptance of original offers in cases where revised quotations are higher.**

The Board have had under consideration certain aspects of cases when the rates submitted by the Tenderers are considered high or conditions stipulated by them are considered unacceptable and it is decided to negotiate with the Tenderers. In such cases, there is the possibility that a Tenderer may resile from his offer on the plea that the negotiations amount to a counter offer in law and, therefore, amount to a rejection of the original offer. It has been considered that under the law, the original offer does not ordinarily survive, the moment a counter offer is made.

2. This matter has been examined in consultation with the Ministry of Law and they have advised that although the legal position stated above is correct, it is possible for a Tenderer to revive his original offer after the negotiations fail and in that case the original tender becomes available again for acceptance. Such would be the case if the Tenderer before commencement of negotiations intimates that his original offer would be opened for acceptance if the negotiations fail. The Ministry of Law have therefore, suggested that when the Tenderers are called for negotiations, they should be addressed as follows: -

" The rates quoted in your tender are considered high. You are therefore, requested to come for negotiations of rates on (date) (or) it is proposed that to discuss with you certain conditions of your tender, you are, therefore, requested to come for negotiations on..... (Date). You should however, come for negotiations only in case you are prepared to furnish before such date the declaration appended herewith ".

FORM OF DECLARATION

I ……..…….. do declare that in the event of failure of the contemplated negotiations relating to Tender No…… Opened on …… my original tender shall remain open for acceptance on its original terms and conditions.

2. The kind of Procedure and communication to the tenderer mentioned above cannot, however, be included in the General Conditions of Contract, as a positive action has to be taken in each individual case.

3. The Ministry of law have further advised that it must be understood that if the period of validity of the original offer expires before the close of the negotiations, the original offer will not be available for acceptance. The period of validity of the original offer must, therefore, be got extended, wherever necessary.

4. A copy of the form it which the contractors might submit their offers after negotiations in use on one Railway is enclosed for adoption with suitable changes that may be considered necessary.

From……..

Full address……

To,

The President of India,
Through the Chief Engineer (Con.)
Eastern Railway, Calcutta.

Sir,

Tender for…….

1. On further discussions with your representatives on ……in response to your letter No …… Dated ……..

   I / We am/are not prepared to reduce the rates already quoted in the original tender, which remain valid upto……

   or

   I / We reduce my/our rates as shown in the enclosed schedule of items.

2. I / We am/are aware that the instructions to Tenderers, Special and general conditions of contract and appendices to the original tender remain valid and binding on me.

3. I/We agree to undertake the work or complete the supply and complete in all respects by……

   I/We agree to abide by this tender on the revised rate quoted by me / us it is open for acceptance for a period of 60/120 days from date *i. e*. upto …… and in default of my/our doing so, I/We will forfeit the earnest money deposited with the Chief Cashier……..Railway……under receipt No……. Dated already attached with the original tender/ attached herewith.

   Eligibility as valid tenderers shall be deemed to be the consideration for the said forfeiture.

Yours faithfully,

DA: Schedules A, B, *C*

Signature of Tenderer (s)

Signature of Two Witnesses to the signature of tenderer(s)
1…….

2……

ANNEXURE-II/4-11

Copy of Railway Board's letter No. 67-B(C)-PAC/III/72/16-17 dated 29th/31st July 1967 circularised under *Headquarters Office, Stores Branch* letter *No. S. 229/P/ Vol. 12 dated 11*th *September 1967.*

Sub : **Recommendations No. 16 and 17 of 72th Report of the Public Accounts Committee Need for finalisation of tenders within the validity period**

Commenting on para 14 of Audit Report (Railways) 1966, in their 72nd Report**,** the Public Accounts Committee have, *inter alia***,** observed (i) that it should be ensured that tenders are processed expeditiously and within the prescribed time limit to avoid the possibility of loss due to expiry of the validity period of the tender, and (ii) that clarifications should not be sought piecemeal from tenderers.

2. The Board desire that the above observations of the Committee should be carefully noted and would draw the Railways attention to the letters (1) 66/777/RS (G) dated 13th February 1960; (2) 6100B(C)-E/43 dated 19th March 1962; (3) 65PAC/III/32 (29-30) dated 14th May 1965 and (4) 65-B(C)/PAC/III/32 (29-30) dated June 1965 issued from time to time which the need for avoiding delay in the finalisation of tenders had been stressed. The Board particularly desire that as recommended by the Public Accounts Committee, even in cases where the period of validity quoted is less than the period notified by the Railway in the tender documents every effort should be made to persuade the tenderer to extend the validity period suitably and also decide on the offers within the limited validity period itself. Further, the scrutiny of the terms and conditions offered by the tenderers should be done in all details at the initial stage itself so that all information necessary for the consideration of offers is called for at one time and leaving no occasion for seeking further extensions in regard to offers at a latter stage on this account.

ANNEXURE-II/4-12

Copy of Board's letter No. 67/WI/CT/32 dated 25th May 1968 from Joint Director (Civil Engineering), Railway Board, New Delhi. Addressed to General Managers, all Indian Railways, etc.

Sub : **Award of contract-Procedure for conducting negotiations**

The Board have had under consideration for some time past the question of laying down broad guidelines of the procedure to be followed for conducting negotiations as the procedure in this regard does not appear to be uniform on all the Railways. While some Railways call for fresh bids (as a Preliminary step to the conduct of negotiations) from all the eligible tenderers out of those who had quoted originally, it is observed that on some other Railways negotiations are restricted to two or three of the lowest eligible tenderers without calling for any fresh bids (i. c., on the basis of their relative position against the original tender) as required in Board's -letter No. 56-B(C) 2983 dated 10th August 1961 and final bids are obtained from them only at the end of the negotiations.

2. The Board have carefully considered the matter and decided in supersession of all previous orders that negotiations with the tenderers should be conducted on the basis of the guidelines given below-

3. It should be clearly understood that selection of contractors by negotiation is an exception rather than the rule, and may be resorted to-

(a) Where all the tenders are considered to be unreasonably high in value and it is felt that retendering would not secure better advantage to the railway, and/ or

(b) Where the lowest tender is technically unacceptable or is rejected because of unsatisfactory credentials, capacity or unworkable rates, and the next higher offers to be considered in acceptance with the established procedure are found to be unreasonably high.

(c) Where in the case of proprietary items of Stores, the price quoted is considered to be unreasonably high.

4. The decision whether to invite fresh tenders or to negotiate, and in the latter event, with whom to negotiate, should be taken by the competent authority after obtaining the Tender Committee's recommendations. The Board would, however, like it to be ensured that except where a single quotation has been received in response to a call of tender, the number of tenderers to be called for negotiation is not less than two. In no case, including where a ring is suspected, should negotiations be extended to the tenderers who had either not tendered originally or whose tender was rejected because of unsatisfactory credentials, capacity or unworkable rates or (in the case of other than stores tenders only) whose tender was not accompanied by earnest money.

5. After the competent authority has decided to call specific tenderers for negotiations, the latter should be addressed as laid down in Board's letter No. 61/W2/CT/24 dated 31st October 1965 so that the rates originally quoted by them shall remain open for acceptance in the event of failure of the contemplated negotiations. Revised bids should be obtained in writing from the selected tenderers at the end of negotiations, and read out to such of the representatives of the tenderers as may choose to be present. In case, however, any of the selected tenderers prefer to send a revised bid instead of being present at the negotiations, the offer should be taken into account.

6. The foregoing instructions may not be applied rigidly to tenders for specialised works and equipments. As the tenderers may quote according to their own specifications and designs for various reasons such as advancement in technology etc., and it may become necessary to discuss technical and other details with the them to select the most suitable offer. Such cases would necessarily be very few and far between and the procedure of conducting negotiation should be decided on the merits of each case in consultation with your Financial Adviser and Chief Accounts Officer.

7. Board desire that these instructions should be followed in respect of all contract works, stores, commercial etc.

(This disposes of Western Railway's letter No. W/623/5/Vol. III dated 10 th July 1967)

This letter may please be substituted for the Board’s letter of even number dated 28th March 1968.

ANNEXURE-II/4-13

Copy of letter No. 63/747/29/Track dated 5th July 1968 from Director (Civil Engineering), Railway Board, New Delhi, addressed to General Managers, all Indian Railways, etc.
(Wr. Br. No. W. 496/P dated 22nd July 1968)

Sub : **Incorrect assessment of time in the assembly and erection of Girders**

A case has come to the notice of the Board where a Tender Committee, at the time of dealing with tenders for imported bridge girders; did not assess correctly the time likely to be taken in the transport to the site, assembly and erection of the girders after their shipment from a foreign port. Allowing a very short time schedule for these, the Tender Committee accepted an earlier delivery date from a contractor who quoted a higher rate. On account of the longer time taken in transporting the bridge girders to the site and its erection, the advantage of the earlier delivery date could not be fully realised. This led the Audit to question the wisdom of the Tender Committee in accepting a higher rate when the original time schedule for opening of the bridge could not be adhered to in actual practice.

The Board desire that in accepting conditions particularly in cases involving extra payment, a realistic and practical assessment of the full utilization of the benefit should be worked out and adhered to.

ANNEXURE-II/ 4-14

Copy of Board's letter No. 68/WI/CT/15 dated 15th July 1968 from *Joint* Director *(Civil E*ngineering), *Railway Board,* New *Delhi. Addressed to* General *Managers, all Indian* Railways *and others.*

Sub : **Tender-Rejection of lowest offer**

An instance has come to the notice of the Board where a Tender Committee rejected the lowest quotation on the recorded ground that the contractor did not submit either the credentials or the Income-Tax clearance certificate. On further examination it was found that the actual reason for the rejection of this tender was that the Tender Committee did not consider the lowest tenderer suitable for the award of this contract and the contract was correctly awarded to the next higher tenderer, whom, the Tender Committee considered suitable.

The Board desire that suitable instructions should be issued so that in future the Tender Committees should give their reasons in greater details while rejecting the lowest tenderer, for proper appraisal of the case later, if necessary.

ANNEXURE II/4-15

Copy of letter No. 68-BC-PAC/IV/23/20 dated 25th October 1968 from Director (Civil Engineering), Railway Board, New Delhi. Addressed to General Manager, all Indian Railways, etc.

Sub : **Recommendation No. 20 of the 23rd Report (Fourth Lok Sabha) of the Public Accounts Committee on Para 33 of the Audit Report (Railways) 1967-Western Railway- Extra expenditure due to failure of a Contractor.**

In a case reported in Para 33 of the Audit Report (Railways) 1967, a Railway Administration awarded a contract for supply of Ballast at a cost of Rs. 5.46 lakhs to a Contractor who was not on the approved list without formally verifying his credentials before accepting his offer. As a result of subsequent failure of the contractor, the Railway Administration had to a make alternative arrangements, resulting in an extra expenditure of about Rs. 1.86 lakhs.

The Public Accounts Committee in their comments on this para have criticised -the award of such a big contract to a Contractor whose credentials were not properly verified. **Para 1104** of the Indian Railway Code for the Engineering Department as well as **Para 2** of the Standard regulations for tenders and contracts require that no work on supply should be entrusted for execution to a contractor whose capabilities and financial status have not been investigated before hand and found satisfactory. The instructions laid down are sufficiently elaborate and there should be no occasion for any lapse or failure to follow the prescribed procedure. The attention of all concerned should be drawn to these standing orders in order to ensure that such instances do not occur in future.

ANNEXURE-II/4-16

Copy of letter No. 73/RS (G)/779/59 dated 12th November 1973 from S. N. Pandey, Deputy Director Railway Stores, Railway Board, New Delhi. Addressed to General Managers, all Indian Railways including I. C. F.

Sub : **Stores Contracts--Extension of delivery period in instalment delivery contracts-Distinction between "entire" contracts and "severable" contracts.**

An extract from the D. G. S. & D.'s Office Order No. 18 dated 1st January 1973 on the subject indicated above is appended. The position explained therein may be noted for information and guidance while dealing the Railways with direct purchase orders placed by Railways.

Please acknowledge receipt.

Copy of Office Order No. 18 dated 1st January 1973 from Directorate General of Supplies and Disposals (Co-ordination Supplies Section CDN-2).

Sub : **Delivery period/Grace period/Downward trend in prices**

The instructions on the subject as current on 31st December 1972 are reproduced below for the guidance of all concerned.

X X X X X X X

5 Extension of delivery period in instalment delivery contracts-

5.1. A Contract for the sale of goods to be delivered by instalments may be-

(a) an entire contract ; or

(b) a severable contract.

The fact that the contract is divisible in performance does not affect the matter. The following stipulation of delivery may be indicated as an example for (a) above.

" Delivery to commence after 45 days from the date of receipt of the order and to be completed within 3 months at the rate of 20,000 units per month *i. e.,* 30th April 1968 or earlier. "

The delivery date in contacts for the type (b) above is generally indicated as follows

"Delivery date: 7410 units by 15 th February 1968
8510 units by 31st March 1968."

5.2. According to legal advice in the case of a severable contract each instalment constitutes a Separate contract, but this is not so in the case of an entire contract though a delivery schedule has been provided. In the case of severable contracts (*i.e*., contracts providing delivery in instalments and not delivery schedule) extension in delivery period are necessary for each instalment separately as according to legal advice if stores are accepted after the expiry of the delivery date of a particular instalment without extension in delivery period being given reserving our right to levy liquidated damages, the Government will not be legally entitled to claim the liquidated damages. In the case of an entire contract providing delivery schedule, it is not, however, necessary, to grant extension in delivery period in the case of delay in intermediate instalments and such extension would be necessary only in case of delay beyond the final date for completion of delivery.

ANNEXURE-II/4-17

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 76/RS (G)/779/18 New Delhi, dated 26th May 1976/11th June 1976

The General Manager (Stores),
All Indian Railways Production Units and M.T. P, Calcutta.

Sub : **Consideration of unsolicited Offers against Limited / Bulletin tender enquiries.**

The question regarding the consideration of unsolicited Offers received against Limited / Bulletin tender enquiries from unregistered firms has been reviewed by the Ministry of Railways and it has been decided in supersession of existing instructions that unsolicited Offers against Limited tender enquiries and offers from the firms against / Bulletin tender enquiries for items for which they are not registered with the Railways, should normally be ignored. However, under exceptional circumstances, where it is felt necessary to consider

such offers, on account of inadequate competition, Non-availability of suitable quotations from Registered suppliers, Urgent demand, capacity/capability of the firm offering to supply the relevant item being known etc. the acceptance should be at next higher level and in any case not below the rank of a Junior Administrative Officer.

(**S. N. Pandey**)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE-II/4-18

MINISTRY OF RAILWAYS,

(RAILWAY BOARD)

No. 76/F(S)/I/PW-4/1 New Delhi; dated 5th October 1976

The General Manager,Northern Railway,New Delhi.

Sub : **Powers for classifying work as ' Very urgent ' for dispensing with calling of fresh tenders in cases where only one tender is received in response to a limited tender enquiry.**

1. Please refer to your letter No. 84-S/1/Pt. VI(SI) dated 4th August 1976 on the subject mentioned above. In regard to the powers of the Controllers of Stores your attention is invited to Board's letter No. 49/145/1/S dated 12th June 1950 where from it would be seen that they can exercise these powers in case of purchases made by them. As such the question of fixing any upper Limit for their powers in this matter, doesn't arise.

2. As regards the question of delegating these powers to the Additional Controller of Stores, Ministry of Railways have decided that they can exercise these powers upto a limit of Rs. 25,000/- as recommended in your letter No. 84-S/1/Pt. VI/SI dated 1st March 1976.

3. These powers are to be exercised only if the limited tender enquiries had been issued to firm who had supplied the materials earlier or where likely to supply the materials and the prices obtained were reasonable. In all such cases full reasons should be recorded justifying the course of action.

(**A. C. MENDIRATTA**)
Deputy Director, Finance (Stores), Railway Board

ANNEXURE II/4-19

Copy of letter No. 77/RS (G)/779/17 dated 23rd / 27th January 1979 from Director, Railway Stores, Railway Board, New Delhi, to the General Managers, All Indian Railways and I. C. F.

Sub : **Placement of Contracts on Unregistered & Untried firms through advertised tenders.**

1.0. Para **325-S** of the Stores Code stipulates that when tenders are invited by Public Advertisement, the issue of tender forms should not be restricted to firms whose names are on the list of approved suppliers (either approved by R. D. S. O. or by Railways themselves).

Ministry of Railways have been considering how the tenders from such unregistered and untried firms should be dealt with.

2.0. Instructions already exist that all unregistered firms should furnish along with their quotation, the Income-Tax clearance certificate, the name and full address of their Bankers, the performance statement in the prescribed *pro forma* regarding supplies made by them against contracts received from other Railways, D. G. S & D. and other agencies for similar stores in the past 3 years, details of equipment they possess for manufacture of the said stores including quality control in a prescribed *pro forma,* details of technical personnel employed etc. Instructions also exist that earnest money and security deposit should be had from all unregistered firms, unless they are waived as per extant instructions by the competent authority .The above particulars would enable the Railway to ascertain the capacity and financial standing of the firms for considering placement of orders. Therefore, should the firm fail to furnish the above particulars their offer should he ignored. In case firms who furnishes the above particulars and where *prima facie* the Railway feel that the firm is capable of supplying the required stores, the capacity-cum-capability could be verified either by deputing their own representatives or by using the agency of RDSO; DGS&D or RITES in terms of Board's instructions contained in letter No. 76/RS (G)/164/16 dated 24th February 1978 and No. 70/RS (G)/645/8 dated 17th June 1970. At least 80 per cent of the demand should be covered invariably on the registered/approved suppliers. The balance quantity upto 20 per cent could be covered on the unregistered firms whose capacity could not be tried by an educational order earlier but whose offers are competitive and *prima facie* the Railway is satisfied that they are capable of executing the order. In all cases of educational orders, the Inspection Agency should be carefully chosen to ensure quality *viz*. in the case of safety items preferably RDSO should be utilised. For signalling safety items only RDSO should be utilised as enjoined in Board's letter No. 70/RS (G)/645/8 dated 17th June 1970. If these educational orders are satisfactorily executed by the firms concerned these firms should be placed in the list of approved sources. Where educational orders, however, fail these firms should not he included in the approved list and the shortfall in quantity to be covered on the approved/ registered suppliers holding purchase orders/contracts by exercising -the option clauses available as per IRS conditions.

3.0. There may be some cases of procurement of critical materials where Railways may not be willing to undertake the risk of the failure on the part of the Supplier on whom the educational orders have been placed as only about 80 per cent of the supply would have been assured by the placement of the orders on Registered/approved suppliers. In such cases, Railway may decide in consultation with the Finance keeping in view the budgetary and other aspects to go in for increased purchase quantity so that 100 percent order could be placed on Registered /approved suppliers and quantity not more than 1/4th of the order could be placed as an Educational Order. The type of circumstances which such situation may arise may be viz. delivery offered in the development orders is protracted, the item is of a complicated nature with likely delays in supply by a new supplier, etc.

4.0. The above instructions are in amplification of those issued on Procurement of sophisticated spares *vide* Board's letter No. 73/RS (G)/779/30 dated 21 at January 1974.

5.0. The above procedure is to be followed generally, but there may be also some cases where the administration may consider after due verification that the new supplier who

has quoted competitive rate is having the required capacity cum capability and in those cases as well there is no objection to the Railway Administration placing bulk order on these suppliers straightaway in consultation with Finance and approval of competent authority.

6.0. This is issued with the approval of Finance Directorate of the Ministry of Railways.

ANNEXURE-II/4-20

Copy of letter No. 79/RS(G)/779/16 dated 7th April 1979 from Deputy Director, Railway Stores (G), Railway Board, New Delhi. To General Managers, all Indian Railways/Production Units, etc.

Sub : **Stores contracts–Expeditious finalisation of Tenders**

Reference is invited to para 2.02 of the minutes of the 37th meeting of controller of Stores held with the Railway Board in September 1978 circulated under No. 78/RS(G)/509 dated 30th October 1978. It was stated therein-

(a) The time taken for settlement/movement of tender files should be reduced and watched at appropriate levels.

(b) Delays in finalisation of tenders and asking for repeated extension of validity should be eliminated.

(c) Negotiations should not be resorted-to as a matter of course and should be discouraged as much as possible

.

Ministry of Railways, therefore, desire that in regard to tenders more particularly to advertised tenders a rigid time table should be formulated to ensure that the 'various stages of consideration are expeditiously completed and they are decided within the original validity. In regard to cases valued over Rs. 1 crore it has been often observed that Railways/Production Units refer the cases to Board giving only a few days time for consideration. As consideration in Board's level involves processing of the case in Stores and Finance Directorates as well as by the Board and the Hon'ble Minister, Ministry of Railways desire that at least 30 days time should be invariably available when the cases are referred to the Board for approval. The timetable for dealing with these high level tenders may be framed accordingly.

Regarding negotiations reference is invited to Board's letter No. 67/WI/CT/32 dated 25th May 1968, 56/'BC-2983 dated 10th August 1961, 30th October 1961 and 27th April 1964 wherein detailed instructions have already been given. While the guidelines prescribed therein should be adhered to, Board desire to emphasise that negotiations should not be resorted to as a matter of course.

Please acknowledge receipt.

ANNEXURE-II/4-21

Copy of letter No. 76/RS (G)/779/36 dated 8 th November 1979 received from Shri R. Krishnamurthy, Dy. Director, Railway Stores (G), addressed to General Manager, All Indian Railways, I.C.F. etc.

Sub : **Splitting of tendered quantity between more than one firm against specific tender enquiry**.

1.0. Railway Board have received representations from the C.O.S.'s of Railways, indicating that Difficulties are being encountered by them in implementing instructions issued vide Board's letter of even number dated 11th November 1977, 17th May 1978, 26th July 1978 and 17th October 1978. The subject was also discussed in the last C.O.S.'s Meeting held with the Board on 19 th and 20th September 1979 at New Delhi.

2.0. In supersession of the earlier instructions issued on the subject , the following guidelines are issued :--

3.0. Where warranted, the tendered quantity may be split and tender decided in favour of one or More firms on merits of each case, in consultation with Associate Finance and with the approval of the authority competent to accept the tender, having due regard to the following factors-

(i) Vital /Critical nature of the items;
(ii) Quantity to be procured;
(iii) Delivery requirements;
(iv) Capacity of the firms in the Zone of consideration;
(v) Past performance of firms.

4.0. The difference in the rate (unit cost of administration) between the lowest acceptable rate and rate of next higher offers should not exceed 10 per cent.

5.0. Splitting should not be done merely with a view to utilising developed capacity of the different sources but should be for valid reasons to he recorded in writing for splitting the tendered quantity.

6.0. This letter is issued with the concurrence of Finance Directorate.

ANNEXURE-II/4-22

Copy of letter No. 79/RS(G)/779/41 dated 26th October 1980 from Dy. Director, Railway Stores (G), New Delhi. Addressed to General Manager(s), all Indian Railways including I. C. F. and copied to F. A. & C. A. Os.'

Sub : **Splitting of tendered quantity between more than one firm against specific tender enquiry -Delegation of powers.**

The question of amending para 4 of this Ministry's letter of even number dated 8th November 1979, wherein it is laid down that difference in the rate (unit cost to administration) between the lowest acceptable rate and the rate of next higher offers should not exceed 10 percent has been under the consideration of the Ministry of Railways for sometime past, and it has now been decided to withdraw the above ceiling limit of 10 price differential. Each case may be decided on its merit in consultation with the Associate Finance.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE-II/4-23

Copy of Board's letter No. 79/RS (G)/779/41 dated 16 th January 1981 from *Shri R Krishnamurthy, Dy. Director, Railway Stores (G), addressed to General Managers, All Indian Railways, I. C. F. etc.*

Sub : **Splitting of tendered quantity between more than one firm against specific tender enquiry -Delegation of powers.**

Further to the instructions contained in Board's letter of even number dated 26th October 1980, it is clarified that the instructions contained therein do not mean incorporation of a time preference clause in the acceptance of tenders at a rate higher than the lowest acceptable rate.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE-II/4-24

Copy of letter No. 71/RS (G)/777 dated 1st August 1981 from Shri Shivendra Kumar, Jt. Director, Railway Stores (IC), Railway Board, New Delhi addressed to General Managers, All Indian Railways/Production Units., M.T.P. (Railways), Calcutta.

Sub : **Non-acceptance of late/ delayed / post tender offers**

Reference Ministry of Railway's letter No. 59/77/RS(G) dated 4th May 1960 wherein the General Managers were authorised to accept **' Late tenders** ' subject to certain conditions. This power was also delegated to H. O. D.'s *vide* Board's letter No. F(X)/II/62-PW4/3 dated 9th August 1964 and No. 71/RS(G)/777 dated 1st September 1971.

The matter has been reviewed and it has been decided that late tenders,/delayed tenders/post tender offers should be totally rejected and that, when tender cases are under examination, no other authority should be allowed to make queries or call for reports as apart from the impropriety involved, this leads to delays in taking decisions.

The Board desire that in supersession of the earlier orders, the decisions quoted above should be kept in view while dealing with tender cases.

This issues with the concurrence of the Finance Directorate.

(**SHIVENDRA KUMAR**)
Jt. Director, Railway Stores (IC),
Railway Board

ANNEXURE II/4-25

Copy of letter No. 79/RS (G)/779/16 dated 25th November 1981 received from R. Krishnamurthy, Jt. Director, Railway Stores (P), addressed to the General Manager (S), All Indian Railways, including I. C. F. and others.

Sub : **Stores Contracts--Expeditious Finalisation of Tenders**

In Ministry of Railways letter of even number dated 7th August 1979 detailed instructions were issued for expeditious finalisation of tenders with a view to ensure that various stages of consideration of tenders are completed in time and they are decided within

the original validity. These instructions were reiterated in letter of same number dated 11th December 1980.

From the proposals for purchases valuing more than Rupees One Crore submitted by some of the Railway Administrations, especially D. L. W., the Ministry of Railways have, however, observed that while forwarding the Tender Committee proceedings the technical comments, evaluation statements and other details based on which T. C. recommended the proposal are not being sent therewith. This entails back references to the Railway/Production Unit concerned and delay in obtaining approval of the Board and Minister of Railways. Ministry of Railways, therefore, desire that while submitting the proposals for purchases valuing above Rs. 1 crore the Railway Administrations should ensure that all the relevant documents are forwarded along with the Tender Committee proceedings, sufficiently in advance of the expiry of validity.

Please acknowledge receipt.

Jt. Director, Railway Stores (P),
Railway Board

ANNEXURE-II/4-26

Copy of Dy. Director, Railway Stores (G), Railway Board, New Delhi's letter No. 72/WI/CT/12(P) dated 11.12.81.

The General Managers,
All Indian Railways and Production Units.

Sub **Higher Level Tender Committee- Function of**

In a case, Board had occasion to observe that where a lowest level tender committee remitted the tender case to the higher level tender committee, the higher level tender committee took the view that they need not go into the recommendations of the lower tender committee as accepted by the relevant competent authority. In other words, the tender was not considered by the higher level tender committee as a whole and view was taken on it in piece-meal.

2. Board desire that suitable instructions may be issued to ensure that in such circumstances, the higher level tender committee must deal with the case as one entity and not piece –meal, so that the tender cases as a whole may be examined de novo.

3. Please acknowledge receipt.

A.PRASAD,
Jt. Director, Finance (Ex)
Railway Board, New Delhi.

ANNEXURE-II/4-27

Copy of Dy. Director, Railway Stores (G), Railway Board, New Delhi's letter No. 79/RS(G)/ 779/16 dated 8th December 1982.

The General Managers,
All Indian Railways and Production Units.

Sub : **Expeditious finalisation of tenders**

Ref : Instructions issued by the Ministry of Railways on the subject from time-to-time the last one being of 25th November 1981.

Ministry of Railways have issued instructions in the past on the need for expeditious finalisation of tenders and consideration of tenders at various stages so that they are as far as practicable, finalised within the original validity period.

2. From the number of Audit Paras being processed currently in the Board's Office on the subject, it appears that finalisation of in quite many cases is taking longer than the validity periods. Board have expressed concern on the non-finalisation of tenders within their original validity periods.

3. Ministry of railways therefore once again desire that instructions should be issued to all concerned the need for expeditious finalisation of tender and as far as possible within the validity periods to guard against the possibility of increases in prices and consequently incurrence of extra expenditure by Government.

4. Receipt of this letter may be acknowledged.

Sd/-
(**JOGINDER SINGH**)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE-II/4-28

Copy of D.G.S. & D's Office Order No. 95 dated 2nd November 1982 forwarded under Board's letter No. 79/RS(G)/657/2 dated 1st January 1983.

Sub : **(1) Recovery of Risk Purchase Loss and General Damages.**

(2) Considering of offer in respect of Imported Stores by Indian Agents without the Principal's Pro forma Invoice.

A copy of each of the Office Order No. 95 dated 2nd November 1982, No. 96 dated 3rd November 1982 Routine Note No. 17 dated 3rd November 1982, Office Order No. 98 and 99 dated 4th November 1982 on the above subject respectively is sent herewith for information and guidance.

The existing instructions with regard to recovery of risk purchase loss and general damages has been considered at length in consultation with the Ministry of Law and ministry of Supply and it has been decided that the following procedure should be adopted for claiming risk purchase loss and general damages :--

(1) In case where value risk purchase has been made.	Full risk purchase loss has to be claimed .
(2) Risk purchase of the Stores to the same specification as that the cancelled A/T but at the lower rate.	The legal advice is no general damages can be claimed as no loss has been suffered. The case should be closed with the approval of the next higher officer and integrated Finance but the question of taking suitable administrative decision against the firm will have to be considered where necessay.
(3) Cases where the risk purchase has been made at the same rate.	The legal advice is no general damages can be claimed as no loss has been suffered. The case should be closed with the approval of the next higher officer and integrated Finance but the question of taking

	suitable administrative decision against the firm will have to be considered where necessary.
(4) Where the risk purchase has been very high rate.	In this case also full risk purchase should made at a made be claimed if a valid risk purchase has been made but to be on the safer side general damages should also be claimed in the alternative.
(5) Where risk purchase is not made due to the withdrawal of the demand by the indentor or where the risk purchase has been made to a different specification	General damages should be claimed where it is possible to establish the market rate and if not the case should be closed with the approval of the next higher officer, in consultation with Finance.
(6) Where no loss has been suffered but the suppliers can be held responsible for the breach and indentor has reported inconvenience, which however could not be quantified in terms of money.	The legal advice is that no general damages can be claimed as no loss has been suffered. The case should be closed with the approval of the next higher officer in consultation with Finance but, the question of taking suitable administrative decision against the firm will have to be considered where necessary.

The above supercede the instructions as contained at paras 7(d),(e),(f),(g) 1 to 4 and of Office Order No. 21 dated 1st January 1978.

Dy. Director (CS-I)

ANNEXURE-II/4-29

Copy of Boards letter No 83/RS (G) 77/1 dated 11th April 1983 addressed to General Mangers. Indian Railways and others.

Sub : **Correct evaluation of Tenders by Tender Committee.**

Audit have brought to the notice of the Ministry of Railways a case in which higher rate were given for bulk supply whereas lower rate was accepted for supply of the same items in smaller quantities from some other firms. The Audit have pointed out that the higher rate allowed to the firm for, bulk supply was not reasonable and was not justified by the prevailing raw material cost, labour etc.

In this connection attention is invited to instructions issued by the Board (copy of each letter enclosed) in the past vide their letter Nos.

(i) 60/ WI/ IMF/ 10 dated 14th November 1960
(ii) 61/B (C)N/27 dated 28th February 1962/ 1st March 1963,
(iii) 63. TC-II/6 dated 13th September 1963.

On the above subject wherein it has been stressed that the Tender Committee should examine, while making their recommendations, all relevant factors and also the reasonableness for rates quoted by the firms. The Board desires that the above instructions should be kept in view wherever relevant in the finalisation of Stores Tenders.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE-I

Copy of Railway Board's letter No. 60/ WI /DMF/10 dated 4th November 1960 from Joint Director (Civil Engineering), addressed to General Managers All Indian Railways.

A case has come to the notice of the Board in which a Tender Committee recommended the acceptance of the lowest Tender but when the Authority Competent to accept the same asked the Committee to reconsider their recommendation in view of the fact that the lowest Tenderer had a large number of works in hand and may not, therefore, be able to complete the work in time, the Committee reversed their earlier recommendation and recommended the Second lowest Tender.

It has been considered that the Tender Committee, while making their earlier recommendations did not take into account the Tenderers capacity to execute the work, bearing in mind the load of work which he had already in hand. The Board desire that Tender Committees should examine, while making their recommendation all relevant factors such as the existing work load. on the lowest Two or Three Tenderers, their capacity to execute further work, and also whether the rate quoted are reasonable and workable.

The above instructions may kindly be brought to the notice of all concerned.

ANNEXURE-II

Copy of the letter No. 61-B (C)-N (27) dated 28thFebruary /1st March 1962 from Joint Director, Finance, Accounts Railway Board, New Delhi. Addressed to General Managers, all Indian Railways etc.,

Sub : **Loss due to Incorrect evaluation of Tenders for goods handling contract**

A case has come to Board's notice wherein, on a certain Railway, the Tender schedule to the handling contract was revised to item wise the various types of work done at the station instead of some of the items of work being exhibited after conversion as a single unit. The significance of this change in the Tender schedule was however, not appreciated by the staff, Gazetted and non-Gazetted, who dealt with the Tenders as the anticipated quantities of work were not exhibited against the fresh items and the very high rate offered by one the Tenders against one of such item was not evaluated. The Tender Committee also overlooked this deficiency in evaluation but in the letter of acceptance issued to the contractor whose Tender, was accepted, this item and the rate offered there against was exhibited resulting in unintended valuation payments being made to the contractor till the matter came to the notice of the Administration.

The Board has stressed from time-to-time, the imperative need for the correct preparation of the Tender documents and incorporation therein of the anticipated quantities of work against the various items on best approximations. They would also reiterate-their earlier instructions that in the evaluation and consideration of the Tenders, the Tender documents should be carefully scrutinised particularly in regard to the reasonableness of the rates and specially when changes have been made in the form of Invitation to Tender.

ANNEXURE-III

Copy of letter No. 63- TC II/6 dated 13th September 1963 from Dy. Director C. T. I. C. Railways, Board New Delhi. Addressed to General Managers, all Indian Railways etc.,

Sub : **Scrutiny and the evaluation of goods handling rate quoted by the Contractors at the time of Tender.**

In continuation of Board's letter No. 6 1-B(C) N/27 dated 1st March, 1962 the Board desire to elucidate further the background against which the need for vigilance in scrutinising the Tender documents and evaluating the reasonableness of the rate quoted by handling contractors against each of the items of work was emphasised. As Railways are aware, it is not an unusual feature that abnormally high rates are quoted occasionally by Tenderers for specific items handling work, where the quantities of work either nil or normal. Such items of abnormal rates probably get ignored in assessment because the quantum of work estimated on the specific items involved comparatively small or negligible quantities of work or because an over all view is taken of the contract as a whole on the basis of the total financial evaluation.

It may be mentioned in this connection that in a recent case brought to the notice of the Public. Accounts Committee through an audit paragraph it was noticed that the rates quoted by a handling contractor which were adjudged to the lowest inter alia included a rate of Rs. 75 Metre Gauge Wagon for an item (where the quantum of work was omitted to be indicated in the schedule to the Tender notice) as against the rate of Rs. 6.75 and Rs. 8 quoted by two other Tenderers. The Contractor who had knowledge of work involved by virtue of his having held the contract in the past evidently took advantage of this lacuna and quoted this abnormally high rate. In the particular cases the contract was awarded on the basis of overall Financial evaluation on estimated quantities in terms of Broad Gauge Wagons only for which a lower rate of only Rs. 5 was quoted. Since the quantum of Metre Gauge work has been included under Broad Gauge the rate of Rs. 75 per Metre Gauge Wagon did not separately figure in the evaluation of the Tenders. When the actual work handled turned out to be in terms of Metre Gauge Wagons the contractor had naturally to be allowed the unintended benefit, of the higher rate. It would be appreciated that in respect of Tenders such as for transhipment work the quantum of estimated work is liable to vary due to factors such as change in pattern of traffic, diversion due to operational reasons, accidents, breaches etc In such contingencies the abnormally high rates might become operative to a greater extent 'than originally for seen with the result that Railway run a considerable risk of unintended payments on the basis of such rate. It is therefore, necessary that Railway Administrations should scrutinise the rates of individual items at the time of examining the Tenders and be satisfied on their reasonableness irrespective of the quantum of traffic at that time.

The Board, therefore, desire to reiterate the instructions already issued in their earlier letter dated 1st March 1962 that in the matter of evaluation and consideration of 'Tender documents, particular care should be taken to ensure that the rates quoted for individual items are realistic and are not abnormal, and unreasonable in respect of any item of work.

ANNEXURE II/ 4-30

Copy of Railway Board's letter no. 71/RS (G)/777 dated 19th April 1984 addressed to General Managers, all Indian Railways and others.

Sub : **Non- acceptance of late /delayed /post Tender offers.**

In terms of Ministry of Railway's letter of even number dated 1st August 1981, late/ delayed/ post Tender offers have to be totally rejected.

2. Instances have come to the notice of the Board where on a strict application of the above instructions, even late Tenders Submitted by Public Sector firms for highly specialise equipment's have been rejected.

3. The matter has therefore been reconsidered by the Board and it has been decided that where late Tenders from established/reliable suppliers and conferring a substantial financial advantage is to be considered not withstanding the general bark it will be open to the Railways to seek the Board's approval for the consideration of such Tenders, since this should be a very exceptional situation, such cases should be recommended for consideration of the Board with the personal approval of the General Manager, duly concurred in by the F. A & C. A. O.

4. The Railways should not enter into any dialogue with the agency submitting a delayed Tender without obtaining Boards prior clearance.

5. These instructions apply uniformly to all Tenders irrespective of the department floating Tenders.

6. This issues with the concurrence of the Financial Directorate of the Ministry of Railways.

ANNEXURE-II/4-31

Copy of Board's letter No. 84/ W I/ CT/19 (Audit) dated 30th July 1984 addressed to General Managers, All Indian Railways / Production Unit etc.,

Sub : **Tender-Rejection of the lowest offer**

While scrutinising the Action Taken Note on Para 15 of the advance C&AG's report on Railways for 1981-82 on the subject of Metro Railway Rejection of *lowest Ten*der, Audit have observed that rejection of the lowest offers for untenable reasons should be avoided by the Railway Administrations.

2. Board desire that the Railways should ensure that the instructions contained in their circular letter No. 68/WI/CT/15 dated 15th July 1968 (copy enclosed) stipulating that the Tender Committee should give their reasons in greater details while rejecting the lowest Tenderer, are complied with strictly. Rejection of the lowest Tender for untenable reasons should be avoided by the Railway Administration.

(M. M. GOYAL)

Additional Director, Civil Engg.
Railway Board

ANNEXURE-I

Copy of Railway Board's letter No. 681 WI/ CT/ 15 dated 15th July 1968 addressed to General Manager All Indian Railways including C.L.W., D. L W., I. C. F., R.C F., and The Director General R.D.S.O./Lucknow.

Sub : **Tender –– Rejection of lowest offer.**

An instance hag come to the notice of the Board where a Tender Committee rejected the lowest quotation on the recorded ground that the contractor did not submit either the credentials or the income tax clearance certificate. On further examination it was found that the actual reason for the rejection of this Tender was that the Tender Committee did not consider the lowest Tenderer suitable for the award of this contract and the contract was correctly awarded to the next higher Tenderer, whom the Tender Committee considered suitable.

The Board desire that suitable instructions should be issued so that in future, the Tender Committee should give their reasons in greater details while rejecting the lowest Tenderer, for proper approval of the case later, if necessary.

Sd/-
(**K. K. MITRA**)
Joint Director, Civil Engineering
Railway Board.

ANNEXURE-II/4-32

Copy of Board's 1etter No. 85/RS (G)/ 777/2 dated 8th November 1985 addressed to General Manager, all Indian Railways and others.

Sub : **Non-acceptance of late/delayed/post Tender offers.**

In partial modification of this office letter No. 71/RS (G)/777 dated 1st August 1981 and 19th April 1984 the Railway Board have decided that the instructions contained therein do not apply to late single Tender received against proprietary article certificate.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE-II/4-33

Copy of Board's letter No. 87/ RS (G) 779/ 12 dated 19/23rd June 1987 Addressed to General Managers of all Indian Railways and others.

In a recent Tender case relating to import of equipment the Technical Evaluation Committee rejected the offer of one of the bidders on account of non-compliance with the minimum experience requirement and non-compliance with the clause that the equipment, offered must be compatible with equipment already installed. The first shortcoming in the offer became known at a fairly early stage of the Technical evaluation of the offer and it was a sufficient ground to reject the offer. As regards the second requirement, though several

discussions were held with the prospective bidder and correspondence exchanged, a conclusive reply was not obtained from him as to whether the equipment would fully meet the Technical Specification. Since the bidder had responded to other questions of the Technical evaluation committee with positive answers, he concluded (albeit incorrectly) that his offer had been found technically suitable. When the bidder learnt that his offer had been passed over, he made a series/ of complaints against the Tender Committee.

2. Board desires that, in the first instance, the Technical Specification / requirements should be carefully drawn up so as to clearly bring out the Specific requirements & of the Tender. Thereafter Officers dealing, with evaluation of Tenders must be careful to ensure that they make direct and to the point queries while obtaining clarifications to the bids and try and get positive responses either affirming compliance with the requirements or clearly bringing out the deviations.' The questioning should not be done in such a manner as to leave important issues relating to Specifications unanswered or leave any bidder with an erroneous impression that the Evaluation Committee had found his bid to be acceptable

3. It should also be ensured that if the bid is found to be obviously unacceptable because of a major shortcoming, a clear decision should be taken in this regard as soon as the fact becomes known. The bidder should not thereafter be called again and again for further clarifications.

ANNEXURE-II/4-34

Copy of Board's letter No. 88/RS(G) 777/1 dated 10th August 1988 Addressed to General Manager all Indian Railways and others.

Sub : **Procedure for finalisation of Tenders in Railway Boards.**

At present the follow among others types of cases are received from Zonal Railways/ Production Units for finalisation in Boards Office-.

1. Cases referred to by Zonal Railways for indigenous items where the value of procurement exceeds Rs. 5 crores.
2. Cases referred to by Zonal Railways in respect of imported Stores where the value of procurement exceeds Rs. 2 crores.
3. Cases refereed to by Zonal Railways involving acceptance of unusual terms like advance payment etc.

With a view to reducing the delays and to streamline the procedure for acceptance, revised procedure has been devised. Accordingly, it has been decided that in so far as the above types of cases are concerned, Railway/Production Units should send recommendations in five copies for placing before an Appreciation Committee. The recommendations should be fully self-contained duly accompanied by requisite data Annexures wherever necessary. Tender files should under no circumstances be sent in original unless specifically called for by Board.

ANNEXURE-II/4-35

Copy of Board's letter No 89/RS (G) 164/13 Pt dated 10th August 1989 addressed to General Managers. All Indian Railways and others.

Sub : **Guideline to avoid bias against the new suppliers.**

It has become to the notice of the Railway Board that one of the Railway Production Units is keeping out an honest firm who was interested in developing and supplying an item which was being purchased against limited Tenders from a few approved sources. Although a sample manufactured by the firm was passed on 11th September 1980, Authorities took the view that the Production Units had already 5 developed sources and there was no necessity of placing any developmental order on the firm after their sample was approved. The supply of 250 pieces against the developmental order was completed by the firm in December l984. Barring minor dimensional deviations the supplies were found to be acceptable.

The firm in question was the lowest Tenderer in another Tender case opened in April, 1985 for 972 pieces of the same item out of the 7 offers received against the Tender. In this Tender, the Technical Authority commented that the lowest Tenderer was not a The firm in question was the lowest Tenderer in another Tender case opened in April, 1985 for 972 pieces of the same item out of the 7 offers received against the Tender. In this Tender, the Technical Authority commented that the lowest Tenderer was not a developed source and that they had supplied only 250 pieces against a developmental order placed on them for 320. The comments by the Technical Authority were not based on facts as they were developed sources and the order on them was only for 250 pieces, which they had executed successfully. Based on the Technical comment, order for only 200 pieces was placed on the firm against the Tender in question and the balance order for 772 pieces was placed on another firm at a much higher rate.

Again during 1985, an order for 1,050 pieces of the same item was placed on another firm on Single Tender basis due to emergency indicating that none of the other firms could be relied upon It means that they had only one effective supplier during 1985 whereas the stand taken in 1980 was that they had 5 developed sources at that time and hence there as no necessity for placing developmental orders on other parties during 1980. It shows that the administration, besides putting impediments in the way of new aspiring suppliers, had also failed over the years to develop adequate number of sources and enlarge of competition for the benefit of the Railways.

In view of the above, you are requested to please avoid such lapses if any on your Railways/ Production Units to ensure that new corners are encouraged to avoid such cases in future and so to ensure proper balance between the quality, security and economic consideration.

ANNEXURE-II/4-36

Copy of Board's letter No. 73/RS/(G)/779/30/Pt dated 22nd January 1990 addressed to Genera Managers. All Indian Railways, Production Units etc.

Sub : **Placement of Trial /Developmental orders.**

Ref : Board's letters of even number dated 31st October 1988 and 11th January 1089.

It has come to the notice of the Board that when trial/developmental orders are placed on the new firms the same is not always indicated very clearly on the **Purchase Orders.** The firms who secure such developmental orders indicate the same as a proof of their performance while quoting to the other Railways/ Production Units. This may be misleading many times as the product supplied by the firm may be still under trial and firm may not have been cleared for the bulk order. To avoid any ambiguity the Board desire that whenever Purchase Orders are placed on any firm on trial developmental basis, the same should be boldly indicated as such on these Purchase Orders. It would be advisable to have Purchase Orders printed with the stipulation "Trial Developmental Order" so that when the photo copies of such Purchase Orders are submitted by these firms to any other Zonal Railway/Production Units the position would be clearly known to the Purchase Officer.

(**R.S. Jhon**)
Dy. Director Railway Stores (G)
Railway Board,

ANNEXURE-II/4-37

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 79/RS(G)/164/16 *NewDelhi, Dated 20th November 1990*

The General Manager (Stores), All Indian Railways and Production Units.

The General Manager, Railway Electrification, Allahabad.

The General Manager, Metro Railway, Calcutta.

Sub : **Consideration of unsolicited offers against tenders.**

Attention is drawn to Board's letter No. 76/RS(G)/779/18 dated 26th May 1976/11th June 1976 (**copy enclosed**) which lays down procedure for consideration of unsolicited offers against Limited / bulletin tender enquiries. It has come to the notice of the Ministry of Railways (Railway Board) that in some cases, the procedure outlined in the above letter are not being rigidly followed.

In order to ensure that the instructions, as mentioned above are scrupulously followed, Board desire that while putting up the tender papers to the Purchase Officer for decision the purchase section/staff must specifically bring to the notice of the Purchase Officer, the status regarding registration of the tenderers under the consideration zone such as whether they are registered for the trade group under which the item fails and for the monitory value of the tender under consideration. It should also be indicated whether registration is valid of not.

As a second check, the Supervisor incharge of the concerned purchase section shall satisfy himself before placement of order that the offer accepted is unsolicited or otherwise and in the case of former, approval of the competent authority has been obtained for acceptance.

Please acknowledge receipt.

(**R. S. Lahan)**
Director, Railway Stores (G),
Railway Board.

ANNEXURE-II/4-38
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

NO. 90/CE-I/CT/1 NEW DELHI Dated 12th December 1990

The circumstances under which negotiations may be held with tenderers, have been explained in detail in Board's letter No. 67/WI/CT/32 dated 25th May 1968 reiterated under Board's letter of even No. dated 11th April 1990). As would be observed therefrom, negotiations are to be held as an exception and not as a rule and only if.

(i) the rates quoted in all the offers received from the tenderers are unreasonably high & re-tendering would not secure better advantage to the Railway, and/or

(ii) after excluding all the lower offers that are unacceptable because of technical reasons or on account of unsatisfactory credentials of the tenderers, the rates quoted in all other remaining offers are considered to be unreasonably high as per established procedure.

2. Despite the clear-cut instructions on the subject, a large number of instances keep on coming to the notice of the Board indicating that:—

(i) Negotiations are being held as a rule rather than as an exception.

(ii) Negotiations are being held un-necessarily even when the rates received ' are considered reasonable.

(iii) Negotiations are held repeatedly in the same case,

(iv) Negotiations are held, to start with, on the plea of rates being un-reasonably high. After holding negotiations (sometimes repeatedly), the rates are certified as reasonable, even though the reduction obtained is insignificant. In several such cases the ranking of the tenderers got, altered, leading to complaints and doubts as regards the very purpose of negotiations.

It would be appreciated that holding of negotiations under the foregoing circumstances, is not a healthy procedure. It can often lead to delay, undue favoritism /discrimination and complaints. .'

3. The Board wish to reiterate that holding of negotiations should be an exception and not a rule. Normally, there should be no question of holding negotiations, if the rates secured are reasonable.

4. Appropriate action may be taken to avoid unnecessary rounds of negotiations. Instructions contained in this letter are applicable to both Works & Stores tenders and are being issued in consultations with the Finance Directorate of the Ministry of Railways.

5. Receipt of this letter may be acknowledged.

Sd/-
(**S. N. SINGLA**)
Exec. Director, Civil Engg. (G)
Railway Board.

ANNEXURE-II/4-39

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 87/RS(G)/779/26 New Delhi, Dated 14th May 1993.

The General Manager (Stores),
All Indian Railways and P/Units
CORE/Allahabad,
Metro Railway, Calcutta.

Sub : **Despatch of "Smalls" consignments for Railway Consignees.**

As per clause 2100 of IRS conditions of Contract the Stores against f.o.r. Station of despatch Contracts is required to be booked b the supplier by the most economical tariff available at the time of despatch.

As you are aware that with effect from 1 st April 1993 the freight rates for consignments booked in less than Wagon loads have been rationalised and two separate rates for parcels and goods in smalls have been merged into one. Any consignments, if not in Wagon loads, will be charged at the same rate whether it is carried as parcel or smalls, for all the distances. Keeping in view the fact that there are a large number of brakevans running empty on Indian Railways, it has been decided by Board that henceforth consignments of Railway Materials when booked in less than full Wagon load should be booked and transported as parcels.

Please acknowledge receipt.

Sd/-
(**R. S. LAHAN**)
Dy. Director, Railway Stores (G)
Railway Board.

Copy to:—

1. FA & CAOs, All Indian Railways, Metro Railway, Calcutta & CORE/Allahabad.
2. The Chief Administrative Officers, MTP/Rlys., Bombay/Madras/New Delhi.
3. GMs (Cons.), S. Riy., Bangalore, S. E. Rly., Waltair and N. F. Rly., Guwahati.

ANNEXURE-II/4-40

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 94/RS(G)/779/6 New Delhi, Dated 25th August 1994.

The General Managers,
All Indian Railways and Production Units, DCW, RCF CORE, W&AP and COFMOW.

Sub : **Stores Contracts—Expeditious finalisation of Tenders.**

Kind attention is invited to earlier instructions contained in Board's letter No. 79/ RS(G)/779/16 dated 7th April 1979, letter No. 79/ RS(G)/779/16 dated 11 th December 1980 and letter No. 79/ RS(G)/779/16 dated 26th July 1990, wherein the necessity of expeditious finalisation of tenders within original validity with a view to avoiding extra expenditure on account of the delay in finalisation of tenders, was emphasised.

2. C&AG in their report (Rlys.) 1990-91 in Para 5.10 (Avoidable expenditure due to delay in finalisation of tenders) have had again occasion to observe that Rly. Admn. incurred extra expenditure of Rs. 15.65 lakhs (approximately) due to non-finalisation of tenders within the validity period. This expenditure could have been avoided, had the tenders been finalised within the original validity period.

3. Board have taken a serious view of such lapses and desire that it should be ensured that all efforts are made to expedite processing of tender papers and finalise the tenders within the original validity and this should be regularly monitored to avoid any slippage.

Please acknowledge receipt.

Sd/-
(**T. K. MITRA**)
Dy. Director, Rly. Stores (G),
Railway Board.

ANNEXURE-II/4-41

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 89/RS(G)/363/5 New Delhi, Dated 9th February 1995.

The General Managers (Stores)
All Indian Railways
RE/Allahabad.
Metro Railway. Calcutta,

Sub : **Movement of traffic/materials by rail/road movement for the Railways' own use.**

The matter relating to delegation of powers to the Controller of Stores of Zonal Railways to decide the mode of transport for movement of materials meant for Railways' own use on the line of authorisation made to Controller of Stores of Production Units *vide* Board's letter No. 82/TC (M&S)/1/4 dated 7th March 1988 and 24th March 1988 has been examined and it has been decided in partial modification of the earlier letters No. 82/TC (M&S)/1/4 dated 16th July 1990 and '89/RS (G)/363/5 dated 14th September 1992 that the Controller of Store and Chief Materials Managers of Zonal Railways should also be authorised to decide the transportation of materials meant for the Railways own use by Road Transport in each case on merits subject to the following :—

(a) Each case should be decided with the personal approval of the Controller of Stores, who should clearly record the specific nature of the exceptional circumstance warranting the decision.

(b) Payment will be made on receipt of goods in completion and satisfactory condition by the consignee.

(c) Transit risk will be on the contractors account.

(d) Bulk movement of steel and POL should be by rail.

The above powers to CMMs are delegated for a period of 2 years to start with after which joint comments of COS and FA & CAO may be furnished to Board for consideration to allow continuation of these powers to CMMs on regular basis.

Sd/-
(Shiv Dan Singh)
Deputy Director, Rly. Stores (G),
Railway Board.

ANNEXURE-II/4-42

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 89-BC-SC/40 New Delhi.Dated 20th May 1996.

The General Managers (Stores),
All Indian Railways &
Production Units.

Sub : **In correct evaluation of offers in Tender cases.**

A case has come to light, as a result of review by the Audit, where the Tender Committee on one of the Zonal Railways, who had invited tenders for supply of track fittings, made the following mistakes while assessing the suitability of the offers: —

(i) Did not take into account the fact that the offers from different firms were based on different raw materials and as such did not highlight this in the Tender Committee proceedings.

(ii) While updating rates for comparison the T. C. did not take into account the latest published rates of the raw materials.

Since the cost of one of the raw materials went up disproportionately during the execution of the contract, there was vitiating of the tender as it amounted to substantiall extra payment to the contractor, by way of escalation.

It had further come to light that in the same cases the second lowest tender was accepted ignoring the lowest on the plea of urgency of requirement of Construction Organisation since the lowest offer indicated the period of delivery as three months while the second lowest gave the same as only two months. The fact that the immediate requirement of the Construct on Organisation could be met by transfer of material from Open Line Organisation of the Same Railway which held adequate stocks of the item at that time, was not taken into consideration.

Board desire that while evaluating the tenders the Tender Committees, while taking into account the existing instructions on the subject, should first arrive at a common base for all tenderers in respect of the various inputs so that the tenders are not vitiated on account of variation in the prices of various inputs. In fact, before calling tenders the price variation clause should be specifically settled and incorporated in the tender documents if necessary so that all tenderers quote their rates as a common base.

Further it should be ensured that the lowest offers are not ignored only on the plea of urgency, in case it is possible to arrange the required quantum of material in the interim period form alternate sources. In case, such an eventuality of ignoring the lowest order has to be resorted to, the Tender Committee should take action in terms of Board's letter No. 68/WI/CT/15 dated 15th July 1968.

These instructions may please be brought to the notice of all concerned to avoid recurrence of such cases in future.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways. Please acknowledge receipt.

(R. P. GUPTA)
Executive, Director, Track (M), Railway Board.

ANNEXURE-II/4-43

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 76/RS (G)/779/36

New Delhi,
Dated 29th November 1996.

The General Managers (Stores),
All Indian Railways &
Production Units.

Sub : **Splitting of the tendered quantity between more than one firm against Stores tenders.**

Reference is invited to Board's letters of even number dated 11th November 1977, 17th May 1978, 26th July 1978 and 17th October 1978 through which orders and guidelines have been issued on the subject cited above. It has been clarified in the last letter, *inter-allia*, that normally where splitting is done, efforts should be made to see that orders are placed at one rate, namely, the lowest acceptable rate, only. However, in cases where it is not possible to obtain uniformity in the rates on account of several factors and where the Railways feel that splitting is essential, there is no objection to orders being placed on the merits of each case in favour of one or more firms in consultation with the associated finance and with the approval of the authority competent to accept the tender. Inspite of these clear instructions, it has been reported that on one Railway, there is an impression that multisourceing can be resorted to at variable rates as a matter of course. Board have again considered the matter carefully and wish to reiterate that differential rates can be considered on merits of each case, in the circumstances and in the manner mentioned in their letter of 17th October 1978 and certainly not as a rule. The norm, where splitting of quantity is necessarily to be done, is that orders have to be placed at the lowest acceptable rate Obviously, the first step in the effort to secure a uniform rate at the lowest level is to counter-offer the lowest acceptable rate to higher tenderers on whom part of the quantity is proposed to be ordered. Based upon the response, further action is to be taken and the ultimate decision has to be one of general and prudent judgement.

It may also be clarified that offering the lowest acceptable rate to the higher tenderers does not amount to negotiations. It may be noted that negotiations are resorted to in a different situation when the price quoted by the lowest technically acceptable tenderer is considered unreasonably high, and in that case negotiations have to be held with all technically acceptable tenderers.

(This disposes of FA & CAO/Eastern Railway's letter No. FS/01/OI/Policy dated 18th September 1995 & No. FA/01/95/95 dated 19th/21st August 1996.)

Receipt of this letter may please be acknowledged

Sd/-
(M. S.KHAN)
Executive, Director (Finance)
Railway Board.

ANNEXURE-II/4-44

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 87/RS(G)/779/26/Pt. New Delhi, Dated 21th February 1997.

The General Managers (Stores),
All Indian Railways & Production Units.
Railway Electrification, Allahabad.
Metro Railway, Calcutta.

Sub : Movement of traffic/materials by rail/road meant for the Railway's own use.

The COSs of the Zonal Railways and Production Units were authorised to decide the mode of transport for movement of materials meant for Railway's own use *i. e.* by Road transport subject to certain conditions. CMMs were also delegated the powers for a period of two years (Ref. Board's letter Nos. 82/TC (M&S)/1/4 dated 24th March 1988 and 89/ RS(G)/363/5 dated 14th September 1992). The matter has been reviewed and in partial modification of the aforesaid letters, it has been decided to :—

(i) Delete the provision calling for granting personal approval of COS/CMM for each case.

(ii) Delegate full powers to the purchase officers for calling for supplies by Road for tenders falling within their powers of acceptance.

(iii) Delegation of powers to be applicable to not only supplies from trade against purchase orders but also for,

  (a) distribution of materials to consignees within the Railways.

  (b) Inter-depot transfer of materials.

Detailed instructions regarding entering into such Road Transport contracts may be laid down by the Railways in consultation with Associate Finance.

However, the following conditions will continue to apply: —

(1) In case of pre-inspected material the payment shall be made on receipt goods with inspection certificate. Otherwise payment should be releas only on receipt and acceptance of the material.

(2) Transit risk will be to contractor's account.

(3) Bulk movement of steel and POL should be only by Rail.

Railways should make efforts to progressively discontinue stores delivery Vans are instead to in for transportation by road deploying staff associated with Stores delivery Van elsewhere. Atleast 80% progress should be attempted in the next six months—say by Sept., 97. Once the new system stabilizes store delivery vans shall get phase out. Progress on this front may be reported to the Board for review in August 1997.

This issues with the concurrence of Finance Dte Board's Office.

Please acknowledge receipt.

(V. RAMACHANDRAN)
Exe. Director, Rly. Stores (G),
Railway Board.

ANNEXURE-II/4-45

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 76/RS (G)/779/36.

New Delhi,
Dated 6th October/November 1997

The General Managers (Stores),
All Indian Railways & Production Units.

Sub: **Splitting of tender quantity between more than one firm against specific tender enquiry.**

Ref. : Railway Board's letter of even No. dt. (i) 6th November 1979, (ii) 26th October 1980 (iii) 16th January 1981 and (iv) 29th November 1996.

The subject matter of splitting of tender quantity between more than one firm against a specific tender enquiry has been considered by the Board from time-to-time and instructions issued on how this is to be done vide Board's letters referred above. It may be recalled that in terms of Board's letter referred to (i), (ii), and (iii) above it was laid down that :--

(a). Where Warranted, the tendered quantity may be split and tender decided in favour of one or more firms on merits of each case. in consultation with associate Finance and with the approval, of the authority competent to accept the tender having due regard to the following factors.

(i) Vital/Critical nature of the items.

(ii) Quantity to be procured.

(iii) Delivery requirements.

(iv) Capacity of the firms in the zone of consideration.

(v) Past performance of firms.

(b) Splitting should not be done merely with a view to utilising developed capacity of the different sources but should be for valid reasons to be recorded in writing for splitting the tendered quantity.

(c) The difference in rate between the lowest acceptable rate and rate of next higher offers may be decided on merits in consulation with associated Finance.

(d) Acceptance of difference in rate (unit cost to Administration) between the lowest acceptable rate and the rate of next higher offers does not mean incorporation of a time preference clause in the acceptance of tender.

2.0. In terms of Board's letter of even number dated 29th November 1996 it was clarified that consideration and acceptance of differential rates was not to be considered as a rule and that the norm is that orders have to be placed at the lowest acceptable rate. It was further clarified in this letter that first step in the effort to secure a uniform rate at the lowest level is to counter offer the lowest acceptable rate to the higher tenderers on whom part of the quantity is proposed to be ordered. Based on the response further action is to be taken and the ultimate decision has to be one of general and prudent judgement.

3.0. After the issue of the Board's letter of 29th November 1996 references have been received from the Railways for reconsideration of the latest Board's directive which has been interpreted by some of the Railways as making counteroffer mandatory before any consideration of differential rates if quantity is proposed to be split between more than one firm. The subject has been reconsidered by the Board, it is clarified that Board's letter dated 29th November 1996 does not supersede earlier letters of even number dated 17th May 1973, 17th October 1978,11th November 1979 and 26th October 1980. The intention is that counter offer as a procedure is not to be regarded as mandatory but may be kept in view whenever it is decided to split the quantity on more than one firm. It is open to Railway to decide, depending upon the merits of each case, whether this approach of counter offering for obtaining a uniform rate may be followed or orders placed on differential rates, keeping in view the Board's orders issued from time to time.

Receipt of this letter may be acknowledge.

Sd/-
(ASHOK KUMAR)
Dy. Director, Railway Stores(G),
Railway Board.

No. 76/RS(G)/779/36

ANNEXURE-II/4-46

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 99/RS (G)/779/5 New Delhi,
Dated: 15th June 1999.

The General Managers (Stores),
All Indian Railways and Production Units,
Metro Railway, Calcutta.
Rly. Electrification, Allahabad.
OSDs, All New Zones.

Sub : **Expeditious settlement of Tenders.**

In case relating to procurement of an item, quantity review carried out after opening of the tender showed 'nil' requirement for the relevant period. It was, therefore, decided to keep the case pending to take care of any possible future requirement. Meanwhile, another tender was floated to cover the requirement for subsequent contract period against which higher rates were received.

2. Since the validity of previous tender was still available, efforts were made to finalise the earlier tender. But due to short validity available, the tender could not be finalised within validity and purchase had to be made at a higher rate subsequently.

3. Board desire that to avoid such instances in future, instead of keeping a tender pending or floating a new tender while previous tender is not yet finalised/discharged, possibility of settling the tender to cover the requirement of the next contract period with deferred delivery terms, may be examined in cases where the demand works out to 'nil' against a tender case, before discharge of the tender.

4. Please acknowledge receipt of this letter.

Sd/-
(Ashok Kumar)
Dy. Director, Rly. Stores (G),
Railway Board.

ANNEXURE-II/4-47

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 89/RS(G)/363/5

New Delhi,
Dated 4th November 1999

The General Manager (Stores),
All Indian Railways & Production Units.
Railway Electrification/Allahabad,
Metro Railway, Calcutta,
COFMOW, Rly. Offices Complex, Tilak Bridge, New Delhi.
Officers on Special Duty (New Railways).

Sub : Movement of traffic/materials by rail/road movement for the Railway's own use.

Ref : Board's letter of even number dated 9th February 1995.

The matter relating to delegation of powers to the Controllers of Stores/CMMs of Zonal Railways' to decide the mode of transport for movement of materials meant for Railways' own use has further been examined in Board's office and it has been decided that powers delegated *vide* Board's letter of even number dated 9th February 1995 be made permanent subject to the following conditions : —

(a) Each case should be decided on merit with the personal approval of the Controller of Stores/CMM, who should clearly record the specific nature of the exceptional circumstances warranting the decision;

(b) Payment will be made on receipt of goods in good and satisfactory condition by the Consignee;

(c) Transit risk will be to the contractor's account;

(d) Bulk movement of steel and POL should be by Rail;

(e) Octroi duty, if any, shall be borne by the Supplier.

This issues with the concurrence of Finance Directorate of Board's office. Please acknowledge receipt.

Sd/-
(V. K. Jain)
Director, Railway Stores (1C)
Railway Board.

ANNEXURE - II/4-48

No. 99/RS (G)/779/2. New Delhi,
Dated 1st March 2000

General Manager (Stores),
All Indian Railways & Production Units.

Sub : **Award of contract-procedure for conducting negotiations.**
Ref : Railway Board's letters :--

(i) No. 64/W5/DL/SE/6 dated 21st July 1964.
(ii) No. 61/WII/CT/24 dated 31st October 1965.
(iii) No. 67/WI/CT/32 dated 25th May 1968.
(iv) No. 76/RS(G)/779/36 dated 6th February 1997.

Railway Board Wrote the above referred orders, have laid down that selection of contractors by negotiations is an exception rather than the rule and whenever negotiations are conducted the number of tenderers to be called for negotiations shall not be less than two, except in cases where only a single quotation has been received. The procedure for conducting negotiations has been reviewed in the Board's office in view of the directives issued by CVC under their letter No. (i) 8 (1)(H)/98(1) dated 18th November 1998 (ii) 98/ORD/1 dated 15th March 1999 and (iii) 98/ORD/1 (Pt. 1) dated 16th March 1999, copies of which are enclosed for ready reference.

Keeping in view the **CVC's directives, Board have decided that :-**

(a) Selection of contractors by negotiations would continue to be an exception rather than the rule and may be resorted to only in the exceptional circumstances laid down in the Board's earlier letters.

(b) In case it is decided to call for negotiations, the negotiations will be held only with the lowest acceptable tenderer (L-1), who is technically cleared/approved for supply of bulk quantity and on whom the contract would have been placed but for the decision to negotiate.

In cases where small scale units, registered with NSIC quote in competition with others and fall within the price preference range as per extant Government orders, negotiations will be held with the lowest acceptable tenderer in each category *viz.* the lowest tenderer of SSI Unit, which falls within the purchase preference, as well as the lowest tenderer of the competitive basis as defined in (b) above.

Similarly, in cases where Central Public Sector Units, which are in competition with other tenderers and fall within the zone of perchase preference, negotiations will be held also with the lowest acceptable tenderer from among Central Public Sector Units, which falls within the limit of purchase preference.

Similarly, in cases where SSI units registered with NSIC for the concerned item and Central Public Sector Units, quote in competition with others, the same principle will be observed for negotiations.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

(P. S. Meena)
Dy. Director, Railway Stores (G)
Railway Board.

IMMEDIATE

CENTRAL VIGILANCE COMMISSION

No. 8(1)(h)/98(1)

Jaisalmer House, Man Singh Road,
New Delhi-110 011.
Dated 18th November 1998

Sub : **Improving vigilance administration.**

The Central Vigilance Commission Ordinance 1998 under Section 8(1) (h) directs that the power and function of the CVC will be the following : —

> '' Exercise superintendence over the vigilance administration of the various Ministries of the Central Government or corporations established by or under any Central Act, Government companies, Societies and local authorities owned or controlled by that Government ''.

2. Improving vigilance administration is possible only if system improvements are made to prevent the possibilities of corruption and also encourage a culture of honesty. In exercise of the powers conferred on the CVC by Section 8(1) (h), the following instructions are issued for compliance :--

2.1 Creating a culture of honesty :

Many organisations have a reputation for corruption. The junior employees and officers who join the organisations hopefully may not be so corruption minded as those who have already been part of the corrupt system. In order to ensure that a culture of honesty is encouraged and the junior officers do not have the excuse that because their seniors are corrupt, that they have to also adopt the corrupt practices, it is decided with immediate effect that junior employees who initiate any proposal relating to vigilance matters which is likely to result in a reference to the CVC can send a copy directly to the CVC by name. This copy will be kept in the office of the CVC and data fed into the computer. If within a reasonable time of say three to six months, the reference does not come to the CVC, the CVC then can verify with the concerned authorities in the department as to what happened to the vigilance case initiated by the junior employee. If there is an attempt to protect the corrupt or dilute the charges, this will also become visible. Above all the junior officers will not have the excuse that they have to fall in line with the corrupt seniors. Incidentally, the seniors also cannot treat the references made directly to the CVC as an act of indiscipline because the junior officers will be complying with the instructions issued under Section 8(1) (h) of the CVC Ordinance 1998. However, if a junior officer makes a false or frivolous complaint it will be viewed adversely.

2.2 Greater transparency in administration :

2.2.1. One major source of corruption arises because of lack of transparency. There is a scope for patronage and corruption especially in matters relating to tenders, cases where exercise of discretion relating to out of turn conferment of facilities/privileges and so on. Each Organisation may identify such items, which provide scope for corruption and where greater transparency would be useful. There is a necessity to maintain secrecy even in matters where discretion has to be exercised. But once the discretion has been exercised or as in matters of tenders, once the tender has been finalised, there is no need for the secrecy. A practice, therefore must be

adopted with immediate effect by all organisations within the purview of the CVC that they will publish on the notice board and in the organisation's regular publication the details of all such cases regarding tenders or out of turn allotments or discretion exercised in favour of an employee/party. The very process of publication of this information will provide an automatic check for corruption-induced decisions or undue favours which go against the principles of healthy vigilance administration.

2.2.2. The CVC will in course of time take up each organisation and review to see whether any additions and alterations have to be made to the list of items which the organisation identified in the first instance for the monthly communications for publicity in the interests of greater transparency. This may be implemented with immediate effect.

2.3 Speedy departmental inquiries :

2.3.1. One major source of corruption is that the guilty are not punished adequately and more important they are not punished promptly. This is because of the prolonged delays in the departmental inquiry procedures. One of the reasons for the departmental inquiry being delayed is that the inquiry officers have already got their regular burden of work and this inquiry is to be done in addition to their normal work. The same is true for the Presenting Officers also.

2.3.2. Each organisation, therefore, may immediately review ail the pending cases and the Disciplinary Authority may appoint Inquiry Officers from among retired honest employees for conducting the inquiries. The names of these officers may be got cleared by the CVC. The CVC will also separately issue an advertisement and start building a panel of names all over India who can supplement the inquiry officers work in the department. In fact, it will be a healthy practice to have all the inquiries to be done only through such retired employees because it can then be ensured that the departmental inquiries can be completed in time. If any service/departmental rules are in conflict with the above instructions they must be modified with immediate effect.

2.3.3. In order to ensure that the departmental inquiries are completed in time the following time limits are prescribed: —

(i) in all cases which are presently pending for appointment of Inquiry Officer and Presenting Officer, such appointment should be made within one month. In all other case, the Inquiry Officer and the Presenting Officer should be appointed, wherever necessary, immediately after the receipt of the public servant's written statement of defence denying the charges.

(ii) the Oral inquiry, including the submission of the Inquiry Officer’s report, should be completed within a period of 6 months from the date of appointment of the Inquiry Officer. In the preliminary inquiry in the beginning requiring the first appearance of the charged officers and the Presenting Officer, the Inquiry Officer should lay down a definite time-bound programme for inspection of the listed documents, submission of the lists of defence documents and defence witnesses and inspection of defence documents before the regular hearing is taken up. The regular hearing, once started, should be conducted on day-to-day basis until completed and adjournment should not be granted on frivolous grounds.

2.3.4. One of the causes for delay is repeated adjournments. Not more than two adjournments should be given in any case so that the time limit of six months for departmental inquiry can be observed.

2.3.5. The 10/PO, DA and the CVO will be accountable for the strict compliance of the above instructions in every case.

2.4. Tenders :

Tenders are generally a major source of corruption. In order to avoid corruption, a more transparent and effective system must be introduced. As post tender negotiations are the main source of corruption, post tender negotiations are banned with immediate effect except in the case of negotiations with LI (*i. e*. Lowest tenderer).

Sd/-
(N. Vittal)
Central Vigilance Commissioner

To:

(i) The Secretaries ot All Ministries/Departments of Government of India.
(ii) The Chief Secretaries to All Union Territories.
(iii) The Comptroller & Auditor General of India
(iv) The Chairman, Union Public Service Commission.
(v) All Chief Vigilance Officers in the Ministries/Departments/PSEs/Public Sector Banks/ Insurance Companies/Autonomous Organisations/Societies.
(vi) President's Secretariat/Vice-President's Secretariat/Lok Sabha Secretariat/Rajya Sabha. Secretariat/PMO.

GOVERNMENT OF INDIA
CENTRAL VIGILANCE COMMISSION

No. 98/ORD/1

Sauekto Bhavan, Block-A G. P. O.
Complex, I. N.A. New Delhi-110023.
Dated 15th March 1999

To:

(i) The Secretaries of All Ministries/Departments of Government of India.
(ii) The Chief Secretaries to All Union Territories.
(iii) The Comtroller & Auditor General of India
(iv) The Chairman, Union Public Service Commission
(v) Chief Executives of All PSUs/Banks/Organisations
(vi) All Chief Vigilance Officers in the Ministries/Departments/PSEs/Public Sector Banks/ Insurance Companies/Autonomous Organisations/Societies.
(vii) President's Secretariat/Vice-President's Secretariat/Lok Sabha Secretariat/Rajya Sabha Secretariat/PMO.

Subject**: IMPROVING VIGILANCE ADMINISTRATION-TENDERS**

Sir,

Please refer to CVC's instructions issued under letter No. 8(1)(h)/98(1) dated 18th November 1998 banning post tender negotiations except with L-1 *i. e.* the lowest Tenderer. Some of the organisations have sought clarifications from the Commission as they are facing problems in implementing these instructions. The following clarifications are, therefore, issued with the approval of Central Vigilance Commissioner.

(i) The Government of India has a purchase preference policy so far as the public sector enterprises are concerned. It is clarified that the ban on the post tender negotiations does not mean that the policy of the Government of India for purchase preference for public sector should not be implemented.

(ii) incidentally, some organisations have been using the public sector as a shield or a conduit for getting costly inputs or for improper purchases. This also should be avoided.

(iii) another issue that has been raised is that many a time the quantity to be ordered is much more than L1 alone can supply. In such cases the quantity order may be distri buted in such a manner that the purchase is done in a fair transparent and equitable manner.

Yours faithfully,
Sd/-
(P. S. Fatehullah)
Director

GOVERNMENT OF INDIA

CENTRAL VIGILANCE COMMISSION

Jaisalmer House,
Man Singh Road,
New Delhi-110 001.

DO No. 98/Ord/1 (Pt. 1) Dated 15th March 1999

Dear Shri Bandopadhyay,

Kindly refer to your d. o. letter No. 2-1 (25)/98-Pol dated 20th January 1999 and subsequent meeting held on 8th March 1999 regarding clarifications on instructions banning post tender negotiations.

2. The decisions taken during our discussions on 8th March 1999, are given below:

(a) So far as the advance procurement system is concerned, there is no difficulty in implementing the Commission's instructions of 18th November 1998. With regard to the rate contract system it was found that in about 25 per cent of the case the rates which are quoted may not be reasonable. They may not be reasonable of either from the point of view of their being either lower or higher than the expected rate. The problem of lower rate is difficult but so far, the DGS & D has been following a pragmatic policy of looking into the capacity of the vendor and than either ignoring people who are first timers or who are trying to break into the market with ulterior motives. This practice will have to continue because this has stood the last of time. On the other hand, where rates are high, the current practice is that all the vendors are caiied and given a counter offer based on the study made by the Department of Supply/DOS & D --

(b) In the light of the instructions dated 18th November 1998 this counter offer under the new system may be given only to 1.1. It was pointed out that there cannot be a 1.1 in the operations which the Department of Supply does because the source of production as well as consuming parties are totally different. But nevertheless

except in the case of cement for which there are certain Regional and movement restrictions for calculating prices in all other cases they go by the actual price in absolute number. The same practice can he adopted and the L1 as per this practice may be given the offer. Once the L1 accepts able negotiations, that price with the reasonable range as may be decided by the DGS & D/Department of Supply may be circulated to all parties, in other words, the net result of the instructions dated 18th November 1998 in that instead of the department of Supply/DOS & D dealing with all the bidders they will deal only with L1.

(c) As regards these who quote lower prices the current practice of DOS & D appears to unreasonable. However the Commission would examine the issue further the light of operation of the new system if the need arises.

With regards,

Yours sincerely,
Sd/-
(N. VITTAL)

Shri S. Bandopadhyay
Secretary,
Department of Supply,
Nirmal Bhavan,
New Delhi-110011.

ANNEXURE-II/4-49

Government of India
Ministry of Railways
(Railway Board)

No. 99/RS(G)/709/1 New Delhi, dated 23.03.2000

Sub : **Approval of firms for specific items.**

Ref : Board's letter No.73/RS(G)/779/30 Pt.II dt.30.03.97

Railway procure some of items like safety, vital items etc., from approved firms. List of approved sources may undergo a change after the opening of tender and consideration of firms approved after opening of tender is against the ethics of tendering system.

It has been decided that the status of the firm shall be reckoned as on the date of opening of tender only and a suitable clause be inserted in the tender that *'the Railways reserve the right to order entire or bulk quantity from approved firm, the status of the firm shall be reckoned as on the date of tender opening and not thereafter, unless a case of downgrading/removal/ suspension/ banning'.*

It is further clarified that if a firm is removed/suspended/banned after opening of tender that should be taken into account while deciding the tender.

This issues with the concurrence of Finance Dte. of Railway Board.

Please acknowledge the receipt.

Sd/-
(V.K. JAIN)
Director/RS(IC)/Rly. Board.

ANNEXURE-II/4-50

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No.89/RS(G)/363/5Pt New Delhi, dated 28.4.2000

The General Managers, All Indian Railways & PUs.

Sub : **Movement of traffic/materials by rail/road movements for the Railway's own use.**

Ref : Board's letter (i) No.87/RS(G)/779/26 Pt dt.21.02.97
(ii) No.89/RS(G)/363/5 dt.4.11.99.

The COSs/CMMs of the Zonal Railways/Production Units were permanently authorized to decide the mode of transport for movement of materials vide Board's letter at reference (ii). The matter has been reviewed and in partial modification of the aforesaid letter at reference (ii), it has been decided to

1. Delete the provision calling for granting personal approval of COS/CMM for each case.

2. Delegate full powers to the purchase officers for calling for supplies by Road for tenders falling within their powers of acceptance.

3. For distribution of materials to consignees within the Railways and inter-depot transfer of materials by Road, same will be as per Schedule of Power available on each Railway. However, in such cases, COS/CMMs will periodically monitor to ensure that the departmental transport available with the depot remains fully utilized before private trucks are pressed into service.

Detailed uniform instructions regarding entering into such Road Transport contracts may be laid down by the Railways/PUs in consultation and with the approval of Associate Finance.

However, the following conditions will continue to apply:-

1. In case of pre-inspected material the payment shall be made on receipt of goods with Inspection Certificate. Otherwise payment should be released only on receipt and acceptance of the material.

2. Transit risk will be to contrctor's account.

3. Bulk movement of steel and POL should be only by Rail.

This issues with the concurrence of Finance Directorate of Board's office.

Please acknowledge receipt.

Sd/-
(V.K. Jain)
Director, Rly.Stores(IC)
Railway Board

ANNEXURE-II/4-51

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No.99/RS(G)/779/5 New Delhi, dated 5.3.2002

The General Managers, All Indian Railways
and PUs

Sub : **Exepeditious settlement of Purchases.**

Board have been emphasizing on continuous availability of items and minimum 95% compliance of demands, for ensuring proper maintenance of rolling stock and assets. To ensure continuous availability of materials there is a need for procurement of material in time *i.e,* before commencement of the contract period. Railways are requested to devise an action plan for simplifying procedures and speeding up the procurement process and to ensure the following action:

(i) Technical evaluation should not be resorted to in routine procedural manner rather it should be done only in selected cases where deviations to the specifications have been indicated by the bidder and in case of procurement from sources for educational orders. Purchase officers may get the description, specifications and drawings checked by technical department before issue of tenders, wherever considered necessary.

(ii) In cases where, technical evaluation of the tender is necessary that should be carried out within the shortest possible time not exceeding two weeks in case of open tender and one week in case of limited tender from the date of such request.

(iii) It should also be ensured that tenders are issued within a maximum of 30 days from the date of the receipt of demands.

(iv) All the tenders should be finalized within 3 to 5 weeks for all vital and safety items from the date of openings/date of receipt of technical evaluation and other tenders should be settled within 4 to 8 weeks. Any tender not decided within this stipulated period should be critically reviewed at higher levels or in periodical tender review meeting.

(v) Railways should ensure that contracts are placed atleast three months ahead of the commencement of the contract period to ensure supply at the beginning of contract period.

(vi) Care should be taken by the purchase officers that clean contracts are issued so that no subsequent amendment is required. Amendments to a fresh contract immediately on receipt by the contractor reflect negligence on the part of contractor signing & contract deciding officials.

Sd/-
(P.S. Meena)
Dy. Director, Rly.Stores, Railway Board.

ANNEXURE-II/4-52

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/2 New Delhi, dt.14.11.2002

The Controller of Stores,
All Indian Railways & PUs.

Sub : **Applicability of CVC's instructions on post tender negotiation.**

Ref : Railway Board's letter No.99/RS(G)/779/2 dt.1-3-2002.

Attention is invited to the CVC's guidelines as contained in their letter No.8(1)(h)98(1) dt.18.11.98 and No.98/ORD/1 dt.28.3.2002 (copies enclosed for ready reference on the above subject). It had been laid down in terms of CVC's letter dt.18.1198 as referred above, that the post tender negotiations are banned with immediate effect except in the case of negotiation with L-1 (*i.e.,* lowest tenderer). Subsequently, *vide* their above referred letter dt.28.3.2002, it was decided that in case of projects with are funded from sources other than Consolidated Fund of Government of India, the Commission's instruction dt.18.11.98 is not applicable.

CVC has now issued instructions vide their letter No.98/ORD/1 dt.29.4.2002 (copy enclosed) that the instructions contained in their letter dt.28.3.2002 are withdrawn. As a result, post tender negotiations are banned except in the case of negotiation with L-1.

This issues with the concurrence of the Finance Dte. of Ministry of Railways.

Sd/-
Encl: as above. **(P.S. Meena)**
Dy. Director, Rly.Stores(G)
Railway Board

No.8(1)(h)/98(1)
CENTRAL VIGILANCE COMMISSION

Jaisalmer House, Man Singh Road,
New Delhi – 110 001.
Dated the 18th November 1998.

Sub : **Improving vigilance administration.**

The Central Vigilance Commission Ordinance 1998 under Section 8(1)(h) directs that the power and function of the CVC will be the following :--

"exercise superintendence over the vigilance administration of the various Ministries of the Central government or corporations established by or under any Central Act, Government companies, societies and local authorities owned or controlled by that Government".

2. Improving vigilance administration is possible only if system improvements are made to prevent the possibilities of corruption and also encourage a culture of honesty. In exercise of the powers conferred on the CVC by Section 9(1)(h), the following instructions are issued for compliance :--

2.1. Creating a culture of honesty :

Many organizations have a reputation for corruption. The junior employees and officers who join the organizations hopefully may not be so corruption minded as those who have already been part of the corrupt system. In order to ensure that a culture of honesty is encouraged and the junior officers do not have the excuse that because their seniors are corrupt, that they have to also adopt the corrupt practices, it is decided with immediate effect that junior employees who initiate any proposal relating to vigilance matters which is likely to result in a reference to the CVC can send a copy directly to the CVC by name. This copy will be kept in the office of the CVC and data fed into the computer. If within a reasonable time of say three to six months, the reference does not come to the CVC, the CVC then can verify with the concerned authorities in the department as to what happened to the vigilance case initiated by the junior employee. If there is an attempt to protect the corrupt or dilute the charges, this will also become visible. Above all the junior officers will not have the excuse that they have to fall in line with the corrupt seniors. Incidentally, the seniors also cannot treat the reference made directly to the CVC as an act of indiscipline because the junior officers will be complying with the instructions issued under Section 8(1)(h) of the CV Ordinance 1998. However, if a junior officer makes a false or frivolous complaint it will be viewed adversely.

2.2. Greater transparency in administration :

2.2.1. One manor source of corruption arises because of lack of transparency. There is a scope for patronage and corruption especially in matters relating to tenders, cases where exercise of discretion relating to out of turn conferment of facilities/privileges and so on. Each Organisation may identify such items which provided scope for corruption and where greater transparency would be useful. There is a necessity to maintain secrecy even in matters where discretion has to be exercised. But once the discretion has been exercised or as in matters of tenders, once the tender has been finalized, there is no need for the secrecy. A practice, therefore, must be adopted with immediate effect by all organizations within the purview of the CVC that they will publish on the notice board and in the organisation's regular publication the details of all such cases regarding tenders or out of turn allotments or discretion exercised in favour of an employee/party. The very process of publication of this information will provide an automatic check for corruption induced decisions or undue favours which go against the principles of healthy vigilance administration.

2.2.2.The CVC will in course of time take up each organization and review to see whether any additions and alterations have to be made to the list of items which the organization identified in the first instance for the monthly communications for publicity in the interests of greater transparency. This may be implemented with immediate effect.

2.3. Speedy departmental inquiries :

2.3.1.One major source of corruption is that the guilty are not punished adequately and more important they are not punished promptly. This is because of the prolonged delays in the departmental inquiry procedures. One of the reasons for the departmental inquiry being

delayed is that the inquiry officers have already got their regular burden of work and this inquiry is to be done in addition to their normal work. The same is true for the Presenting Officers also.

2.3.2. Each organization, therefore, may immediately review all the pending cases and the Disciplinary Authority may appoint Inquiry Officers from among retired honest employees for conducting the inquiries. The names of these officers may be got cleared by the CVC. The CVC will also separately issue an advertisement and start building a panel of names all over India who can supplement the inquiry officer's work in the department. In fact, it will be a healthy practice to have all the inquiries to be done only through such retired employees because it can then be ensured that the departmental inquiries can be completed in time. If any service/departmental rules are in conflict with the above instructions they must be modified with immediate effect.

2.3.3 In order to ensure that the departmental inquiries are completed in time, the following time limits are prescribed:-

(i) In all cases which are presently pending for appointment of Inquiry Officer and Presenting Officer, such appointment should be made within one month. In all other cases, the Inquiry officer and the Presenting Officer should be appointed, wherever necessary, immediately after the receipt of the public servant's written statement of defence denying the charges.

(ii) The Oral inquiry, including the submission of the Inquiry Officer's report, should be completed within a period of 6 months from the date of appointment of the Inquiry Officer. In the preliminary inquiry in the beginning requiring the first appearance of the charged officers and the Presenting Officer, the Inquiry Officer should lay down a definite time-bound programme for inspection of the listed documents, submission of the lists of defence documents and defence witnesses and inspection of defence documents before the regular hearing is taken up. The regular hearing, once started, should be conducted on day-to-day basis until completed and adjournment should not be granted on frivolous grounds.

2.3.4 One of the causes for delay is repeated adjournments. Not more than two adjournments should be given in any case so that the time limit of six months for departmental inquiry can be observed.

2.3.5 The IO/PO, DA and the CVO will be accountable for the strict compliance of the above instructions in every case.

Tenders are generally a major source of corruption. In order to avoid corruption, a more transparent and effective system must be introduced. As post tender negotiations are the main source of corruption, post tender negotiations are banned with immediate effect except in the case of negotiations with L1 (*i.e.,* Lowest tenderer).

(N. VITTAL)
Central Vigilance Commissioner

No.98/ORD/1
Government of India
Central Vigilance Commission

Satarkta Bhavan, Block 'A'
G.P.O. Complex, I.N.A.
New Delhi – 110 023.
Dated the 29th April, 2002.

Sub : **Applicability of CVC's instruction No.8(1)(h)/98(1) dated18.11.98 on post tender negotiations.**

Sir,

The under signed has been directed to refer to the Commission's letter of even number dated 28.3.2002, on the above subject and to say that the instructions contained therein are hereby withdrawn.

Yours faithfully,
Sd/-
(K.L. AHUJA)
Officer on Special Duty.

No.98/ORD/1
Government of India
Central Vigilance Commission

Satarkta Bhavan, Block 'A'
G.P.O. Complex, I.N.A.
New Delhi – 110 023.
Dated the 28th March, 2002.

Sub: **Applicability of CVC's instruction No.8(1)(h)/98(1) dated 18.11.98 on post tender negotiations.**

During the review meeting of the CVOs in Mumbai on 18.01.2002 one of the issue raised the applicability of the CVC guidelines banning post tender negotiation except with L-1 to such project as are funded by sources other than the consolidated Fund of Government of India.

2. It has been decided after due consideration that in so far as funding from sources other than consolidated Fund of Government of India the Commission's instruction dated 18.1.1998 is not applicable.

All concerned may ensure strict compliance of this instruction.

Sd/-
(C.J. Mathey)
Deputy Secretary

ANNEXURE - II/4-53

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No.99/RS(G)/779/2 Pt.1 New Delhi, dated 16.4.2003

The General Managers, All Indian Railways & PUs.

Sub : **Improving vigilance administration- Tenders.**

Attention is invited to the CVC's guidelines as contained in their letter No.98/ORD/1 dated 24.8.2000 (copy apple ready reference on the above subject). All the Railways/PUs are directed to follow the CVC guidelines as contained in the letter referred to above.

This issues with the concurrence of Finance Dte. of the Ministry of Railways.

Sd/_
Enclosure: As above. **(P.S. Meena)**
Dy. Director, Railway Stores(G)
Railway Board.

IMMEDIATE

No.98/ORD/1
Government of India
Central Vigilance Commission

Satarkta Bhawan, Block 'A'
GPO Complex, INA,
New Delhi – 110 023
Dated 24th August 2000

Sub. : **Improving vigilance Administration – Tenders.**

Sir,

Please refer to the instructions issued by Commission vide its communication No.8(1)(h)/98(1) dated 18.11.98, banning post tender negotiations except with L-1.

2. The Commission has been getting a number of queries on how to handle the matter if the quantity to be ordered is more than L-1 can supply or about placement of orders on Public Sector Undertakings. It is requested that such matters may be dealt with in accordance with the clarifications issued by the Commission vide its letter of even number dated 15.3.99 (copy enclosed).

3. Some of the originations have sought clarification as to whether they can consider the L-2 offer or negotiate with the firm if L-1 withdraws his offer before the work order is placed, or before the supply or execution of work order takes place. In this regard, it is clarified that such a situation may be avoided if a two-bid system is followed (techno-commercial) so that proper assessment of the offers is made before the award of work order. Therefore, if L-1 party backs

out, there should be re-tendering in a transparent and fair manner. The authority may in such a situation call for limited or short notice tender if so justified in the interest of work and take a decision on the basis of lowest tender.

4. The Commission has also been getting references for its advice on the procedures being followed in individual cases of tenders. The Commission would not involve itself in the decision making process of individual organizations. It, however, would expects the organizations to implement its instructions dated 18.11.98, in the spirit and to ensure that the decisions of administrative authorities are transparent.

Yours faithfully,
(K.I. Ahuja)
Officer on Special Duty

ANNEXURE - II/4-54

Government of India
Ministry of Railways
(Railway Board)

No.2003/RS(G)/11/3 New Delhi, dated 8.05.03

To
The Controller of Stores, All Indian Railways, PUs.

Sub : **Minutes of the Meeting held on 10.3.2003 at RDSO, Lucknow regarding Rationalization of Vendor Approval System.**

A copy of the Minutes of the Meeting of RDSO with Railway Board & Railways regarding Rationalization of Vendor Approval System held on 10.3.2003 at RDSO, Lucknow is sent herewith for information and necessary action.

Please acknowledge receipt.

Sd/-
(P.S. Meena)
Dy. Director Railway Stores (G)
Railway Board

Encl: as above.

Minutes of the meeting held on 10.03.2003 at RDSO, Lucknow, regarding Rationalization of Vendor Approval System

DG/RDSO welcomed Additional Member/Railway Stores, other officers from Board and COS/Northern Railway and addressed the meeting followed by address of AM/Stores who also indicated that MM at whose initiative this meeting was organized to streamline the system, had to cancel his programme at the last minute on account of indisposition. Thereafter, some points were raised by COS, N.R. and EDRS(P) Railway Board. All Sr. EDs/EDs of RDSO present were also given opportunity to express their views on the agenda items and points raised by AM/Stores, COS, N.R. and EDRS (P) as above. These have been taken into consideration in the minutes recorded against various issues discussed as follows:

1. Total production capacity and financial appraisal of the firm by the RDSO while approving vendors:

1.1 RDSO's views on the subject are that though production and financial capacities as mentioned in the capability appraisal form, are filled merely on the basis of information furnished by the firm but no detailed analysis is done by RDSO to verify the same. Further it is also not possible to verify this information as the firm is not undertaking any bulk production of the items under approval at the time of assessment and also subsequently after approval in Part II, as vendor is getting orders for limited quantity. Also it is not known that how much capacity, the firm will use for Railways or for a particular item on the Railway, under appraisal. The firms also make adjustments in the capacity depending upon the quantity on order and long term commitment of orders on them. AM/RS explained that capacity assessment has nothing to do with all these factors. In fact capacity for a particular item/group of similar items could be assessed based on the infrastructure facilities available as is being done by NSIC/DGS&D. After deliberations it was felt that to start with this exercise may be considered by RDSO for a limited number of items where there are supply problems (as per list of items attached to EDRS's letter No.2003/rS(G)11/3 dated 14.2.2003). the aim should be that the total supply capacity of all approved sources should be approximately 100% more than the annual requirement of Indian Railways (Para 7.2 also refers).

1.2 It was also decided that a s a case study, the supply problem of knuckle where 13 approved sources are available but supply problem still exists, be studied jointly by ED/QA-I/RDSO and EDRS (S)/Railway Board and remedial measures suggested within 1 month.

2. **Approval of vendors in Part II & Part I**

2.1 As per the present procedure followed by RDSO, vendors are initially registered in Part II and subsequently upgraded to Part I after they supply a minimum quantity to Railways. This at times takes very long time affecting availability of material adversely, and also leading to bitter complaints by vendors as well. It was suggested that since capability of vendor to manufacture a item is certified even before granting Part II status, possibility of merging Part II and Pat I category sources in one category for maximum permissible number of items may be examined. As per the views expressed by various directorates of RDSO, this categorization is inescapable from quality point of view as the bulk supply by a newly registered vendor can not be allowed without watching the performance of their products for a certain period to ensure that the vendor is capable of giving quality product on sustained basis.

2.2 After deliberation it was agreed that for a majority of items specially where supply problem exists and minimum specified quantities are such that time cycle for complying minimum quantities by vendors is very long (for want of ordering by Railways and not for want of capacity of vendor), then a balance has to be struck between the minimum specified quantities and period criterions for up-gradation from Part II to Part I. This exercise should start immediately and completed within 3 months by RDSO.

3. **Registration of well reputed sources directly in Part-I**:

3.1 The issue regarding registration of well reputed sources direct into Part I (without recourse through Pt.II) was deliberated upon. It was agreed that reputed firms who are regularly manufacturing items may be directly approved as Part-I source. One example cited was that of TISCO for supply of plates/sheets. In fact there is hardly any need to put sheets/plates under RDSO's purview as far as vendor approval is concerned. In any case such

approvals if necessary could be done directly into Part-I with the approval of DG/RDSO. Any assistance required in this connection can also be obtained from Railway Board (Stores Dte.)

4. **Issue of no amendment during the validity of the Vendor Directory:**

4.1 Presently the vendor directory of approved sources is issued twice in a year in January and July. During intervening period also RDSO has been issuing amendments regarding approval and deletions of vendors. Since status of approval of vendor as on date of tender opening is considered for tender decision and all amendments may not be in knowledge of ender deciding officials and the fact that the validity of vendor directory is only six months, it was suggested no amendment be issued within this interval of 6month and all changes incorporated in January/June. RDSO's views were that withholding approvals up-to the time of issue of next vendor directly may not be possible and will lead to many complaints and may not stand a judicial scrutiny.

4.2 After deliberation it was decided that this issue may be further examined from legal angle in the Board. In the meanwhile RDSO will maintain list of approved vendors on its web site and regularly update it so that latest status is known to all concerned.

5. **Monitoring the performance of approved vendors**:

5.1 RDSO pointed out that while on its part the performance of vendors is being regularly monitored by way of periodic renewals, quality audits, purchase inspections and checks on firm's QAP but feedback information from COSs which is equally important for dealing with the renewal, up-gradation, down-gradation etc. is not forthcoming in a systematic manner on a standard *proforma.*

5.2 After deliberations it was decided that RDSO will devise the suitable format and circulate to COSs of Railways for regular feedback. This action should be completed within one month.

6. **Centralised dealing of vendor approval guidelines**

6.1 RDSO indicated that though the vendor approval procedure followed by RDSO is mainly based on instructions issued by Stores directorate in 1999, based on recommendations of Committee of Additional Members but thereafter they are receiving instructions from different directorates of Railway Board to concerned directorates of RDSO which are at variance and causing aberration in the vendor approval system. While at RDSO this subject has been centralized with Quality Assurance Cell, Stores directorate which is the nodal directorate in Board's office may monitor and issue any modification in the existing guidelines after due consultation with concerned directorates. All directorates in Railway Board also should, therefore, process such cases through Stores Dt. So that contradictions could be avoided.

7. **Adequate number of vendors on approved list**:

7.1 The need for keeping adequate number of vendors on the approved list was also discussed. While large number of vendors may result in better competition but if number of vendors is too large, it may result in unhealthy competition and deterioration of quality. It may also not be possible to keep watch on quality performance of large number of approved vendors who may also not invest in Quality Control if they are not sure of utilization of even part of their capacity. Railway Board (Civil Engg Et.,) has recently issued instructions in this

respect for limiting the number of vendors (Ref.Rly Bd letter No.2001/TK-H/22/7/7 dt.28.2.2003).

7.2 After deliberations it was felt that total capacity available with the approved vendors could be approximately 100% more than the annual requirement of Railways. This will keep control on proliferation of vendors and it may also be possible to keep a watch on the performance of vendors. Railway Board (Stores Dte.) may consider to issue of suitable instructions in respect of other items on the same lines.

8. **Change in specification**:

8.1 In number of cases there have been change in specifications/qualifying criteria when the Part II sources/sources were due for up-gradation. RDSO stated that change in specification is a continuous process and also improvement in specifications is one of the important activities assigned to RDSO so as to improve the reliability and maintainability of assets. However, due care is taken by RDSO that the changes in specifications at discussed with approved vendors and definite time frame is given for implementation. At times the changes are carried out on the recommendations of various standards committee in which officers form Board, Railways, RDSO, PUs etc. participate.

8.2 After deliberations it was agreed that whenever there is change in specification/qualification criteria, the same will apply uniformly to all the vendors in Part-I & II category and adequate time will be given to vendors for effecting the change.

9. **Vendor approval of common items**

9.1 It was pointed out that there are items which are common and used by different departments like flasher light (used in electric and diesel locos) but have different approved sources. This is causing difficulty in procurement. RDSO's views were that it takes into consideration approval granted by other users i.e, Zonal Rlys, PUs & other directorates but cannot be expected to endorse unless it stands to its own technical scrutiny. As regards common items of different departments, the same will be assigned to only one directorate to be decided by DG/RDSO.

9.2 RDSO raised the issue that recently in November 2002 a large number of items of Motive Power have been deleted, from the list of items assigned to RDSO for vendor approval. Many of these items are highly technical and related to safety. RDSO suggested that only items which are relatively simple, be deleted and rest be retained with RDSO list. Also the role of Railways, DLW & RDSO be clearly defined in developing vendors for these items. In the cases of development of new technologies, RDSO stated that it should be fully associated from the beginning. This could be examined jointly by AM(PU) & AM(RS) for issuing clear instructions on the role of RDSO and others.

Sd/-
(A.K. Mital)
Executive Director RS(P)
Railway Board.

ANNEXURE - II/4-55

Government of India
Ministry of Railways
(Railway Board)

No. 2003/RS(G)/11/9 Dated 09.06.2003.

Sub : Exemption from submission of Income tax clearance Certificate (ITCC) by tenderers / contractors.

Ref: 1) Board's letter no: F(X)-I-75/24/2 dt 24th June,1977.
2) Board's letter no: F(X)I-2003/24/1 dated 24th April,2003

Ministry of Finance & Company Affairs, department of Revenues (CBDT) has clarified that " no Income Tax Clearance Certificate (ITCC) shall be required to be furnished by any person while filling a tender for purpose of obtaining commercial contracts, etc., w.e.f. 1.1.2003. As regards the pre-conditions regarding release of payments without insisting on ITCC, it has further been clarified that no ITCC would be issued by the Income tax Department to persons obtaining commercial contracts for any purpose".

In view of the above, the instructions issued vide Board's letter No. F(X)I-75/24/2 dated 24.06.1977 regarding submission of Income Tax Clearance Certificate (ITCC) by the Tenderers/Contractors are no longer valid.

The contents of this letter may please be brought to the notice of all concerned for information and guidance.

This issues with the concurrence of Finance Dte. of Ministry of Railways.

Please acknowledge receipt.

-Sd-
(P.S.Meena)
Dy. Director, Railway Stores (G)
Railway Board.

Copy to: FA&CAO, All Indian Railways & PUs.

ANNEXURE-II/4-56

R.C. SAXENA

D.O.No.2003/RS(G)/777/4 25-11-2003

My dear

Sub : **Post contract commercial amendments to Purchase Orders.**

It has been observed that in some PUs as well as Zonal Railways, there is a tendency amongst the Stores Officers to pass on the purchase files at the post contract stage, to the technical department/officer for comments/suggestions/decisions on issues, purely of commercial nature, which otherwise fall within the purview of Stores Officers and enough rules and guidelines exist in Statute Books of Stores Department on the subject.

This tendency while, on the one hand, indicates indecision or tendency to shirk responsibility on the part of the Stores Officer, on the other hand, the cases also become complicated as, the Technical Officer is not competent to give advice on subjects purely of commercial nature and pertaining to stores matters. It is, therefore, advised that all officers under your control engaged in the purchase activity should be clearly and firmly told to take all decisions by themselves in respect of Stores/Commercial/Financial matters, within their competence, based on the facts and merits of the case available on the file and within the framework of rules without making any reference, whatsoever, to the Technical/consumer department unless the issue is purely of technical nature and the Technical officer only will be in a better position to give expert advice.

Similarly, the issues which do not involve any financial repercussions need not be referred to the Associated Finance as well, unless it is laid down in the rules. However, the decisions which may have financial repercussions must be taken with the concurrence of the Associated Finance.

Please acknowledge the receipt of this letter.

With best wishes,

Yours sincerely,
(Sd/-)
(R.C. Saxena)

Shri (COSs of all Indian rlys & PUs)

ANNEXURE - II/4-57

Government of India
Ministry of Railways
(Railway Board)

No.2003/RS(G)/777/5 New Delhi, dated 06.02.2004

To
The GM, All Indian Railways, PUs.

Sub: **Delayed/Late/Post Tender offers.**

Ref: i) Board's letter No. 71/RS(G)/777 dated 1.8.81
ii)Board's letter No.71/RS(G)/777 dated 19.4.84
iii)Board's letter No.83/WI/CT/17 dated 30.7.84

In reference to para (4) of Board's letter under ref. no.II above, a doubt has been raised whether these instructions regarding not entering into any dialogue with the agency submitting a delayed tender without obtaining Board's prior clearance, are applicable to 'delayed tenders' only.

The matter has been examined in Board's office and it is clarified that the Board's instructions as contained in their aforesaid letter dated 19.4.84 are applicable to late/delayed/post tenders. Accordingly, wherever the word 'late tender' or 'delayed tender' is appearing in the said letter, the same may be substituted by 'late/delayed/post tender offers'.

This issues with the concurrence of associate Finance Dte. of Ministry of Railways.

Sd/-
(P.S. Meena)
Dy. Director, Rly. Stores(G)

ANNEXURE - II/4-58

Ministry of Railways, (Railway Board)

No. 99/RS(G)/709/1 Pt.I New Delhi-110001, dated 28/04/2004.

Sub : **Placement of full quantity orders on sources under Part-II for items where there is no Part-I source.**

Ref : (i) Board's Lr. No. 99/RS(G)/709/1 dated 06/09/1999.

(ii) Board's Lr.No. 77/RS(G)/779/17 dated 23/27/01/1979.

In pursuance of RDSO's query on the issue of placement of full quantity orders on sources under Part-II when there is no Part-I source, the following clarification is issued on the subject matters.

Items where there is no approved source in Part-I list and approved sources exist in Part-II list only, there is no alternative but to consider such Part-II firms for placement of Bulk Quantity orders as well without any quantity restrictions, otherwise applicable to Pt.-II firms.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(P.S.Meena)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE - II/4-59

Ministry of Railways, (Railway Board)

No.2004/RS(G)/779/9 New Delhi, dated 9.12.04

The Controller of Stores
Central Railway, Mumbai

Sub : **Movement of traffic/material by rail/road movement for the Railway's own use.**

Ref : Item vide Para 6.2 of COS/C.Rly's PCDO to Board (MM) for the month of September, 2004.

A proposal has been received from Central Railway, to reconsider the instructions on movement of Railway's own material by Road. In their proposal, they have submitted the inconveniences suffered by Railway in transporting the Railway material from one depot to another due to rake movement of Railway wagons.

The proposal was examined in Board's Office, and accordingly it is noted that existing instructions issued *vide* Board's letter No.89/RS(G)/363/5Pt. dated 28.4.2000 sufficiently take care of problems being faced by Railways regarding inter depot transportation of Railway material.

Please acknowledge receipt.

(P.S. Meena)
Dy. Direcor, Railway Stores (G),
Railway Board

ANNEXURE - II/4-60

Government of India
Ministry of Railways
(Railway Board)

NO: 2004/V-I/CVC/1/18 Dt. 02.01.2006.

All General Managers

Sub : Undertaking by the Member of Tender Committee/ Agency.

In continuation of the CVC's directives regarding transparency in Tendering process, issued vide their letter dated 16/03/2005(circulated by Railway Board vide letter of even no. dated 13/04/2005) the CVC *vide* their letter no: 005/VGL/66 dated 09.12.2005 (Office Order no: 71/12/05), have advised that the Members of the Tender Committee should give an undertaking at the appropriate time, that none of them has any personal interest in the companies / agencies participating in the tender process and that any member having interest in any company should refrain from participating in the tender committee.

This may be brought to the notice of all concerned to ensure strict compliance of these provisions.

Sd/-
(A.K.Madhok)
Deputy Director/Vigilance-I, Rly.Board.

ANNEXURE - II/4-61

Government of India
Ministry of Railways
(Railway Board)

No. 99/RS(G)/709/1 Dated. 05.05.2006

The General Manager/ All Rlys/ PUs,

Sub : Ordering on Approved sources in Part-II.

1.0 In terms of Board's letter no:99/RS(G)/709/1 dated 06.09.1999, the ordering quantity on sources approved in Part-II is limited to 15% of the procurement quantity. It has been reported that this stipulation of imposing strict quantity restriction in each tender on percentage basis lead to anomaly in certain situation as the procurement quantity of an item varies significantly between different zonal Railways. The procurement quantity varies considerably sometimes from one tender to another tender within the same Railway unit as well. For instance, if the procurement quantity of an item is 1000 nos, the eligibility of a competitive approved Part –II tenderer comes to 150 nos. If the procurement quantity is 100 nos for the same item, in another tender of the same or another Railway Unit, the ordering quantity gets limited to 15 nos only notwithstanding the competitive price ranking of the same Part-II approved tenderer and significant financial advantage of the lower price.

2.0 Board has examined the matter on the basis of a reference from vigilance. It has now been decided that the ordering on a Part-II approved source with competitive price ranking can be considered beyond 15% in case that source has successfully executed a larger quantity order in the same Railway unit. That is to say, the ordering quantity on a Part-II

source can be upto 15% or the highest quantity of a past order successfully executed in the same Railway unit whichever is higher subject to the tender committee/accepting authority being satisfied about the financial capacity, performance aspects, etc.

3.0 It is also likely that there may be cases where more than one part-II source are within the zone of consideration on the basis of competitive price ranking with satisfactory past performance on that Railway. In such cases each part-II source can be considered for ordering in the same manner as indicated in Para 2.

Kindly acknowledge the receipt of the letter and ensure compliance.

Sd/-
(Trilok Kothari)
Dy. Director, Rly.Stores(IC) Railway Board.

Copy to COS/All Rlys/PUs

ANNEXURE—II/4-62

Government of India
Ministry of Railways
(Railway Board)

NO: 98/RS(G)/709/1 Dt. 30.05.2006

All General Managers

Sub : **Report of the committee on issue of terms and conditions and other related aspects of M&P procurement both import and indigenous.**

A committee of 3 SAG level officers viz., COS/COFMOW, FA&CAO/COFMOW and CME/DLW was nominated to make recommendations on the issue of terms and conditions to be incorporated and other related aspects to Machinery & Plant procurements-both import and indigenous. Accordingly, the committee have gone through the existing instructions on the subject and submitted its recommendations to Board. Board after detailed deliberations on the recommendations has approved the following modifications to the tender conditions and guidelines for procurement of M&P.

Following modifications may be incorporated in the Tender Conditions for procurement of M&P :–

1. Element of Freight for indigenous purchase:

(a) In case where the consignee are more (say more than 4 or so), tenderers are required to quote for the FOR station of dispatch prices with an average freight for all consignees, which will be added to FOR station for dispatch price to get FOR destination prices.

(b) In case where the consignees are four or less, tenderers are required to quote FOR station of dispatch price with an actual freight for each individual consignee, which will be added to FOR station for dispatch price to get FOR destination prices for each individual consignee.

2. Timely Commissioning of M&P:

In the event of contractors' failure to have M&P commissioned by the time or times respectively specified in the letter of acceptance or contract, purchaser may withhold, deduct or recover from the contractor as penalty, a sum @ 2 % (two percent) of the price of M&P which the contractor has failed to commission as aforesaid for each and every month (part of

a month being treated as a full month) during which the M&P may not have been commissioned, subject to an upper limit of 10% (ten percent) of contract value.

3. Warranty:

(a) Warranty period for M&P will be 24(twenty four) months from the date of commissioning and proving out of M&P. A maximum period of 2 (two) weeks will be allowed for attending and rectification of faults during the warranty period.

(b) Maximum down time during the warranty period will be 2% (two percent) for on line M&P and 10% (ten percent) for of line M&P calculated on quarterly basis.

(c) A penalty of 0.5% (Zero point five percent) per week of the contract value will be levied for delay in response time for attending and rectification of faults beyond specified time during the warranty period as detailed above.

(d) Maximum penalty to be levied on account of warranty failure will be 5% (Five percent) of the contract value calculated during whole of warrantee period and after that if there is any delay on the part of supplier purchaser shall be entitled for encashment of WG Bonds. In such cases the bad performance of firm during the warranty period, the same should be recorded and circulated to all Railways. The same should be given due regard in deciding future orders on the firm and when evidence to the contrary is not available, the firm's offer may be even rejected.

4. Annual Maintenance Contract:

(a) Tenderers are required to quote for post warranty Annual Maintenance for a period of five years after expiry of the warranty period of the M&P along with their offers.

(b) Tenderers are required to mention such AMC schedule of such Annual periodic maintenance along with offers giving the charges for AMC maintenance schedule and other details of items to be used in such preventive maintenance.

(c) The charges of Annual preventive maintenance schedule for five years along with the cost of items to be used in preventative maintenance schedule during these five years are payable to supplier and sum total of these charges would be included in the FOR destination price quoted for M&P for the purpose of comparative evaluation of offer.

(d) Tenderers are required to give the cost of essential spares and service charges for each items of work of repair of M&P outside preventive maintenance contract. These charges will not be included in the price of M&P for the purpose of comparative evaluation of offers.

(e) The terms & conditions of AMC must clearly specify the maximum down time and maximum response time.

(f) Tenderers who are OEM, must give undertaking for supply of spare parts for a period of expected life of the machine / equipment. Other tenderers must submit undertaking from OEM for supply of spare parts for a period of expected life of the machine/equipment.

5. Payment Terms:

(i) Payment to foreign supplier: Payment against foreign supplies shall be made through Letter of Credit. All charges, including the confirmation charges of L.C, levied by foreign banks, shall be borne by the supplier. The standard payment terms subject to recoveries if any, under the liquidated damages clause and general condition of contract will be as under:-

(a) 80% of the payment against irrevocable L.C on proof of inspection certificate and shipping documents within 30 days of receipt of shipping documents as specified.

(b) Balance 20% payment within 90 days after installation / commissioning and proving out test of M&P subject to submission of bank guarantee for an amount of 10% of contract value, as warranty security.

(ii) Payment against indigenous supply: The standard payment terms subject to recoveries in any, under the liquidated damages clause and general condition of contract will be as under:-

(a) 80% of the payment on proof of inspection certificate and Rail/Road Challan to be made within 30 days of receipt of documents as specified.

(b) Balance 20% payment within 90 days after satisfactory installation/ commissioning and proving test of M&P subject to submission of bank guarantee for an amount of 10% of contract value, as warranty security.

Railways are further advised to keep in view the following guidelines while procuring M&P:-

1) Turnkey contract in case of indigenous contract may be concluded for large and complex plants on case to case basis.

2) Inspection of M&P items will be carried by M/s RITES.

3) In case of bad performance of firm during the warranty period, the same should be recorded and circulated to all Railways. The same should be given due regards in deciding future orders on the firm and when evidence to the contrary is not available, the firm's offer may even be deleted.

4) Insurance up to ultimate consignee must be ensured.

5) For assessing the capacity/capability of the foreign firm, tender documents should include submission of Performance Statement giving details of same or similar equipments manufactured / supplied by tenderer in the last five years must be ensured in the Tender Documents. Tender Committee should examine the credentials, capacity / capability of firms & satisfactory performance of same / similar equipments manufactured / supplied by tenderer to other customers.

6) For timely site preparation, all indenters should identify/ decide location of site for installation of M&P before submitting indents for procurement.

Other terms and conditions for procurement of M&P remain unchanged.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
Dy. Director, Rly Stores (G)-II
Railway Board.

ANNEXURE - II/4-63

Ministry of Railways, (Railway Board)

No: 99/RS(G)/709/I Pt.I Dt. 13.06.2006

The General Managers/All Railways.

Sub : Proper maintenance of Assets-Quality procurement of Stores.

Ref : Board's letter of even number dated 06.09.1999.

Vide sub para 1.10 of Board's above referred letter, it was advised that "Each educational / developmental order should not exceed 33% of the quantity ordered on any of the approved sources in a tender case."

Board after detailed deliberations on this issue have decided to delete above sub-para. Hence para 1.10 of Board's letter of even no. dated 06.09.1999 may be treated as deleted.

This issues with the concurrence of Finance Directorate of Ministry of railways.

(Aruna Jain)
Dy. Director, Rly Stores(G)-II, Railway Board.

ANNEXURE - II/4-64

Ministry of Railways, (Railway Board)

No: 99/RS(G)/709/4 Pt.I Dt. 19.07.2006

The Controller of Stores, All Indian Railways & PUs

Sub : Procurement of items reserved to be purchased from RDSO approved firms.

Ref : DG(Elect.)/RDSO's letter No:EL/3.2.61/Gen.dated 28.04.2006.

Based on a reference received from Stores Department of a Zonal Railway, RDSO vide their above referred letter addressed to approved vendors of VCBs with copies to Zonal Railways, have issued instructions that " the equipment manufacturers should only quote directly against the tenders floated by Railways/PUs instead of quoting through their authorized dealers on their behalf." This has not been agreed to by Railway Board. The views of Railway Board have been intimated to DG/RDSO.

Attention is drawn to Board's instructions issued vide letter No: 99/RS(G)/709/4-IC dated 23.02.2001 & 03.12.2002 on the subject matter stating the OEMs can authorize its dealers to quote on their behalf provided the vendor takes full responsibility for the quality of the product supplied including warranty obligations and the inspection of the product against Railway's order is carried out at the manufacturer's premises.

It is not clear as to how a Zonal Railway Stores Department made a reference to RDSO on this matter overlooking the Board's guidelines. Even if any problem was experienced, this matter should have been referred to Railway Board and not to RDSO. The purchase officers are expected to be upto date with Board's guidelines on procurement policy.

(Trilok Kothari)
Director, Rly Stores (IC), Rly Bd.

ANNEXURE - II/4-65 **RBS 20/2006**

Government of India
Ministry of Railways
(Railway Board)

NO: 2005/RS(G)/779/12 Dt. 14.09.2006
The General Managers
All Indian Railways/PUs.

Sub : Procurement policy for Signaling, Telecommunication and Electrical cables.

Ref : Board's letter of even no. dated 19.04.2006.

Arising out of Audit Para No.4.4.5 of C&AG Report No.8 of 2004, instructions have been issued to Railways and Production Units vide above referred letter, stating that, in future procurement of cables *i.e,* signaling, telecom and electrical cables for construction and maintenance activity will be procured as a part of Stores Contracts instead of Works Contracts.

In response to above, some of the Railways have represented that above instructions are likely to result in delay in completion of target works including works of urgent nature. The matter was examined by Board and accordingly it has been decided to exclude the following procurement from the purview of Board's letter referred to above:-

i. Procurement of electrical wires & cables used for maintenance, repair and other works related with Passenger Amenities and Staff Quarters and Staff Amenities.

ii. Wiring/electrification works for quarters, glow sign boards, yard lights & minor electrical and communication works of urgent nature and works related with 'Touch and Feel' items.

However, care should be taken to ensure that prices of items procured are reasonable w.r.t any ruling DGS&D rate contract prices or prices at which they are being procured against contracts placed by Stores Department.

For all other works including works for sanctioned projects, procurement of cables shall continue o be done as per Board's letter of even no. dated 19.04.2006.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
Dy. Dir.Rly.Stores(G)-II
Railway Board

ANNEXURE - II/4-66

Ministry of Railways, (Railway Board)

No.2004/RS(G)/779/9 New Delhi, dated 19.10.2006

Sub : **Cartel formation by RDSO approved vendors.**

It is seen that Railways have been repeatedly reporting regarding the cases of cartel formation by RDSO approved vendors for various items. In this regard, it is hereby advised

that all such cases of cartel formation, where firms are repeatedly quoting exorbitant rates may also be reported to Completion Commission of India (CCI) regularly at the following address:-

14, "B" Wing,
Hudco Vishala,
Bhikaji Cama Place,
New Delhi-110066.

(Trilok Kothari)
Director, Railway Stores (IC)
Railway Board

ANNEXURE - II/4-67

Ministry of Railways,
(Railway Board)

No.2004/RS(G)/779/9 New Delhi, dated 08.11.2006

The Financial Advisor &Chief Accounts Officer,
Diesel Loco Modernization Works, Patiala.

Sub : **Movement of materials by Road.**

Ref : (i) Your letter No.DMW/FX/0/03/Misc. dated 18.5.2006
(ii) Board's letter of even No. dated 28.04.2000.

The matter raised vide your above referred letter has been examined in Board's office. In this regard it is hereby advised that:

a) It is responsibility of DMW to ensure timely delivery of material to consignees spread all over Indian Railways.

b) While doing so, DMW shall ensure that:-

(i) Cheaper mode of transport, Rail/Road, is used preferably subject to its timely availability.

(ii) Inventory built-up is kept at bare minimum level.

(iii) Timely delivery of material at consignee end does not suffer on account of non-availability of VPUs/Road transport contract or any other reason.

This letter should be read in conjunction with Board's letter of even No. dated 28.4.2000.

This issues with concurrence of Finance Directorate of Ministry of Railways.

(Trilok Kothari),
Director Railway Stores (IC), Railway Board.

ANNEXURE - II/4-68

Government of India **RBS.21/2006**

Ministry of Railways
(Railway Board)

No. 2005/RS(G)779/1 New Delhi, dated: 9.11.2006

The General Manager/ All Rlys &PUs.

Sub : **Modification to tender condition- Offer by Fax.**

One of the Railways has referred the matter of consideration of offers received by FAX. The matter has been examined by Board and it has been decided that:

(i) Offer received through FAX may be considered in case of procurement of items through proprietary article certificate & single tender only subject to the firm submitting post confirmation copy on their letter head duly signed by the authorized person as per the tender conditions within ten working days from the date of opening.

(ii) However, for other type of tenders i.e. for Bulletin, Limited and Advertised/Open Tenders etc., offers received through FAX and found in the tender box at the time of opening of Tenders and complete in all respects and duly signed by the authorized signatory should be treated as in time offer subject to the firm/firms submitting post confirmation copy duly signed by the authorized person as per the tender conditions within ten working days from the date of opening.

(iii) All other offers received by FAX not covered in Para (i) & (ii) above shall be treated as invalid. The offers received by FAX as covered in Para (ii) above shall be deemed as unresponsive in case the confirmation copy is not received within the time stipulated in Para (ii) above.

(iv) No purchase order shall be issued against the FAX offers without receipt of the confirmation copy of the same.

(v) It shall be the sole responsibility of tenderers to ensure that the offers submitted by FAX are dropped in appropriate tender box in sealed cover/covers and within the prescribed time and date. The Railways shall not be responsible in any way for any delay in dropping the FAX offers in the appropriate tender box. Suitable guidelines may be included in “Instructions to Tenderers” as part of Tender documents, covering the offers by FAX in tenders as detailed above respectively.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
DDRS (G)-II, Railway Board

ANNEXURE - II/4-69

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBS No: 19/2006

No. 93/RS(G)/779/5 Pt.II — New Delhi, Dated: 05.12.2006.

General Managers,
All Indian Railways/PUs

Sub : Operation of Option Clause in Supply Contracts.

Board has been receiving references from Zonal Railways regarding incorporation / operation of Option Clause in supply contracts approved at Zonal level on the basis of Board's letter of even no. dated 08.09.1997.

The matter was examined by Board and it is clarified that at the time of issuing amendment to purchase order for the enhanced quantity, the following courses of action is to be adopted:

1. Approval of competent authority must be obtained for procurement of the entire quantity after inclusion of quantity to be procured under option clause (i.e original quantity + quantity to be procured under option clause) in case total quantity of the purchase order is exceeding the quantity for which approval of competent authority was obtained.
2. In case total value of quantity to be procured exceeds the acceptance powers of GM, the approval of competent authority in Board must be obtained for procurement of entire quantity prior to operation of option clause.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC), Rly Board.

ANNEXURE - II/4-70

Government of India
Ministry of Railways
(Railway Board)

No.2001/F(S)III/ST/5(Pt) — New Delhi, dated 08.01.2007

The Financial Advisor &
Chief Accounts Officer,
Diesel Loco Modernization Works
Patiala.

Sub : **Passing of CENVAT credit benefits availed on inputs-Calculation of Excise Duty.**

Under the CENVAT credit rules, the supplier requires to pass on all the CENVAT credit benefits availed on inputs of finished product as set offs to the purchase, if the Excise duty is payable on the finished product.

While considering one of the cases related to payment of Excise Duty on track machines, one of the Railways pointed out that set offs receivable under the CENVAT Scheme entails reduction in the price of each machine to the extent of the CENVAT credit availed by the firm and the Excise duty on the machines should be payable on the reduced price thus arrived. In other words, assessable value of the finished product for the purpose of Excise Duty shall be net of discounts, CENVAT Credit, Sales Tax/VAT etc.,

The aforesaid issue has been examined in this office in consultation with the Legal Date. The advice conveyed on the subject is as under:

"In determining the cost of an excisable product covered by the MODVAT scheme under Section 4(1)4(b) of the Act read with Rule 6 of the valuation rules, the excise duty paid on raw material also covered under MODVAT SCHEME is not to be

Included *i.e.,* excise duty paid on raw material, if modvatted is not to be included in determining the cost of production of excisable product.

The above legal opinion on the subject be taken into consideration while examining all such cases involving passing of CENVAT/MODVAT credits on inputs and calculation of Excise Duty on the finished products.

This issues in consultation with Stores Directorate of Railway Board.

Sd/-
(A.K. Bhatnagar)
Dy. Director Finance (Stores)

ANNEXURE - II/4-71

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBS No: 01/2007

No. 99/RS(G)/779/2 New Delhi, Dated: 10.01.2007.

Sub : Consideration of offers of Indian Agent.

Please find enclosed a copy of Central Vigilance Commission's letter No: 12-02-6-CTE/SPI(1)-2 dated 07.01.2003, on the above subject for information and implementation.

Suitable conditions must be provided in tender documents.

This issues with the concurrence of Finance Dte. of Ministry of Railways.

Sd/-
(Aruna Jain),
Dy.Director,Railway Stores (G)-II, Railway Board

NO: 12-02-6-CTE/SPI(1)-2
Government of India
CENTRLA VIGILANCE COMMISSION
(CTE'S ORGANISATION)

SATARKTA BHAVAN,
BLOCK-A,GPO COMPLEX,
INA, NEW DELHI-110023.

Dated the 7th January 2003.

OFFICE MEMORANDUM

Sub. : Consideration of Indian Agents.

The commission has received a complaint alleging that in Government tenders at times an Indian Agent participates on behalf of two different foreign suppliers and in the event of only offers of these two suppliers getting short listed, then the Indian representative knowing the prices of the two foreign suppliers/ manufacturers may take an undue advantage.

2. The issue has been deliberated in the commission. In order to maintain sanctity of the tender system, it is advised that one agent cannot represent two suppliers or quote on their behalf in a particular tender.

3. It is suggested that these instructions may be circulated amongst the concerned officials of your organisation for guidance.

Sd/-
(Niranjan Singh), Under Secretary

TO

All CVOs of Ministries/ Departments /PUs/Banks/Insurance Companies/ Autonomous Organisationjs/ Societies/ UTs.

ANNEXURE - II/4-72

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 99/RS(G)/779/2 New Delhi, Dated: 07.03.2007.

Sub : **Consideration of offers of Indian Agents.**

Ref : Your Railway's letter no. S.314.2P.Vol.V dated 19/22.02.07.

In reference to your above letter calling for clarification on Board's letter of even no. Dated 10.1.2007 regarding applicability of these instructions to imported stores only or for indigenous contracts / Indian Suppliers as well, it is advised that CVC's instructions as forwarded vide Board's letter of even no. Dated 10.01.2007 shall apply in principle for all types of tenders.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC), Rly Board.

ANNEXURE - II/4-73

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2007/F(S)I/CST/1 New Delhi, Dated: 04.05.2007.

FA&CAOs/COSs / All Rlys & PUs

Sub : Amendments in Central Sales Tax, 1956-Implications.

The Taxation Laws(Amendment) Act,2007 amending the Central Sales Tax Act, 1956 has been notified vide Gazette Notification dated 29th March 2007. The Amendment Act comes into effect from 1st April, 2007. The net effect of the amendment is as under:

i). The rate of CST on inter state sale to registered dealers (against form-C) shall stand reduced from 4% to 3 % or the rate of VAT applicable in the State of selling dealer, whichever is lower.

ii). The rate of CST on inter state sale other than sale to registered dealers shall be the rate of VAT applicable in the state of the selling dealer.

iii). The rate of CST on inter State sale to Government Departments shall also be the rate of VAT applicable in the state of the selling dealer, indicated in (ii) above. The facility of inter State purchases by Government Departments against Form-D stands withdrawn.

1.1 The concessional tax regime so far available to the Government Departments has been withdrawn w.e.f 1.4.07. Government Departments will have to pay CST @ normal VAT rates prevalent in the seller's state for purchase involving inter-state movement of goods.

1.2 However, goods of special importance (called declared goods) as incorporated in Section 14 of the CST Act will continue to suffer/ enjoy concessional rate of tax since State Governments cannot impose tax at higher rates than envisaged in CST Act. Iron and Steel items as listed in Section 14 of CST Act 1956, for instance will suffer CST @ 4 % only.

1.3 Purchases by the Railways would be falling under item (iii) above and instead of concessional rate of 4% or 3% the rate of CST will be the same as provided for the items of purchase in State VAT / Sales Tax Act of seller's State. The variation in tax rate in respect of existing contracts should be considered in terms on contract conditions.

2.0 The purchase of HSD, to the extent possible, be made from locations where rate of tax is lower than contiguous locations.

2.1 The VAT/Sales Tax schedules and amendments thereto of the relevant State must be carefully checked to ensure that Tax as applicable is paid to the supplier. Further, several State VAT Acts provide for 4% tax on Rail Wagons, Engines, Coaches and parts thereof. In such cases care must be taken to cover all such parts under the relevant VAT provisions to pay only 4% tax.

3.0 Railways must conduct an in-depth analysis of the sources of supply with a view to source material from within the State/s where final consumption point/ consignee is located to the extent such an option can be exercised within the framework of prescribed

policy / procedure for procurement of material. This would enable Railways to avail input credit of VAT scheme which would not be available otherwise when CST @ VAT rates is paid for purchase involving inter-state movement of goods. In any case, a genuine competitive bidding process will ensure that the intra-state bidder has an advantage vis-à-vis bidder whose supply would involve inter-state movement of goods.

Sd/-
(Prashant Misra)
Director Finance (Stores) I
Railway Board.

ANNEXURE - II/4-74

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBS No: 09/2007

No. 99/RS(G)/709/1 Pt.1 New Delhi, Dated: 29.06.2007.

General Manager/ All Rlys & PUs

Sub : Ordering on approved sources.

Ref : (i). Board's letter no: 99/RS(G)/709/1 dated 6.9.1999.
(ii). Board's letter no: 99/RS(G)/709/1Pt.1 dated 28.04.2004
(iii). Board's letter no: 99/RS(G)/709/1 dated 05.05.2006

With a view to bringing uniformity in instructions to tenderers as issued by Railways /Production Units/Railway Board, for procurement of materials from sources approved by RDSO/PUs/CORE, following tender conditions should be stipulated as a part of Tender Conditions:

a). Wherever necessary, as per policy of procurement, bulk purchase will be made only from those firms who have been approved by RDSO/PUs/CORE etc for such ordering i.e. Part-I vendors before opening of tender to manufacture and supply the item. The tenderers are to enclose copies of such approval letters along with their offers. The status of the firm will be reckoned as on the date of tender opening and not thereafter. But, incase of downgrading/ removal/suspension/banning etc. after opening of tender, such changes shall be taken into account while considering the offers.

b). Orders on firms approved by RDSO/PUs/CORE as part-II vendors shall be limited upto 15% quantity normally. In addition, instructions issued vide Board's letter No. 99/RS(G)/709/1 dated 06.09.1999, 05.05.2006 & subsequent letter on the subject issued thereafter need to be followed.

c). If the tendering firm(s) is not approved by RDSO/PUs/CORE as mentioned above, as Part I or Part II, then they must submit their credential details i.e. Machinery and Plant, Testing facilities, QAP, Technical Manpower, etc.

In deserving cases, the offers from new suppliers may be considered for educational orders only after confirmation of their capacities/capabilities by RDSO/PUs/CORE. Failure to furnish requisite credentials as mentioned above will make their offer liable to be ignored.

The above guidelines must be part of standard Tender Conditions & followed uniformly by Railways/ Production Units.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge the receipt.

Sd/-
(Trilok Kothari),
Director, Railway Stores(IC)
Railway Board

ANNEXURE - II/4-75

GOVERNMENT OF INDIA **RBS No. 11/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2006/RS(G)/779/2 New Delhi, Dated: 20.07.2007.

General Manager/ All Rlys & Pus

Sub : 1. Purchase Preference Policy-Inclusion of Option Quantity value.

2. Inter-se position of the tenderers in the tender for more than one item and/or consignee.

Ref : Judgement of Hon'ble High Court of Delhi in WP© 1027412006 & CM No. 7675/2006, 1380712006 in case of Jindal Stainless Steel Ltd, Vs.UOI & Others.

In the above referred Writ petition filed by M/s Jindal Stainless Steel Ltd, challenging the decision of the Ministry of Railways to award the tender for procurement of 5 items of Stainless Steel, the Hon'ble High Court of Delhi, while dismissing writ petition filed, determined as below:

i) The mere option (30% option quantity) to ask for further supply of tendered items cannot be construed to mean that the tender itself was for 30% higher value.

ii) There was no clause in the tender or in the Instructions to Tenderers that the contract could be awarded to different bidders on the basis of individual items. The arguments that the tender provides for the supply of 5 separate items and, therefore, contract can be awarded to different tenderers on the basis of the different sizes, has no merit. The related argument that the petitioner was L1 for four items and one of the respondents was L1 for one item is consequently not sustainable.

Five size mixes in one tender could not imply that the tender was to be treated as five different tenders, since the tender was to be awarded on the basis of the final consolidated price and not on the basis of each item.

In view of above judgment of Hon'ble High Court of Delhi, the issues involved in this case and policy implications thereof have been examined and it has been decided as under:

1) The Purchase Preference Policy for products and services of Central Public Sector Enterprises, as communicated vide Board's letter No. 92/RS(G)/363/IPEs dated 28.07.2005 with amendments, if any, has to be scrupulously followed. However, the value of option quantity need not be taken into consideration for deciding the applicability of Purchase Preference Policy.

2) The criterion for evaluation of offers / deciding inter-se position of bidders should be clearly mentioned in the tender documents *i.e* in case of multi item or single

item with multi consignees, as to whether the inter-se position will be decided item-wise and/ or consignee wise or total value as a whole.

In case the stipulation as above has not been clearly specified in the tender document, the inter-se position of bidders shall be decided based on the total value of the tender for all items & all consignees and not on the basis of individual items or individual consignees.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge receipt.

Sd/-
(Aruna Jain),
DDRS (G)-II, Railway Board.

ANNEXURE - II/4-76

GOVERNMENT OF INDIA **RBS 10/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.2005/RS(G)/779/12 New Delhi, dt.23.07.2007

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Procurement policy for LED Signals**

Ministry of Railways have decided to replace the old filament lamps used in Multiple Aspect Colour Light Signaling (MACLS) system by LED signals. However, it has come to Board's notice that Railways are incurring extra expenditure on procurement of LED signals through works contracts. This issue has been examined by Board in detail and after due deliberations, Board (ML) have decided that LED signals should be procured as a part of Stores Contracts (circulated vide Board's letter No.2001/SIG/SGF/12(LED) dated 18-06-2007 copy enclosed).

In view of this, the following instructions should be followed:-

(1) The supply of LED signals needed for construction activity or maintenance activity should not be included in the works contracts and should be procured through Stores supply contracts.

(2) For demands of works/construction/project units, LED signals shall be procured against 'Non Stock' (NS) indents. These will be 'Stock' items for requirement of open line for regular maintenance. Consumption period/cycle (of one year) should commence after nine months from the date of submission of the annual estimate sheet/stock recoupment sheet. Interim requirements, if any should be procured against NS indents.

(3) For urgent purchases, powers delegated to Railways should be utilized wherever necessary.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC), Railway Board

ANNEXURE - II/4-77

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No.2007/RS(G)/779/3 New Delhi, August 22, 2007

The General Managers
All Indian Railways & PUs,

Sub ; **Timely settlement of tenders.**

Board has been observing with consternation that settlement of tenders are getting delayed in the Zonal Railways and Production Units. Board(MM) has directed that the COSs should be advised to take following actions with a view to curtailing time lag of settlement of tenders:

A. **Two tier review system**

Monthly meeting at the level of COS, FA&CAO(Stores) to associate to review AT and Spl.LT cases upto Dy.CMM level, pending more than 60 days and LT/BT cases at Dy. CMM level, pending more than 30 days.

Monthly meeting at the level of CMM, FA&CAO(Stores)/Dy. FA&CAO(Stores) to associate to review AT and Spl. LT cases of Sr. Scale level pending more than 60 days and LT/BT cases at SMM/AMM level pending more than 30 days.

B. System Improvement

Re-tendering and / or negotiation only if inescapable

The tender committee should be made answerable for delays in settlement of advertised tenders/Spl. LT, beyond 60 days. In the case of LT/BT, the tender accepting authority should be made answerable for delays in settlement of tenders beyond 30 days.

Wherever necessary, responsibility should be fixed for avoidable inordinate delays in tender settlement.

Sd/-
(Amitabha Datta)
Additional Member (Rly Stores)

ANNEXURE - II/4-78

Amitabha Datta

D.O.No.2003/RS(G)/777/4 Dated 10.09.2007

My dear

Sub ; **Tender Committee proceedings – eligibility criteria.**

Instances have come to my notice that even in very high valued tender cases, TC proceedings are not clear and specific with regard to eligibility criteria of the tender and assessment of acceptability/reject ability of an offer on the basis of such eligibility criteria.

It is therefore, advised that the TC proceedings must bring out the eligibility criteria stipulated in the tender enquiry. TC also has to carefully and logically go through the offers and categorically comment as to whether the recommended tenderer really fulfills the eligibility criteria

as laid down in the TC and therefore, qualify for such recommendations. Similar actions are also necessary while recommending passing over of the offer of any tenderer.

COS are requested to ensure necessary action as per the above directives not only for TC proceedings which are sent to Board but also for tender cases dealt with by the Zonal Railways/PUs. Local instructions may be issued, as necessary.

With best wishes,

Yours sincerely,
Sd/-
(Amitabha Datta)

Shri------ COSs/All Zonal Railways

ANNEXURE - II/4-79

Sudha Chobe

D.,O.No.2007/RS(G)/779/3 New Delhi, dated 13th September 2007

My dear (All FA&CAOs & PUs)

Sub : **Timely settlement of tenders.**

Board has been observing with consternation that settlement of tenders are getting delayed in the Zonal Railways and Production Units. AM(RS) vide his letter of even No. dated 22.8.2007 has advised COS of your unit that monthly meetings at the level of COS and CMM (separately) are to be held to review AT and Spl.LT cases upto Dy.CMM level, pending more than 60 days and LT/BT cases at Dy.CMM level, pending more than 30 days. It has been advised that FA&CAO(Stores) and Dy.FA&CAO(Stores) should associate themselves in these review meetings.

Finance has got a major and important role in settlement of tender cases. You should, therefore, also at your level hold monthly review meetings with your nominated HOD/Dy.HOD dealing with stores tender cases to ensure that there is no delay in your department in dealing with the tender cases so that settlement of the tenders is done within the prescribed timeframe.

Your FA&CAO(Stores)/Dy.FA&CAO(Stores) should be directed to attend the monthly coordination meeting to be held by COS/CMM to review progress of tender settlement.

A feedback on the actions taken by you be sent to me at the earliest.

With best wishes,

Yours sincerely,
Sd/-
(Sudha Chobe)

Shri
FA&CAOs of All Zonal Railways & Pus

ANNEXURE - II/4-80

R.K. Rao

D.O.No.2007/RS(G)/779/3 14th September, 2007

My dear

Sub : **Timely settlement of tenders.**

Board has been observing with consternation that settlements of tenders are getting delayed in the Zonal Railways and Production Units. AM(RS) vide his letter of even No. dated 22.8.2007 has advised COS of your unit that monthly meetings at the level of COS and CMM (separately) are to be held to review AT and Spl. LT cases upto Dy. CMM level, pending more than 60 days and LT/BT cases at Dy. CMM level, pending more than 30 days. It has also been advised that FA&CAO (Stores) and Dy. FA&CAO(Stores) should associate themselves in these review meetings.

2.0 Consuming/technical department does play an important role in settlement of tender cases. You should, therefore, also at your level hold monthly review meetings with your nominated HOD/Dy. HOD dealing with stores tender cases to ensure that there is no delay in your department. in dealing with the tender cases so that settlement of the tenders is done within the prescribed timeframe.

3.0 A feedback on the actions taken by you be sent to me at the earliest.

With best wishes,

Yours sincerely,
Sd/-
(R.K. Rao)

Shri
CMEs
All Zonal Rlys/PUs

ANNEXURE - II/4-81

S.K. VIJ

MEMBER ELECTRICAL,
RAILWAY BOARD &
EX-OFFICIO SECRETARY
GOVERNMENT OF INDIA
NEW DELHI – 110 011.

No.2006/RS(G)/779/3 New Delhi, dated 17.09.2007

My dear Agarwal,

Sub : **Timely settlement of tenders.**

Board has been observing with consternation that settlements of tenders are getting delayed in the Zonal Railways and Production Units. AM(RS) vide his letter of even No. dated 22.8.2007 has advised COS of your unit that monthly meetings at the level of COS and CMM (separately) are to be held to review AT and Spl. LT cases upto Dy.C MM level, pending more than 60 days and LT/BT cases at Dy. CMM level, pending more than 30 days. It has also

been advised that FA&CAO(Stores) and Dy. FA&CAO (Stores) should associate themselves in these review meetings.

2.0 Consuming/technical department does play an important role in settlement of tender cases. You should, therefore, also at your level hold monthly review meetings with your nominated HOD/Dy. HOD dealing with stores tender cases to ensure that there is no delay in your department in dealing with the tender cases so that settlement of the tenders is done within the prescribed timeframe.

3.0 A feedback on the actions taken by you be sent to me at the earliest.

With best wishes,

Yours sincerely,
Sd/-
(S.K. VIJ)

Shri R.C. Agarwal,
CSTE, Central Railway
Mumbai.

ANNEXURE - II/4-82

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 2006/RS(G)/779/2 17.09.2007

Sub : **Inter-se position of tenders in the tender for more than one item and / or consignee.**

Ref : Northern railway's letter No: 06/CMM(M)/CTC-2 dated 29.08.2007.

The matter has been examined in Board's office. It is advised that evaluation criterion should be clearly mentioned in the documents. If no specific evaluation criterion has been stipulated in tender condition as detailed in Para (2) of page 2 Board's letter of even no. dated 20.07.2007, total value of the tender for items and all consignees will be taken for deciding inter-se position.

Secondly, applicability of every circular is from prospective effect only, if not mentioned otherwise.

This issue with the concurrence of associate Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
DDRS(G)-II, Railway Board

ANNEXURE - II/4-83

S.K. VIJ

MEMBER ELECTRICAL,
RAILWAY BOARD &
EX-OFFICIO SECRETARY
GOVERNMENT OF INDIA
NEW DELHI – 110 011.

No.2006/RS(G)/779/3

18 September, 2007

My dear (By Name)

Sub : **Timely settlement of tenders.**

Board has been observing with consternation that settlements of tenders are getting delayed in the Zonal Railways and Production Units. AM(RS) vide his letter of even No. dated 22.8.2007 has advised COS of your unit that monthly meetings at the level of COS and CMM (separately) are to be held to review AT and Spl. LT cases upto Dy. CMM level, pending more than 60 days and LT/BT cases at Dy. CMM level, pending more than 30 days. It has also been advised that FA&CAO(Stores) and Dy. FA&CAO (Stores) should associate themselves in these review meetings.

2.0 Consuming/technical department does play an important role in settlement of tender cases. You should, therefore, also at your level hold monthly review meetings with your nominated HOD/Dy. HOD dealing with stores tender cases to ensure that there is no delay in your department in dealing with the tender cases so that settlement of the tenders is done within the prescribed timeframe.

3.0 A feedback on the actions taken by you be sent to me at the earliest.

With best wishes,

Yours sincerely,
Sd/-
(S.K. VIJ)

Shri,
PCEs/All Indian Railways

ANNEXURE - II/4-84

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No.2007/RS(G)/779/3

New Delhi, September 28, 2007

Controller of Stores
All Zonal Railways/Production Units

Sub : **Timely settlement of tenders.**

Ref : This office letter of even no. dated 22.8.2007.

The above mentioned letter may please be referred to. Subsequently, Board (MM, FC, ME, ML) have issued D.O. letters to their respective PHODs advising them to hold, at their level, monthly review meetings with their HODs/Dy. HODs dealing with stores tender cases to ensure that there is no delay in their departments in dealing with the tender cases so that settlement of the tenders is done within the prescribed time frame.

2. FA & CAOs have been further advised by FC that FA&CAO (Stores)/Dy. FA & CAO (Stores) should be directed to attend the monthly coordination meeting to be held by COS/CMM to review progress of settlement of tenders.

3 Copies of the D.O. letters issued by the Board (MM, FC, ME, ML) are enclosed herewith for ready reference.

Sd/-
DA: As above. **(Amitabha Datta)**
Additional Member (Rly Stores)

No.2008/RS(G)/779/2 New Delhi, dated 28.04.2008

The Controller of Stores
All Indian Railways & PUs.

Sub: **Timely Settlement of Tenders.**

Attention is drawn to Board's letter No.2007/RS(G)/779/3 dated 22.08.2007 on the above subject followed by another letter dated 28.09.2007 enclosing a copy each of D.O. letters of Board (MM, FC, ME & ML), as issued to their respective PHODs, advising them to hold at their level, monthly review meeting with their HODs/Dy.HODs dealing with stores tender cases to ensure that there is no delay in their departments in dealing with the tender cases so that settlement of the tenders is done within the prescribed timeframe.

In a Vigilance case relating to a tender case, Central Vigilance Commission has suggested "for concluding the procurement cases within the original validity of the offers to avoid complications where the firm(s) do not agree to extend the validity of their offer".

It is presumed that following Board's letter dated 28.09.2007 as referred above, necessary action has already been initiated on the Railways/PUs. Your Railway's confirmation report in this regard may please be sent to Board at an early date.

Sd/-
(Aruna Jain)
DDRS(G)-II
Railway Board

ANNEXURE - II/4-85

GOVERNMENT OF INDIA **RBS No. 15/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.99/RS(G)/779/2 New Delhi, Dated: 15.10.2007

General Manager/ All Rlys & Pus

Sub : Tendering process – Negotiation with L-1.

The instructions issued by CVC, vide their Order No. 005/CRD/012 dated 03.03.2007, on the above matter have been examined in detail by a Committee of Additional Members consisting of AM/CE, AM/RS, AM/F & AM/ME as nominated by Board. Accepted recommendation of the Committee on the guidelines contained in CVC's letter dated 03.03.2007 are detailed below:

(i) There should normally be no negotiations. Negotiations will strictly be an exception rather than rule and only where rates received are unjustifiably higher and is also in situation of cartel formation with unreasonable rates.

Before resorting to negotiations, adequate care should be taken to scrutinize the rates received to avoid in fructuous instances of negotiations as such negotiations may cause unnecessary delay in procurement without any appreciable reduction in rates.

(ii) Negotiations, wherever held, should only be with L-1 tenderer as explained in Board's letter of even no. dated 01.03.2000.

(iii) There shall be no compromise to transparency, equity or fair treatment in acceptance of tenders. Prescribed time frame of settling tenders is to be strictly adhered to.

(iv) (a) As regards the splitting of quantities, some organizations have expressed apprehensions that pre-disclosing the distribution of quantities in the bid document may not be feasible, as the capacity of L-1 firm may not be known in advance. It may be stated that if, after due processing, it is discovered that the quantity to be ordered is far more than what L-1 alone is capable of supplying and there was no prior decision to split the quantities, then the quantity being finally ordered should be distributed among the other bidders in a manner that is fair, transparent and equitable.

(b) While deciding in advance to have more than one source of supply, Railway should keep in view the various extant guidelines issued by Railway Board from time to time on the matter of splitting of the tender quantity and with specific reference to

(i) Past Performance
(ii) Capacity
(iii) Delivery requirements in the tender
(iv) Quantity under procurement
(v) Vital / critical nature of the items.

In all cases of pre-decided split ordering, the following shall be stipulated as tender conditions:

(i) The Purchaser reserves the right to distribute the procurable quantity on one or more of the eligible tenderers. Zone of consideration of such eligible tenderers will be the right of the Purchaser.

(ii) Whenever such distribution / splitting of the tendered/ procurable quantity is made, the quantity distribution will depend upon the differential of rates quoted by the tenderers (other aspects i.e adequate capacity-cum-capability, satisfactory past performance of the tenderers, outstanding orders load for the Railway making the procurement etc. being same/similar). For example, if the differential of rates between the L-1 and L-2 eligible vendors is 5 % then the distribution of quantity will be approximately in the ratio 55:45 (55% for the L-1 tenderer).If the price differential is 3%, then the distribution of quantity will be approximately in the ratio 53:47 (53 % for the L-1 tenderer) and so on.

(iii) The rate of the highest eligible tenderer within the zone of consideration has to be, per-se, reasonable to the Purchaser.

(iv) In the cases of inadequate capacity-cum-capability, dissatisfactory past performance, large quantity of outstanding orders (liquidation of which will take very long time) etc., the Purchaser shall have the right to distribute the procurable quantity amongst tenderers with due consideration to these constraints and in such a manner as would ensure timely supply of materials in requisite quantity to meet the needs of operation, maintenance, safety etc. of the Railways, regardless of inter-se ranking of the tenderers and in a fair and transparent manner with due conformity to the Principle of natural Justice and Equity.

(v) Counter offer to L-1, in order to arrive at an acceptable price, shall amount to negotiation. However, any counter-offer thereafter to L-2, L-3. etc (at the rates accepted by L-1) in case of splitting of quantities, as pre-disclosed in the tender, shall not be deemed to be a negotiation. However, in the cases where the rate of highest tenderer within the zone of consideration, per-se, is reasonable, and a counter offer is made only to economise the purchase, then the same may be done simultaneously to all the tenderers within the zone of consideration.

However, it may be noted that ordering on Part-II approved vendors, as per extant directives of Board, shall not construe splitting of the procurable quantity.

The above instructions should be followed by Railways scrupulously.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
DDRS(G)-II, Railway Board.

ANNEXURE - II/4-86

GOVERNMENT OF INDIA **RBS No. 20/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 99/RS(G)/709/1 New Delhi, Dated: 06.12.2007.

General Manager/ All Rlys & PUs

Sub : Ordering on approved sources in Part-II.

Ref : Board's letter of even no. dated 05.05.2006

During the discussions held in the 65th Periodical Conference of Controller of Stores with Railway Board in Rail Bhavan, New Delhi on 2nd & 3rd of August 2003, Issue of ordering on Part-II sources beyond 15% permitted vide letter under reference was discussed & deliberated in detail and it was decided to initiate a proposal for partial modification of the same. It was also seen that there were differences in views amongst COSs of various Railways & PUs in the tenders dealt with by them and also in the tenders dealt with in the Board's office. With a view to ensuring uniformity, Board decided to nominate a Committee of AMs of Engg., Electrical, Finance, Mechanical and Stores Directorate to review the aforesaid letter dated 05.05.2006 and put up their recommendations. Board has approved the recommendations of the Committee of AMs set up to propose suitable modifications to letter under reference.

Accordingly,

a) Existing Para 2.0 of the said letter dated 05.05.2006 may be substituted by the following:-

> " 2.0 Ordering on Part-II approved source with competitive price ranking can be considered beyond 15% in case that source has successfully executed a larger quantity order in the same Railway unit or other Railway units / PUs in the preceding 3 years. Successful executions will be signified by both quantitative and qualitative performance. Upper limit of quantity to be ordered on such a source will not exceed 25% of the net procurable quantity in a given procurement case with another 5 % on new source in deserving cases and with strict compliance of extant procedure on such educational ordering. That is to say, the ordering quantity on a Part-II source can be up to 15% or the highest quantity of a past order, successfully executed in the preceding 3 years in the same Railway unit or other Railway Units / PUs, whichever is higher, subject to maximum of 25% of the net procurable quantity in the given procurement case."

b) Existing Para 3.0 of the said letter dated 05.05.2006 may be expanded by adding the following:-

> "Aggregate quantity to be ordered on all Part-II approved vendors taken together, however, will not exceed 25% of the net procurable quantity, in a given procurement case."

c) Existing Tender conditions should be suitably modified to contain the following condition:

" All Part-II approved tenderers must submit attested photocopies of POs, inspection certificates and receipt notes/certificates related to the maximum quantity of the material under procurement, successfully supplied by them in any single order placed on them over the preceding three years by any Zonal Rly / PU. Such tenderers are to note that non-submission of such documents shall be taken as their not having any such past performance and their offers shall be considered further as per extant rules and no back reference in this regard will be made to them."

d) Railways / PUs should get the genuineness of the documents submitted by the tenderer (s) as per Para (c) above confirmed from the relevant Zonal Railway / Production Unit before accepting these documents for decision making.

e) It is clarified that Para 2 of Board's letter dated 5.5.2006 relates to the L1 Part-II approved tenderer and Para 3 relates to other Part-II approved tenderers whose rates are higher than that of L1 Part –II approved tenderer. It is further clarified that competitive price ranking of the offers from Part-II approved tenderers (for application of Para 3 of Board's letter dated 5.5.2006) is to be adjudged with reference to the lowest rate received in the tender either from Part-Ii or from Part-I approved sources.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari).
Director, Railway Stores (IC),
Railway Board.

ANNEXURE - II/4-87

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBSNo.04/2008

No. 99/RS(G)/779/2 Dated 15.02.2008.

The General Manager/All Rlys/PUs.

Sub : **Tendering process- Negotiation with L1- pre-decided split ordering.**

Ref : Board's letter of even no. dated 15.10.2007.

1.0 Detailed instructions regarding procedure to be followed in cases of pre-decided split ordering were issued vide Board's letter dated 15.10.2007, under reference. These came up for discussion in the 66th Periodical Conference of the COSs of Zonal Rlys and PUs with the Railway Board held on 10.12.2007 and 11.12.2007. Consequent to such discussions, it was considered necessary to modify relevant paras of the letter under reference, thereby giving a clear mandate to the Rlys, to be followed uniformly by all the Rlys / PUs.

2.0 It was also seen that there could be cases where the Rlys / PUs had entered into ToT/JV agreement etc. with the tenderers and, therefore, it may be necessary for the Rlys, in the interest of such ToT /JV agreement to place orders on such ToT /JV partners of the Rlys. In such situations, it may not be possible (in all the cases) to

adhere to the condition "**the rate of the highest eligible tenderer within the zone of consideration has to be, per-se, reasonable to the Purchaser**" as specified in Board's letter dated 15.10.2007. It was considered necessary to issue suitable guidelines on the procedure to be followed in such cases.

3.0 After due examination in the Board's office, the following modifications to letter No. 99/RS(G)/779/2 dated 15.10.2007 are hereby issued.

4.0 Replace para (iv)(b)(ii) appearing under the expression " In all cases of pre-decided split ordering, the following shall be stipulated as tender conditions" by the following:

[NB: Para (iv)(b)(i) will remain unchanged]

4.1 Whenever such distribution / splitting of the tendered/ procurable quantity is made, the quantity distribution will depend (in an inverse manner) upon the differential of rates quoted by the tenderers (other aspects i.e adequate capacity – cum-capability, satisfactory past performance of the tenderers, outstanding orders load for the Railway making the procurement, quoted delivery schedule vis-à-vis the delivery schedule incorporated in the tender enquiry etc. being same / similar) in the manner detailed in the table below:

Price differential between L1 and L2	Quantity distribution ratio between L1 and L2
Upto 3%	60 : 40
More than 3% and upto 5%	65 :35
More than 5%	At least 65 % on the L1 tenderer. For the quantity to be ordered on the L2 tenderer, TC/TAA should decide keeping in view conditions laid down in paras (iv)(b) (iii) and (iv) at page 3 of Board's letter dt. 15.10.07.

4.2 If splitting of quantity is required to be done by ordering on tenderers higher than the L2 tenderer, then the quantity distribution proportion amongst the tenderers will be decided by transparent / logical / equity based extrapolation of the model as indicated in Para 4.1 above.

4.3 The purchaser reserves the right to counter offer the lowest acceptable rate for bulk ordering to the higher tenderer(s). In the event of rejection of such counter offer(s), the purchaser will reserve their right to decide on the quantity distribution ratio/ proportion.

For cases where the Rlys / PUs had entered into ToT/JV agreements, the following clause should be stipulated as tender conditions in all such cases:

4.4 As the Rly has entered into ToT/JV agreement with …… nos., of firms, they reserve the right to place orders on all such ToT / JV agreement partners. However, for ratio/proportion of quantity distribution among such ToT / JV agreement partners, conditions as detailed in Para 4.1, 4.2 and 4.3 with the exception of conforming to the condition " the rate of the highest eligible tenderer within the zone of consideration has to be, per-se, reasonable to the Purchaser" (Ref. Para 2 of this letter) shall apply.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(Trilok Kothari)
Director, Railway Stores (IC)
Railway Board

ANNEXURE - II/4-88

MINISTRY OF RAILWAYS ,
(RAILWAY BOARD)

No. 2005/RS(G)/779/1 Dated 18.02.2008.

The General Manager/All Rlys/PUs.

Sub : **Modifications to tender conditions – Offer by FAX- Import offers.**

Ref : Board's letter of even no dated 09.11.2006.

During the Conference of Chief Materials Managers of Zonal Railways & PUs, held with the Board on 15th November,2007 in Rail Bhawan, it was suggested by one of the Railways that in the case of FAX offers received from foreign firms against Global Tenders, the time limit of 10 days, for receipt of confirmation copy, need to be enhanced.

The matter has been examined in consultation with Associate Finance and it has been decided that the time limit for receiving confirmation copy of the FAX offers, received from foreign firms against Global tenders, is enhanced from 10 (ten) days to 21 (twenty one) days. However, for FAX offers received from indigenous firms, this time limit will remain the same as existing, i.e 10 (ten) days.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(Trilok Kothari)
Director, Railway Stores (IC),
Railway Board.

ANNEXURE - II/4-89

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 98/F(FEX)17/1/Airlifting Dated 26.03.2008.

The General Manager/All Rlys/PUs.

Sub: **Enhancement / delegation of powers for airlifting of stores.**

In super session of Board's earlier instructions on the subject, it has now been decided that full powers for air-lifting of stores be delegated to GMs in all cases in which the CIF cost of the import is within the powers of procurement delegated to them.

Further, COSs may be delegated full powers for air freighting lifting of items in import contracts upto their level of acceptance of the tenders.

These powers are to be exercised personally by GM and COS as the case may be, with personal concurrence of FA&CAO. These powers are not to be delegated downwards.

Sd/-
(K.Gangadharan)
Jt. Director, Finance (L&F)

ANNEXURE - II/4-90

Government of India
Ministry of Railways/Railway Board
New Delhi RBS 17/2008

99/RS(G)/779/2 Dated 27/6/2008

General Manager, All Indian Railways & PUs including NF(C).

Sub : **Award of contract – Procedure for conducting negotiations.**

1. Vide above mentioned letter of Railway Board dated 01.03.2000, it was directed, *inter-alia,* that negotiations shall be held only with the lowest acceptable tenderer (L_1) who is technically cleared *1* approved for supply of bulk quantity and on whom the contract would have been placed but for the decision to negotiate.

2. Based on certain tender cases which came to the notice of Board, it has been considered necessary that further instructions are issued on the subject of holding negotiations so that equity, fair play and transparency are maintained uniformly while dealing with offers from both Part 1 & Part 2 approved sources.

3. After due examination of the matter, it has been decided to issue following instructions:

   (a) In the cases where rates of Pt. I approved vendors were lower than the original rate of the L_1 Pt. I approved source, eligible and suitable for bulk ordering with whom a price negotiation is held and if, after price negotiation with the L_1 Pt. I approved tenderer, their rate becomes lower than that of the lowest Pt. II approved tenderer, then another price negotiation should be held with the lowest Pt. II approved tenderer subject to the condition that the firm's offer is otherwise suitable and eligible for placement of an order as per extant procedure. If the L_1 or any other higher offer from Pt. II approved sources gets passed over due to valid reasons then the next higher tenderer(s) in the Pt. II category should be extended the same treatment, provided their rate was lower than the lowest rate from Pt .I approved tenderers, as per the original inter-se ranking of the rates.

   (b) In any case, the rate at which the PO on a Pt. II approved tenderer may be placed must not be higher than the lowest rate at which the P0 on a Pt. I approved tenderer will be placed.

4. This issues with the concurrence of Finance Directorate of Ministry of Railways

SD/-
(Trilok Kothari)

ANNEXURE - II/4-91

Government of India RBS 28/2008

Ministry of Railways/Railway Board

99/RS(G)/779/2 Dated 22/10/08

Sub : **Counter Offers.**

Ref : (i) Board's Letter No.76/RS(G)/779/36 dt. 29-11-96 &

(ii) Board's Letter No.76/RS(G)/779/36 dt. 6-11-97.

1.0 The concept of counter offering was enunciated in Board's letter No.76/RS(G)/779/36 dt. 29-11-96 [reference (i) above] and the same is the first step in the effort to secure a uniform rate at the lowest level for multiple source ordering. Later on, Board vide their letter dt. 6-11-97 [reference (ii) above] clarified *inter-alia* that counter offering as a procedure is not to be regarded as mandatory but may be kept in view whenever it is decided to split the quantity on more than one firm. Still later, it was advised vide Board's letter No.99/RS(G)/779/2 dt.15-10-2007 that for split ordering among more than one source, the highest rate within the zone of consideration has to be per se reasonable.

2.0 It has come to the notice of the Board that there have been flexible use of the above mentioned directives of the Board in certain tender cases, leading to very complex problems towards finalisation of tenders. Accordingly, the entire gamut of counter offering has been examined and reviewed by Board and it has been decided to issue the following clarifications and instructions:

2.1 Counter offering on Split Orderings

Existing instructions of Board as contained in letter No. 76/RS(G)/779/36 dated 29.11.1996 and 76/RS(G)/779/36 dated 6th November 1997 should continue with the condition that the rate of the highest eligible tenderer within the zone of consideration has to be, per se, reasonable to the Purchaser, as legislated in Board's letter No. 99/RS(G)/779/2 dated 15.10.2007. On this, conditions as laid down in Para 4.3 and 5.1 (which relates to TOT/JV partners quoting against a tender) of Board's letter No. 99/RS(G)/779/2 dated 15.2.2008 shall also apply.

2.2 Counter offering as a substitute to/in lieu of negotiation

The procedure of counter offering as a substitute to/in lieu of negotiation (dispensing with it altogether) is totally prohibited. If price negotiation becomes warranted then the same should be held following extant rules and procedure and with due conformity to the directives contained in Para (i) and (ii) in Page 1 of Board's letter No. 99/RS(G)/779/2 dated 15.10.2007. Furthermore, it should be ensured, particularly in high valued tenders that the tenderer is represented by their authorized representative who is competent and empowered to take meaningful and active part in the price negotiation. The tender committee also must ensure that the negotiation is held in an objective, meaningful and analytical manner.

2.3 Counter offering after failure of price negotiation

Instructions on this as contained in Para (v), page 3 of Board's letter No.99/RS(G)/779/2 dated 15.10.2007 are to be followed. However, if the L1 tenderer refuses to accept the counter offer, the tender is to be discharged. In exceptional situations, particularly in the cases where there is only one or limited or dedicated vendors available, the TC may go in for a second round of negotiations, after the rejection of counter offer, provided some new/additional facts (which were not known to the TC earlier) come to light subsequently. This will be, however, subject to the condition that the L1 tenderer agrees to revalidate their offer when asked to do so by the Purchaser or *suo-moto.* In the event of failure of 2nd round of negotiation, the tender is to be discharged.

2.4 Counter offering an extraneous rate, lower than L1 within the zone of consideration (after considering the rates within the zone of consideration as reasonable)

If the Purchaser opts to resort to Counter offering an extraneous rate lower than L1, even though the rates within the zone of consideration are reasonable, either for multiple source ordering or single source ordering, then that should be done with utmost care, clear rationale and application of mind.

2.5 Counter offering on commercial terms and conditions

No counter offering on commercial terms and conditions should be made. Before finalization of the tender, the tenderer(s) within the zone of consideration who have quoted with deviations from the commercial terms and conditions as stipulated in the tender enquiry or are silent about compliance of certain stipulated commercial terms and conditions or have quoted with any unusual/non-standard commercial terms and conditions may be asked (without any commitment from the Purchaser) to agree to commercial terms and conditions as per tender enquiry or confirm compliance of those commercial terms and conditions of the tender enquiry, for which their offer is silent or withdraw the unusual/ non-standard conditions, as the case may be, provided asking for such agreements/ compliance/withdrawal will not lead to any of the following :

(i) Vitiation of tender

(ii) Extension of any undue advantage or benefit to the tenderer(s)

(iii) Seeking clarifications on issues having financial implications

If any of the aspects mentioned in Para (i), (ii) and (iii) above gets involved then no reference can be made to the tenderer(s) and the offer(s) should be dealt with as per extent rules and procedure.

2.5.1 The above procedure will fall in the ambit of the Tender Committee.

This issues with the concurrence of the Finance Dte. of the Railway Board.

Sd/-
(Aruna Jain)
DDRS(G)-I

ANNEXURE II/5-01

Copy of Board's letterNo.89/RS (G)/363/25 dated 16th November 1989 addressed to General Managers, All Indian Railways/Production Units etc

.,

Sub : **Review of Stores Purchase Policy of the Government of India -Purchase/ Price preference to small scale Industries/K.V.I.C./Public Sector Undertakings/ Women's Development Corporation etc.**

Ref : Board's letters : (i) 66/ RS (G)/363 (II) dated 28th January 1976
(ii) 66/ RS (G)/363/(II) dated 25th August 1976
(iii) 78/ RS (G)/ 363/ 2 dated 25th February 1978
(iv) F (X) 1-79/17/1 dated 26th March 1979
(v) 85/ RS (G)/ 363/ 2 dated 12th October 1987
(vi) 80/ RS (G)/779/63 dated 5th November 1980

A copy of Department of Supply's letter No P-III-I (12)/84 dated 28th July 1989, circulated by D. G.S. & *D. vide the*ir Office Order No.76 dated 22nd August 1989 on the above noted subject is sent herewith for guidance and compliance.

Sd/-
(**R .S. LAHAN**)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE 1

Copy of O.M.No.PIII-10(4)/87dated 28th July 1989 from Director, Ministry of Commerce Department of Supply, New Delhi 11 , addressed to A11 Ministries Departments.

Sub : **Review of Stores Purchase Policy of the Government of India**

The undersigned is directed to say hat the essential features of the Stores Purchase Policy of the Government of India are contained in Chapter 8 of the General Financial Rules, 1963. In brief Purchases are to be made in the most economical manner for definite requirements, indigenously produced goods being preferred over the imported goods and amongst indigenously produced goods, preference being given to those produced by the cottage and the small Scale Industrial Units. This policy has been amplified/ modified from time-to- time and the existing, purchase/ price preference allowed to certain sectors are briefly given below.

2.1 Preferential treatment is shown to the Small Scale Units in the following manner-

(a). The supplies to be procured from large and Small Scale Industries are categorised into 6 Groups *viz*

(i). **Group I** items which can solely be purchased from large Scale Units (**128 items**)

(ii). **Group II** items which can be purchased solely from large Scale Units but where it is possible for the large Scale Units to Sub-contract accessories and components to S.S.I. Units (**159 items**).

(iii). **Group III** items which can be purchased both from the large Scale and the Small Scale Industrial Units.

(iv). **Group-IV** items which are to be entirely reserved for procurement from Small Scale Industries (**409 items**).

(v). **Group V** items, which are to be purchased from Small Scale Industries to the extent of 75 percent of the requirements (**13 items**): and

(vi). Group-VI items which are to be purchased from Small Scale Industries to the extent of -50 percent of the requirements (**26 items**).

(b). A standing review Committee has been set up under the Chairmanship of Secretary (Supply) with D. C. (S.S.I.) as the Member Secretary for considering inclusion of various items in different lists aforementioned.

(c). The Small Scale Units are entitled to a price preference of upto 15 per cent on merits when competing with large Scale Units in respect of Group I, II and III items.

2.2 All requirements of hand-woven and handspun Khadi are required to be exclusively purchased from Khadi & Village Industries Commission on single Tender at prices fixed by the Commission Otherwise, the K. V.I. C. units are treated at par with Small Scale Sector Units and are allowed price preference upto 15 percent of the price quoted by large scale Units.

2.3 All requirements of handloom textile, items are to be procured from handloom units notified by the Development Commission for Handloom, Ministry of Textiles through the nodal Agency of the Association of Corporation and Apex Societies of Handloom (A. C. A.S.H) on single Tender at prices fixed by the Ministry of Textiles with the stipulation that to the extent of their availability with. K.V.I.C. those items would be procured from K. V. I. C. The purchase of handloom goods by Central Government Ministries/Department/Agencies from private sources is not permitted, (Ministry of Textile 0.M. No. 4/2/88-DCH/M & E dated 29th April 1988).

2.4 Public Sector Undertakings when competing with large Scale Units are entitled to a price preference of upto 10 percent over the price quoted by the large Scale Units with the stipulations that in cases where the prices quoted by the P. S. Us. are higher by more than 10 percent than those of large Scale Units, with the P. S. Us. to persuade them to bring down their prices with in 10 percent of the prices of large Scale Units. Only in the event the negotiations do not succeed, the higher offers should be ignored and such cases should be reported to the Cabinet Committee on Economic Affairs (Bureau of Public Enterprises 0. M. No. GL-008/8023-1/80-BPE/MM dated the 15th December 1980).

3. The purchase policy of the Government with regard to the above mentioned aspects has been reviewed with a view to streamlining it and to making the concessions more effective. In the first place, taking note of the concern expressed by the Prime Minister for uplift of Women workers especially those belonging to the economically wreakers sections, it has been decided to provide marketing support through Government purchase to organised groups of women artisans and skilled workers . To begin with ,it has been decided that the industrial units under the State Women's Development Corporations and the Organisations of Women workers

identified by the Department of Women and Child be treated at par with K V. I. C. for the purpose of purchase/ price preference. It has been further decided .

(a). The existing classification of Stores in to six Groups as indicated in Para 2.1 will be dispensed with. The items of Stores other than Textile items reserved for purchase from Handloom Sector required by the Central Government Departments could hence forward be Categorised under.2 broad heads, namely, (i) those reserved for exclusive purchases from K.V.I.C./Women's Development Corporations/Small Scale Sector Units and (ii) others not so reserved. The first Category would comprise items in respect of which the demand can be fully met by the K.V.I. C./Women's Development Corporations, Small Scale Sector Units or any combination of these Sectors and such items of Stores would be reserved for exclusive purchase from them.

(b). 409 Items presently reserved for exclusive purchase from the Small Scale Sector would continue to be so reserved for K.V.I. C./Women's Development Corporations/Small Scale Sector Units. The list would be reviewed by the Standing Review Committee (referred to in para 2.1 (b) above) as early as possible and updated by making additions or alterations as may be required and each item identified for reservation would be described in terms clear cut Specifications. Thereafter the list would be reviewed periodically as and when necessitated.

(c). Other things being equal, where K V. I. C. and/or Women's Development Corporations are in a position to meet the requirements, purchase would be made from K. V. I. C. or Women's Development Corporations or both, taking into consideration any preference of the purchaser. For this purpose, Women's Development Corporations or the State Women's Development Corporations or organisations recommended by the Department of Women and Child Development from time to time would be entitled to this preference.

(d) All items of hand spun and hand-woven Khadi would continue to be reserved for exclusive purchase from K. V .I. C. All items of handloom Textiles would continue to be reserved for exclusive purchase from K.V.I.C. and to extent K.V.I.C. cannot supply these would be required to be purchased through A.C.A.S.H.

(e) In respect of un-reserved items of Stores purchases will be made by open Tender or limited Tender (for urgent requirements), as the case may be. Where a large Scale Private Sector Unit is not competing, the purchase preference would be in favour of K.V.I.C./Women's Development Corporation etc., Small Sector Units and Public Sector Units in that order. To the extent K V. I. C, cannot supply these would be required to be purchased through A. C. A. S.H. In respect of unreserved items of Stores purchases will be made by open Tender or limited Tender (for urgent requirements), as the case may be. Where a large Scale Private Sector Unit is not competing, the purchase preference would be in favour of K. V. I. C/Women's Development Corporation etc., Small Sector Units and Public Sector Units in that order. To the extent the requirements can be met by K.V. I. C. or Women's Development Corporation etc. or both purchases may be made from them, taking into consideration any preference indicated by the purchaser. Where a large Scale Private Sector Unit is also competing, Public Sector Units would have a price preference of up to 10 percent and K V. I.C./Women Development Corporation etc., Small Scale Units up to 15 percent

over the lowest acceptable offer from the large Private Sector Units, in such a case it would be ensured that before utilising the capacity of the Public Sector Units or large Scale Private Sector Units all offers from K. V. I. C. Women's Development Corporation etc., and. Small Scale Units within the Ceiling of price inclusive of price "preference indicated above have been utilised. These guide lines should be observed meticulously since Government has not decided on any price preference in favour of Public Sector Units over the K .V. I. C., Women Development Corporations etc. and S. S. I. units. In effect the K V. I. C., Women's Development Corporations etc .Small Scale units will have a 5 percent price preference over the Public Sector Units.

(f). The price preference unto 10 percent available to the Public Sector Undertakings *vis-à-vis large* Scale Private Units would be continued. However, mandatory negotiation with the Pubic Sector undertakings quoting prices higher by more than 10 percent as compared to the offers from the large Scale Private Sector would be confined only to those cases where difference in prices does not exceed 20 percent. Where the difference exceeds 20 Percent, the offer of the P.S.U. would be straightaway ignored and the matter reported to the Administrative Ministry concerned With the Public Sector undertaking.

(g). A PSU would not be entitled to any price preference when it quotes as an agent of an Indian or Foreign Manufacturer, Supplier. However, where a P. S. U. is selling goods or services of another P.S. U. it would be allowed the benefit of price preference.

All the Ministries/Department of the Government of India may please note the above decisions for guidance and compliance. These may also please be brought to the notice of the officers/Organisations under their Administrative control.

Sd/-
(**G. P. KALRA**)
Director

ANNEXURE-II/5-02

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAY (RAILWAY MANTRALAYA)
(RAILWAY BOARD)

No. 90/RS(G)/113/1 **New Delhi**

Dated, 8th June 1990

The General Managers,
All Indian Railways

Sub : **Use of Handloom as Upholstery Material and Linen in the Trains, Railway offices and Guest Houses.**

M.R. while presenting the Railway Budget for 1990 in Parliament had stated that:

" The use of handloom as upholstery material and as linen in the trains, railway offices and guest houses and for uniforms would similarly provide jobs to many more weavers and artisans in all parts of the country."

In purchase of the above objective, it has been decided, in super cession of earlier instruction, that the following items of upholstery and linen hitherto being procured in mill made quality should hereafter be procured exclusively from handloom varieties, as per specifications indicated against each:

S. No.	Particulars	Specification to which procurement should be done
1.	Bed sheets and Pillow Covers for use in :- a) Air conditioned Compartments. b) Bed rolls to be supplied to 1st Class Passengers. c) Railway Hospitals. d) Running Rooms.	Bleached to IS-745/1975 with amendment No. 1 of September 1978. Variety No. 6
2.	Linen for the use in Restaurants and deluxe train catering units as well as in railway hospitals.	-do-
3.	Turkish towels for various uses as mentioned against item 1 above	IS- 854/81 Variety No. 4
4.	Huckback Towels	Bleached to IS-856 Variety No. 1
5.	Woollen Blankets for various uses, as mentioned in item 1 above	Camel Shade to IS to IS-894/80 Variety No. 1
6.	Curtain cloth for use in A.C. Coaches and for other uses, where mill made cloth is being used present.	Handloom cloth to be purchased as per sample (as no specification no s specifications is available at present).

2. The procurement of all handloom materials shall continue to be done only through the nominated Government agency viz. M/s. ACASH (Association of Corporations and Apex Societies of Handloom) as per the existing instructions.

3. In this connection, Board have further decided that:

(i) The quantity of mill-made items of upholstery and linen already on contract, or under procurement, need not be disturbed.

(ii) If there is any surplus stock of mill-made linen, on account of large-Scale acquisition of bed-rolls in the recent past, these should be worked off/adjusted against shortages/pending indents, for hospitals/running rooms.

(iii) In case any delay is apprehended in the receipt of handloom supplies through M/s. ACASH, Railways may make emergency purchases of immediate minimum demands directly from the handloom units notified by the Development Commissioner for Handlooms, Government of India, Ministry of Textiles (list of these notified units will be circulated separately in due course), and in case they are also unable to supply the emergency purchases may be made of mill-made items, to avoid complaints from the users.

(iv) Railways should promote development of better qualities of handloom linen items, by interacting with the handloom sectors in their respective regions, as a continuing process of product development. The normal procurement should, however, be done only through the nominated Government agency *viz.,* M/s. ACASH.

4. It is advisable that the whole coach is equipped either with the mill-made or with handloom linen only, during the intervening period, to avoid complaints of discrimination from the passengers traveling in the same coach.

5. Any increase in expenditure arising out of change-over to handloom cloth should be met from the existing budget, allocations No additional funds will be provided.

6. Please acknowledge receipt.

Sd/-
(R. S. Lahan)
Dy. Director, Rly. Stores (G)
Railway Board.

No. 90/RS(G)/113/1 New Delhi, dated 8th June 1990.

Copy To :

1. Controller of Stores, All Indian Railways.
2. Chief Mechanical Engineers, All Indian Railways.
3. Chief Commercial Supdts., All Indian Railways.
4. Adviser (Commercial), Railway Board.

Sd/-.
(R. S. Lahan)
Dy. Director, Rly. Stores(G)
Railway Board.

ANNEXURE—II/5-03

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 95/RS (G)/363/1 New Delhi,
Dated, 7th April 1995.

The General Managers,
All Indian Railways &
Production Units,
Metro Railway/Calcutta,
Railway Electrification/Allahabad.

Sub : **Non-purchase of items from S. S. I. Units reserved under Group-IV.**

Ref : Board's letter No. 89/RS (G)/363/5 dated 16th November 1989*.*

It has been brought to the notice of the Ministry of Railways that the provisions of the Central Government's Stores Purchase Policy for purchase of items exclusively from S. S. I. Sector, are not being followed scrupulously by Government Departments and the Government Purchase Organisations. The matter was also raised through a Parliament Question, where the Hon'ble M. P. had desired to know, as to why Hindustan Lever Limited's cleaning powder/vim is being purchased in preference to Farishta's CADET when the product is reserved for exclusive purchase from Small Scale sector.

In view of seriousness of the matter, Board desire that instructions issued *vide* above letter regarding procurement of such items, which are reserved for exclusive purchase from S. S. I. Units, are purchased from such Units. The latest list of Group-IV items is enclosed for ready reference.

Please acknowledge receipt.

Sd/-
(SHIV DAN SINGH)
(Dy. Director, Rly. Stores (G)
Railway Board.

No. 95/RS/(G)/363/1. New Delhi, dated 7th April 1995.

Copy To:
1. FA & CAOs, All Indian Railways, Metro Railway, Calcutta and RE/Allahabad.

ANNEXURE - II/5-04

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 95/RS (G)/363/1 New Delhi,
Dated, 29th Sep. 1995.

The General Managers,
All Indian Railways &
Production Units,
Metro Railway/Calcutta,
Rly. Electrification,
Allahabad.

Sub : **Non-purchase of items from S. S. I. Units reserved under Group-IV.**

Ref : Board's letter No. 89/RS(G)/363/5 dated 16th November 1989 & No. 89/RS(G)/363/5 dated 7th April 1995.

It has again been brought to the notice of the Ministry of Railways that the provisions of the Central Government's Stores Purchase Policy for the purchase of items exclusively from S. S. I. Sector, are not being followed scrupulously by Government Departments and the Government Purchase Organisations. Recently, it has been brought to the notice of Board's office by the Office of the Dev. Commissioner, S.S.I, that some of the Railways are purchasing items reserved under Group-IV, like washing Soap, Soap soft & Soap Liquid, etc. from traders & large scale instead of purchasing the same from S.S.I Units.

In view of seriousness of the matter, Board desire that instructions reiterated *vide* Board's letter even number dated 7th April 1995 regarding procurement of such items, which are reserved for exclusive purchase from chase from S. S. I. Units, are strictly adhered to.

Please acknowledge receipt.

Sd/-
(SHIVDANSINGH)
Dy. Director, Rly. Stores (G)
Railway Board

ANNEXURE - II/5-05

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 89/RS (G)/363/5 Pt. New Delhi,
Dated, 6th Oct. 1995.

The General Managers,
All Indian Railways & Production Units,

Sub : **Stores Purchase Policy of the Government of India. Purchase/Price Preference to Small Scale industries/KVIC/ PSUs/Women's Development Corporation etc.**

Attention is invited to Department of Supply, Ministry of Commerce's O. M. No. P-III/10(4)/ 87 dated 28thJuly 1989. Circulated *vide* Ministry of Railway's letter of even number dated 16th November 1989, wherein the Purchase policy of the Government of India for the reserved items has been clearly spelt out.

Instances have come to notice that the guidelines issued are not being strictly followed. The same are reiterated once again requesting the Railways to follow them while making purchases of the reserved items,

Please acknowledge the receipt.

Sd/-
(SHIV DAN SINGH)
Dy. Director, Rly. Stores (G)
Railway Board.

No. 89/RS/(G)/363/5. New Delhi, Dated 6th Oct. 1995.

Copy to:
1. FA & CAOs, All Indian Railways, Metro Railway, Calcutta and RE/Allahabad.
2. The Chief Administrative Officers,
3. MTP/Rlys., Bombay, Madras, New Delhi.
4. GMs (Cons.) S. Rly, Bangalore, S. E. Rly., Waltair and N. F. Rly., Guwahati.
5. DG/RDSO/Lucknow.

ANNEXURE - II/5-06

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 89/RS (G)/363/5. New Delhi,
Dated, 4th August. 1997

The General Managers,
All Indian Railways/Production Units.

Chairman, ACASH has brought to the notice of Board that Zonal Railways are floating Open Tenders for purchase of handloom textiles, which are reserved for exclusive purchase from ACASH on single Tenders basis. In this connection, attention is invited to Board' letter No. 89/RS (G)/363/5 dated 16th November 1989 wherein Ministry of Commerce instructions for purchase of handloom cloth on Single Tender basis only through ACASH KVIC were re-iterated. In this connection, a copy of O. M. No. 4/2/88-DCH/M & E dated 17th February 1992 from Ministry of Textiles is again enclosed herewith for compliance and guidance.

Hindi version will follow.

Sd/-
(Ashok Kumar)
Dy. Director, Railway Stores (G)
Railway Board,

No. 89/RS/(G)/363/5 New Delhi, dated 4th August 1997

Copy to:

1. FA & CAOs, All Indian Railways, & Production Units, Metro Railway, Calcutta and RE/ Allahabad
2. DG/RDSO/Lucknow.
3. The Principal:—
   Railway Staff College, Vadodara.
   Indian Rly. Institute of Sig. Engg. & Telecom,
   Secunderabad.

LIST OF ITEMS NOTIFIED FOR PURCHASING FROM HANDLOOM SECTION

TITLE	IS
COTTON-HANDLOOM	
Angacastam	7216 -1974
Bandage cloth	863 -1969
Bed dutties	1557 -1972
Bed sheets	745-1975
Blankets, grey or coloured	746-1955

Bleeding Madras, loom state.	1937-1961
Buckram cloth	1102-1968
Bunting cloth dyed	747-1982
Calico, bleached or dyed	1241-1958
Cambric, bleached	1098-1957
Cellular shirting, handloom cotton	1101-1981
Cloth for plaster of paris bandages and cut bandages	6237-1971
Coating, handloom cotton	1243-1981
Colour fastness of handloom cotton textiles, requirements	6906-1982
Crepe	1100-1978
Dhoties	748-1974
Dosuti Grey, scoured, bleached or dyed	756-1984
Dress material, bleached, dyed printed or striped or checked	1095-1957
Drills	1451-1979
Dungri cloth	749-1978
Dustors	859 -1978
Floor durries	1450 -1972
Gada cloth	1094 -1976
Gause, absorbent, non-sterilized, handloom cotton	758-1975
Handkerchiefs	1939-1975
Holland cloth, unsecured	1096-1957
Honeycomb towels and towelling cloth	855-1979
Huckaback towels	856-1971
Jaconet cloth, grey, dressed	86-1982
Light sheeting, grey	864-1956
Lining cloth, dyed	1099-1957
Lint, absorbent, bleached	757-1971
Longcloth, bleached or dyed	1244-1958
Lungies	750-1976
Madras check	1247-1958
Madras handkerchiefs. Handloom cotton	1093-1981
Malnal bleached	755-1984
Mazricloth (loomstate)	751-1984
Mixs	8039-1976
Moots striped or checked	1814-1961
Mosquito netting	1097-1979

Muslin, bleached	752 -1984
Nainseek, bleached or dyed	1240-1958
Napkins, bleached, striped, cheeked or dyed	857 -1956
Poplin, bleached or dyed	1556 -1960
Poplin cloth bleached or dyed	753-1983
Pyjamma cloth, grey, with stripes	1245-1958.
Saries	754-1974.
School uniform fabric	797-1971
Shirting	1242-1975
Sponge cloth, grey, striped and checked	860-1956
Table cloth and napkins, handloom cotton	858-1981
Ticking cloth, grey, striped	862-1956
Turkish towels and towelling cloth handloom cotton	854-1981
Twills	1579-1979
SILK-HANDLOOM	
Bush Shirt cloth, Loomstate	1686-1960
Dhotis, Loomstate	1583-1960
Kora (loomstate) cloth	1687-1960
Shirting, loomstate	1584-1960
WOOL-HANDLOOM	
Blanketing cloth	895-1957
Blanket, scarlet	2901 -1964
Blankets, natural grey brown	892-1980
Blankets, ordinary, plain or check	893 -1957
Blankets, shoddy (double faced)	2157 -1962
Blankets, shoddy (single faced)	2481-1963
Blankets, brick red	894 -1980
Bunting cloth, worsted, heavy	889 -1957
Bunting cloth, worsted, light	890 -1957
Cloth, collar, white	2715 -1964
Kamblies, foomstate	896-1957
Lohis, worsted	1268 -1958
Melton (shoddy) cloth	2173-1962
Serge	1266-1958
Shirting worsted	891-1957
Pile Fabrics	2714 -1964

The following items shall be procured on the basis of samples approved by purchaser, mutually agreed specifications.

1. Khes
2. Bed cover
3. Counter pane
4. Furnishing
5. Chaddar
6. Durrets/Jamakkalam
7. Bastha cloth
8. Lowreed pick cloth
9. Silk Sarees
10. Shawls, Mufflers, Pankhis
11. Woolen tweed.

248-7357/58
TELEGRAM :" SMALL CORP" TELEPHONE 248-4128

TELEX: 021-7271 FAX 91-33-2487359

The National Small Industries Corporation Limited
(A Government of India Enterprise)
20B, Abdul Hamid Street, (7th Floor) Calcutta-700 069.
(Recognised Export House)

Reference No. NSIC/CAL/GP/MSIC/18 (Vol-3)/98. Dated 21 st August 1998

To

The Controller of Stores,
Southern Railway,
Ayanavaram,
Chennai-600 023.

Sub : **Implementation of purchase policy in respect of small village and cottage industries sector by public sector Undertaking Regarding.**

Dear Sir,

With reference to your letter No. S/113/BN/NSIC dated 29th May 1998. Please find enclosed herewith a list of stores exclusively reserved for N. S. I. C. Registered Unit.

Yours faithfully,
Sd/-
(S. N. MAHATO)
MANAGER (GP)

ANNEXURE- II/5-07

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 95/RS (G)/363/1 New Delhi,
Dated. 12th June. 1998.

The General Managers,
All Indian Railways & Production Units,
Metro Railway/Calcutta,
Rly. Electrification, Allahabad,
OSDs of all New Zones.

Sub : **Revision of list of 409 items reserved for exclusive purchase from SSI Units.**

Ref : Board's letter No. 89/RS (G)/363/5 dated 16th November 1989.

Till now 409 items were reserved for exclusive purchase from the SSI Units. Based on the recommendations of the Standing Review Committee, constituted by the Ministry of Industry to review the items to be reserved for SSI Sector, Department of Small Scale Industries and Agro & Rural Industries *vide* their O. M. No. 1(9)/90-E P & M-Vol. II dated 18th March 1998 have circulated the revised list of 358 items to be reserved for exclusive purchase from the SSI Sector. The same is sent herewith for guidance and strict compliance. This may be brought to the notice of all concerned.

Please acknowledge receipt.

Sd/-
(Ashok Kumar)
Dy. Director, Railway Stores (G)
Railway Board.

DA: As above.

No.95/RS/(G)/363/1. New Delhi, dated 8th June 1998.

LIST OF ITEMS RESERVED FOR PURCHASE FROM SMALL SCALE INDUSTRIAL UNITS INCLUDING HANDICRAFT SECTOR.

Sl.	Item Description No.
1.	AAC/ & ACSR conductor upto 19 strand
2.	Agricultural implements (a) Hand operated tools & 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 light assembly
10.	Badges cloth embroidered and metals
11.	Bags of all types i. e. made of leather, cotton, canvas & jute etc. including kit bags, mail bags, sleeping bags & water-proof bag.

12. Bandage cloth
13. Barbed wire
14. Basket cane (procurement can also be made from State Forest Corpn. and State Handicraft Corporation).
15. Bath tubs.
16. Battery charger
17. Battery eliminator
18. Beam scales (upto 1.5tons)
19. Belt leather & straps
20. Bench vices
21. Bituminous paints
22. Blotting paper
23. Bolts & Nuts
24 Bolts Sliding
25. Bone meal
26. Boot polish
27. Boots & 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 & measuring)
42. Canvas products:
    (a) Water proof deliver, bags to Spec. No. IS- 1422/70
    (b) Bonnet covers & Radiators muff. to spec. Drg. Lv 7/NSN/IA/130295
43. Capes cotton & Woollen
44. Capes waterproof
45. Castor oil.
46. Ceiling roses upto 15 amps
47 Centrifugal steel plate blowers
48. Centrifugal pumps suction & delivery 150mm.x150mm
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 & 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 & 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 & Plastic
88. (a) Crucibles upto No. 200
    (b) Crucibles graphite upto No. 500
    (c) Other crucibles upto 30 Kgs.
89. Cumblies & blankets
90. Curtains mosquito
91. Cutters
92. Dibutyl phthalate
93. Diesel engines upto 15 H. P.
94. Dimethyl phthalate
95. Disinfectant fluid
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 & 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 & Mathematical instruments
100. Drums & Barrels
101. Dustbins
102. Dust shield leather

103. Dusters cotton all types except the items required in Khadi.
104. Dyes: (a) Azo dyes (Direct & Acid)
(b) Basic dyes
105. Electric call bells/buzzers/door bells
106. Electric soldering iron
107. Electric transmission line hardware like steel cross bars, cross arms clamps arching arm, brackets, etc.
108. Electronic door bell
109. Emergency light (rechargeable type)
110. Enamel wares & Enamel utensils
111. Equipment camouflage bamboo support
112. Exhaust muffler
113. Expanded metal
114. Eyelets
114. Film polythene-including wide width film
116. Film spools & 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 & Pressed wares
130. Glue
131. Grease nipples & Grease guns
132. Gun cases
133. Gun metal bushes
134. Gum tape
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 Handicraft Corporation)
144. Harness leather
145. Hasps & Staples
146. Haversacks
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 tons capacity
155. Insecticides Dust and Sprayers (manual only)
156. Invalid wheeled chairs
157. Invertor domestic type upto 5 KV A
158. iron (dhobi)
159. Key board wooden
160. Kit boxes
161. Kodali
162. Lace leather
163. Lamp holders
164. Lamp signal
165. Lanterns posts & Bodies
166. Lanyard
167. Latex foam sponge
168. Lathes
169. Letterboxes
170. Lighting arresters-upto 22 kv
171. Link clip
172. Linseed oil
173. Lint plain
174. Lockers
175. Lubricators
176. L. T. Porcelain KITKAT & 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 elseware 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. Napthalene 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, (ce-cream cup, paper cup and saucers & paper plates
203. Paper tapes (gummed)
204. Pappads
205. Pickles & Chutney
206. Piles fabric
207. pillows
208. Plaster of paris
209. Plastic blow moulded containers upto 20 litre excluding Poly Ethelene Terphthaiate (PET) containers.
210. Plastic cane
211. Playing cards
212. Plugs & Sockets electric upto 15 amps.
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. P.V.C. foot wears
223. P.V.C. Pipes upto 110 mm.
224. P.V.C. 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. R.C.C. Pipes upto 1,200 mm. dia.
231. R.C.C. 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 & Caps etc.
240. Rust/Scale removing composition
241. Safe meat & 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 Shoes laces
252 Shovels
253. Sign boards painted
254. Silk ribbon
255. Silk webbing
256. Skiboots & 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 laundary 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 up to and including 100 KW 440 volts 3 phase
273. Stapling machine
274. Steel Almirah
275. Steel beds stead
276. Steel chair
277. Steel desks
278. Steel racks/shelf
279. Steel stools
280. Steel trunks
281. Steel wool
282. Steel & 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 & Salitah jute for tentage.
298. Textiles manufacturers 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 confirming 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 & Tubes (Cycles)
315. Umbrellas
316. Utensils all types
317. Valves metallic
318. Varnish black Japan
319. Voltage stablisers 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 wiremash
328. Wheel barrows
329. Whistle
330. Wicks cotton
331. Wing shield wipers (Arms & Blades only)
332. Wire brushes and Fiber Brushes
333. Wire fencing & Fittings
334 Wire nails and Horse shoe nails
335. Wire nettings of gauge 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. Woolen hosiery
349. Zinc sulphate
350. Zip fasteners

HANDICRAFTS ITEMS

SL.	Item Description	*Source of Supply*
351.	**Cane furniture**	North Eastern Handicrafts & Handlooms Development Corporation. Assam Govt. Marketing Corprn. Craft Society of Manipur, Nagaland Handicrafts & Handlooms Development Corporation.
352.	Bamboo file tray, Baskets, Pencil stand, side racks etc.	—Do—
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. Corp., Jute Mfg. Development Corporation, Orissa State Handicrafts Dev. Corpn.
357.	Jute bags, file cover	—Do—
358.	Woollen & Silk carpets	U. P. Export Corporation, J & K Sale & Export Corporation.

ANNEXURE- II/5-08

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No.2004/RS(G)/113/1 New Delhi, dt.09.6.04

The General Manager(Stores)
All Indian Railways & Production Units

Sub: **Use of Khadi and handloom variety, upholstery and Linen in the Trains, Railway Offices and Guest Houses etc.,**

…

In order to promote the use of khadi and handloom products on the Railways, Board in super session of the earlier instructions on the subject have decided that henceforth the following items of upholstery and linen should be procured exclusively of handloom/khadi variety:

SN	Particulars of the item
1.	Bed sheets and pillow covers for use in – 1st AC coaches in all trains AC coaches (AC 2 tier and AC 3tier) in all trains Rest Houses Running Rooms/Retiring Rooms Railway Hospitals
2.	Linen and upholstery material for use in Restaurants and Deluxe trains, catering units.
3.	Upholstery material for Railway Officers, Rest House, Running Rooms and Retiring Rooms
4	Face Towel, Bath Towel to be used in trains, Rest Houses/Retiring Room/Running Room
5	Woolen Blankets for trains, Rest houses, Retiring Rooms, Running rooms and hospitals.

Detailed specifications for procurement of the above mentioned items will be issued separately.

2. While procuring the above material of khadi/handloom variety, their sizes should be suitably reviewed so as to take into account the margin towards shrinkage of such items.

3. Board have further decided that the quantity of mill made items of upholstery and linen already in use/stock or under procurement need not be disturbed.

4. However, these instructions will not be applicable for the curtain cloth to be used in AC coaches (1st AC as well as other) since the same are required to be of fire retardant quality.

5. Additional Budgetary provisions may be required to be made in case of any increase in expenditure arising out of this change over.

(P.S. Meena)
Dy. Dir. Rly.Stores(G)
Railway Board

ANNEXURE- II/5-09

Ministry of Railways, (Railway Board)

No.2004/RS(G)/113/1 New Delhi, dated 24.6.2004

The General Managers,
All Indian Railways/PUs.

Sub : **Use of Khadhi and handloom variety, upholstery and linen in the Train, Railway Offices and Guest houses etc.,**

Ref : Board's letter of even No. dated 9.6.04 addressed to GMs and 10.6.04 forwarding copy to others.

As mentioned in para (1) of Board's letter under reference above, detailed specifications for procurement of given items of upholstery and linen exclusively of Handloom/Khadi variety

will be issued separately. Till the time the detailed specifications are formulated, the Railways may continue to procure the linen and upholstery material of handloom/Khadi variety to the existing specifications for these items.

(P.S. Meena)
Dy. Director, Railway Stores(G)
Railway Board

ANNEXURE- II/5-10

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No.2004/RS(G)/113/1Pt.I New Delhi, dt.4.8.04

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Use of Khadi and handloom variety, upholstery and Linen in the Trains, Railway Offices and Guest Houses etc.,**

Attention is invited to board's letter of even number dt.9.6.04 and 10-06-04 Laying down the instructions to procure the given items of Upholstery and Linen exclusively of handloom/khadi variety. Further, it was also advised therein that the detailed specifications for procurement of the given items will be issued separately. However, vide Board's letter of even number dt.24.6.04, it has been clarified that till the detailed specifications in this regard are issued, the existing specifications for procurement of the given items may be continued.

Board have desired that it should be ensured that the above instructions are being followed and hence, with immediate effect in partial modification of Para (3) of Board's letter of even number dated 9.6.04, no fresh contracts of mill made items of Upholstery and Linen are entered into.

Compliance of the above instructions may be advised.

(P.S. Meena)
Dy. Director, Rly.Stores(G)
Railway Board

ANNEXURE- II/5-11

MINISTRY OF RAILWAYS,
(RAILWAY BOARD)

No.2004/RS(G)/113/1 New Delhi, dt.14.10.2004

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Use of Khadi and handloom variety, upholstery and Linen in the Trains, Railway Offices and Rest Houses etc.,**

Ref : Board's letter of even number dated 96-04, 24-06-04 and 04-08-04.

In order to implement Board's instructions circulated vide Board's above referred letters, Railways have been approaching Railway Board to advise the specifications of bed sheets/

pillow cover of Khadi variety to be procured from KVIC. Railway Board is seized of the matter and the issue of detailed instructions/specifications for procurement of upholstery and linen materials of Khadi and Handloom variety is under detailed examination in Board's office. However as an interim measure, Railway Board have decided that following specifications/instructions should be followed for procurement of Khadi/Handloom variety of bed sheets and pillow covers:-

(a) Poly vastra bed sheets and pillow covers to the enclosed specifications to be procured from KVIC for providing them in 1st AC coaches of all trains and in all coaches of Rajdhani Expresses.

(b) Handloom variety of bed sheets and pillow covers to existing specification to be procured from ACASH for providing them in all other coaches and covered in (a) above and in Running rooms/Retiring rooms, Rest Houses as well.

Kindly acknowledge the receipt.

(P.S. Meena)
Dy.Director, Rly.Stores(G)
Railway Board

Encl: as above.

ANNEXURE- II/5-12

Ministry of Railways,
(Railway Board)

No. 2004/RS(G)/113/1 New Delhi, dated : 26.10.2005

The General Manager, All Indian Railways & PUs.

Sub : **Use of Khadi and Handloom variety of upholstery and linen in the Trains, Railway offices and Rest Houses.**

In terms of Board's letter of even no. dated 14.10.2004, specifications for poly vastra bed sheets and pillow covers were issued to all Railways & Production Units.

KVIC have recently approached Board to permit certain changes in the specification stating that Khadi being a handspun, hand woven product and not a mill made product, there are chances of higher variation in parameters of specification for poly vastra bed sheets and pillow covers. The matter was considered by Board and accordingly the specification and tolerances for these items have been revised as per annexure 'A'.

Sd/-
(Trilok Kothari)
DRS/(IC

DA: As above

ANNEXURE 'A'

S.No.	Description	Specification
1	Yarn Count (Ne) Warp Weft	 $33.2^{S}/2$ ±10% $33.2^{S}/2$ ± 10%
2.	Thread/cm Warp Weft	 18 ±10% 18 ±10%
3.	Weight per sq. meter (gm)	125 ±10%
4.	Type of Weave	Plain
5.	Breaking Strength (Kgs) (Strip Size 5 x 20 cms) Wrap Weft	55 min-average 52 min-individual sample 55 min-average 52 min-individual sample
6.	Scouring Loss (%)	2.0% max
7.	pH Value of Aqueous Extract	6.0 to 8.5
8.	Residual Starch Content (%)	0.1 % max
9.	Relaxation Shrinkage (%) Warp Weft	 1.0 % max 1.0 % max
10.	Blend Composition (%) Polyester Cotton	 60% to 70% 30% to 40%
11	Water Soluble Matter (%)	1.0 max
12.	Colour Fastness to Rubbing Staining on Undyed Cotton Fabric Dry Wet Light Blue Wool Rating	 4 or better 4 or better 5 or better

Sd/-
(Trilok Kothari)
Director Railway Stores(IC)
Railway Board

ANNEXURE- II/5-13

Ministry of Railways, (Railway Board)

No.2004/RS(G)/113/1 New Delhi, dated: 20-03-2007

The General Manager/ All Indian Railway & Production Units,

Sub : **Supply of Bedroll items on Trains by IRCTC.**

A reference has been received from COS/ South Central Railway and Central Railway regarding supply of bedroll items on the train services by IRCTC without taking over the existing stocks & other likely supplies to be received from KVIC & ACASH.

This issue has been discussed in the Board's office with Tourism & Catering Directorate and it has been decided that:

1. All contractual commitments made by Railways in this regard should be honoured without fail.
2. IRCTC will take over all existing stocks and future supplies of Bedroll items expected to be received against all contractual commitments entered into by Railways wherever supply of Bedroll items on Trains has been taken over by IRCTC.

This is issued in consultation with Tourism & Catering Directorate of Ministry of Railways.

Kindly acknowledge the receipt.

(Trilok Kothari)
DRS/IC/Rly Bd

ANNEXURE- II/5-14

Ministry of Railways, (Railway Board)

No.2006/RS(G)/509/2 New Delhi, dated 10.07.2007

M/s Association of Corporation & Apex
Societies of Handlooms (ACASH),
Handloom Pavilion, Near gate No.2
Pragati Maidan, Bhairon Marg,
New Delhi – 110 001.

Sub : **Supply of Handloom Polyester Cotton Blended Suiting and Shirting to Indian Railways.**

Ref : Your letter No.cash/sts/Polyester/RB/07-08 dt.06.06.07

….

With reference to above, it is hereby informed that with a view to improve upon quality of uniforms to eligible railway employees, Ministry of Railways, vide letter No.E(W)2005/UN1/3 dated 24.04.2007 have decided that the supply of cloth for uniform should be of improved

quality and the specification should conform to standard quality cloth supplied by well known firms.

(Trilok Kothari)
Director Railway Stores(IC)
Railway Board

ANNEXURE- II/5-15

GOVERNMENT OF INDIA **RBS No.13/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2004/RS(G)/113/1 New Delhi, Dated: 09.08.2007.

The COS / All Rlys & PUs

Sub : Procurement of Bedroll items by Railways – policy regarding

Board *vide* letter No: 2006/TG.III/645/4 dated 28.07.2006 decided that on-board services on all Mail / Express, super fast trains including distribution of bedrolls/linen will be undertaken by IRCTC or its franchise, who will procure, wash the linen and store it in the bedroll depot.

The matter was re-examined and accordingly, it was partially modified vide Board's letter no: 2006/TG-III/645/4 dated 01.08.2007 (copy enclosed). Relevant extract of this letter are reproduced below for guidance and necessary action:-

a. Provision of bedroll services including procurement, washing and distribution should continue to be done by Zonal Railways.

b. IRCTC should not undertake any new work of bedroll services on train.

c. IRCTC should hand over the bedroll services to Railways which have been taken over on 'as is where is' basis from the Zonal Railways.

In view of these, Railways should take necessary steps to do timely procurement of all bedroll items so as to ensure continuance of bedroll services without any inconvenience to passengers.

Sd/-
(Aruna Jain) / DDRS(G)-II
Railway Board.

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2006/TG-III/645/4 New Delhi, Dated: 01.08.2007.

The General Manager/All Rlys & Pus
The MD/IRCTC, 9th Floor, Bank of Baroda Building,
16, Parliament Street, New Delhi-110001.

(COMMERCIAL CIRCULAR NO: 71 OF 2007)

Sub : On-board services.

Ref : (i) Railway Board's letter no: 2006/TG-III/645/4 dated 28.04.2006 (Commercial Circular 38 of 2006)

(ii) Railway Board's letter No.2006/TG-III/645/4 dated 28.07.2006 (Commercial Circular 63 of 2006)

In partial modifications of the above two circulars, Railway Board has decided as under:-

(a). Provision of bedroll services including procurement, washing and distribution should continue to be done by Zonal Railways as per the earlier arrangements.

(b). IRCTC should not undertake any new work of bedroll services on train. However, IRCTC may continue to provide bedroll services in the trains for which contracts including bedrolls have been awarded by IRCTC. IRCTC may further review the continuation of bedroll services by these operators and may offer them a mutually agreeable exit provision.

(c) IRCTC should hand over the bedroll services to Railways which have been taken over on 'as is where is' basis from the Zonal Railways. Railway should take over the bedroll services, which have been handed over to IRCTC on 'as is where is' basis and put its mechanism in place for procurement and washing of linen as per the earlier instructions issued vide Board's letter no: 97/TG-V/17/P dated 23.07.1999 and other instructions issued from time to time for management of bedroll services by Zonal Railways prior to transfer of this subject to IRCTC.

(d) IRCTC should not set up any launderettes for cleaning of bedroll on PPP model.

Zonal Railways in consultation with IRCTC should chalk out a joint action plan within a period of two weeks on urgent basis and implement the above orders within 3 months' period.

Sd/-
(Biplav Kumar)
Director,/Tourism& Catering
Railway Board.

ANNEXURE- II/5-16

Amitabha Datta

D.O.No.2004/RS(G)/113/1 16th August 2007

My dear------

Sub : **On Board services**

Ref : Commercial Circular No.71 of 2007 issued under Board's letter No.2006/TC-III/645/4 dated 01.8.2007.

1.0 A copy of the above commercial circular is enclosed herewith. Now Railways should take over the bedroll services, which were handed over to IRCTC on 'as is where is' basis and put its mechanism in place for procurement and washing of linen as per the earlier instructions issued vide Board's letter no.97/TC-V/17 /p dated 23.7.1999.

2.0 Zonal Railways, in consultations with IRCTC, should chalk out a JPO within a period of 2 weeks on urgent basis and implement the instructions as contained in this circular within 3 weeks time. As far as Stores Dept is concerned, Controllers of Stores are to take a note of these instructions and take necessary actions regarding disposal of stock of bedroll items available in the depot and further provisioning and procurement with due consultation with the CCM.

3.0 An action taken note should be sent to the undersigned within 15 days time.

With best wishes, Yours sincerely,

Sd/-

COSs, all Zonal Rlys. **(Amitabba Datta)**

ANNEXURE- II/5-17

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS/RAILWAY BOARD/New Delhi

No.2008/RS(G)/113/1 Dated: 03/03/08

The Controller of Stores, All Zonal Railways & Production Units.

Sub : **Supply of stationery items by KVIC**

During the meeting of Chairperson, KVIC with Hon'ble Minister of Railways, KVIC proposed to supply stationery items such as hand made file cover, file board, envelops etc to Railways also, *inter-alia.*

After examination of their proposal, it is advised to keep KVIC, New Delhi on the panel of likely suppliers/approved suppliers for supply of stationery items such as file covers, file boards, envelops etc. and tender enquiry for such items may invariably be sent to KVIC at the following address:

Khadi Gramodyog Bhawan,
Khadi & Village Industries Commission,
(Ministry of Micro Small & Medium Enterprises),
K. Block, Choudhary Building,
Connaught Circus, New Delhi— 110001.

(Aruna Jain)
DDRS(G)-II, Railway Board

ANNEXURE II/6-01

R. RAMESH
AM(RS)

D.O.No.2005/RSPF&EC/E-Procurement/3 Dated: 09/05/06

My Dear----------

Sub: **E-procurement - Inclusion of condition of digital signature certificate for vendor approval/renewal.**

Ref: MM's D.O. Letter No.2005/RS(PF&EC)/E-Procurement/3 dated 04-07 -2005.

Vide above referred MM's D.O. (copy enclosed), it was advised to instruct all the vendors approved by your organization to immediately procure digital certificates. It was also suggested that for all new/renewal cases of approval, availability of digital certificate may be made pre-requisite.

Northern Railway has successfully introduced e-procurement for tenders: E-procurement is now to be extended to all Zonal Railways and PUs at the earliest. It is once again advised to make the condition of having digital signature certificate as per· Indian IT Act - 2000, a pre-qualifying criterion for vendor approval/renewal/registration.

In websites of your organization, a link may be provided for NR's e procurement website (www.nreps.com) wherein all the guidelines for vendors for participation in electronic tendering and other information related to e-procurement are available.

Compliance of the same may be advised at the earliest preferably within a time of 15 days.

With best wishes

Yours sincerely,
Sd/-
(R.RAMESH)
DG/RDSO,
GMs/CLW/DLW/ICF/RCF & CORE

ANNEXURE II/6-02

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.2006/RS(PF&EC)/E-Procurement/3 Dated: 15/09/06

DLW, DMW, ICF, RCF & RWF.

Sub : **Implementation of E-procurement system (Phase-I).**

Ref: EDRS(G)'s DO letter No.2006 / RS(PF&EC) / E- procurement / 5 dated 30-08-2006 re-circulated vide DRS (IC)'s letter of even number dated 13-09-2006.

A new work titled "Implementation of e-procurement system -Phase-1) has been sanctioned in Supplementary Demands for Grants, 2006-07 at a cost of Rs.20.30 crores.

In this connection, please find enclosed herewith a letter bearing No. 2004/C&IS/AP2004-05/E-Procurement dated 12-09-2006 from Director (C&IS), Railway Board.

Your unit has been selected for implementation of e-procurement system in Phase-I.

You are requested to initiate the process as per EDRS(G)'s DO letter of even number dated 30-08-2006 in implementing E-procurement at your Railway at the earliest.

Sd/-
(Trilok Kothari)
Director, Rly.Stores (IC)

'.

ANNEXURE II/6-03

NORTHERN RAILWAY

Headquarters office,
Baroda House,
New Delhi.

No.CMM/C/EP/05-06 Dated: 30.11.2006

Controller of Stores,
CR, SR, SCR, WR, NCR, SECR, WCR,
DLW, DMW, ICF, RCF & RWF.

Sub : **Detailed estimate for implementation of E-procurement.**

Please find enclosed a copy of detailed estimate in (13-folio) vetted by finance and sanctioned by GM/NR for your kind perusal.

Encl: As above.

-Sd-
Dy.CMM/EP
For Controller of Stores

DETAILED ESTIMATE

The basic concept of implementation of e-procurement system (Phase – I) will be as under:

1.0. **SOFTWARE DESIGN WORK**

1.1. The Centralized Data Center will be located at CRIS, New Delhi. The website will be single and named as wwe.ireps.com. The new domain name ireps has to be obtained. Each Railway to have its own home page and in different colour schemes. The supplier log-in date base has to be common for all India Railway. The software contract with HCL for

extending the scope of existing application software for centralized design, customization and development, integration with existing EPS software is to be concluded.

1.2. **New additions to Existing EPS**

1.2.1. Zonal Rly Home page to be identical (colour scheme and URL page different)

1.2.2. **Utility for PO Data Shift from MMIS to EPS Rly.**

Purchase order sub module to link PO No, vendor name, order quantity, PO date, delivery date, basic rate, unit, consignee etc (as is done in the tender data shift utility) will be created. Tender No. to be identical key in the two files MMIS and EPS. These PO fields are to be shifted from MMIS PO Data base with single utility. Status to be changed automatically for E-tenders having PO data in MMIS. (By single utility click to be used each day). The utility will link MMIS data and bring update tender record in EPS with such extended PO record fields wherever tender data is matching in two data bases. Application will also provide continuity check for PO.

1.2.3. Rate page revisions for sales tax inclusive, freight inclusive options etc.

1.2.4. Provision for alternative offers.

1.2.5. Provision for two bid system.

1.2.6. In Bulletin tenders, the vendors Rate page to have additional mandatory field as Railway registration No/NSIC No. in Rate page, additional space for text field as Eligibility criteria compliance to be provided.

1.2.7. Provision to access, search, decrypt and digitally store e-tender box directly at clients end by each Railway unit in his own server.

1.2.8. Provision for saving all tabulation statements in PDF at client end.

1.2.9. Rate page to have vendor detail box showing vendors postal address, mobile, phone no., contact persons name, (mandatory to be filled)

1.2.10. Provisions for extra folder/pages in offer page, machinery and plant details attachment and technical men/support attachment forms for M&P, Global tender, works tender and other annexure.

1.2.11. Provision to show which attachment box is filled or empty in tabulation (compliance, deviation, performance etc). All tabulations to be automatic and simultaneously created (rate, commercial and technical tabulations)

1.2.12. Search provisions on tender search on Railway as a whole/each Railway and more search options.

1.2.13. Payment page to say if you are opting Exemption option, please ensure your credibility as your offer may be rejected summarily if you are found as non exemption category.

1.2.14. Better screen navigations for each page, response box, messages and link for rate page with other three/four pages such as performance, deviations, compliance and M&P.

1.2.15. Progress counter table to be for All Railway and for each Railway respectively.

1.2.16. Centralized search option, search on each railway unit.

1.2.17. Rate form should have response message "If you do not fill or attach performance details… your performance may be taken as NIL. If you do not fill deviation page you are offer would be treated as you comply with tender conditions. If you do not fill compliance page it means your offer comply with each and every tender condition" (composite or separate message).

1.2.18. Any other software revisions in existing application as may be advised by Railway from time to time.

2.0. ADDITIONAL SOFTWARE ITEMS

1. Supply order/contract data transfer module from MMIS to EPS.

2. Digital signing of contracts and upload for view and access by consignee/vendor/inspecting agency/user etc.

3. Post contract amendment/request interface for vendor/Rly.

4. Inspection call screen interface for vendor. (In the same existing inspection call format, online screen based inspection call facility) – Both for stage and final inspection.

5. Inspection report upload facility for inspection agency – for stage and final inspections.

6. Delivery/status/dispatch details screen for supplies – For easy view and access by user/consignee.

7. Depot/consignee inspection interface facility.

8. DRR/Depot challan data shift.

9. R. Note/R.O. date shift.

10. E-payment module linking of stores account module of MMIS.

2.1. Scope of existing sub modules to be extended further to suit to All Railways module for.

1. Global tendering, for Rly. Bd/Zonal Railways/PUs.
2. E-Auction, system design work and revisions.
3. Reverse Auction, Railway wise model.
4. Works tender Railway wise model.
5. Any other items similar to above activities.

3.0. SEGMENTWISE DETAILED ESTIMATES

3.1. Segment 1 – Hardware and Central facilities (Estimated cost Rs.6.50 crores)

Following activities are to be undertaken:

1.0. Setting up Date center with upgradeability slots, backup for each server support (three tier server architecture)

2.0. Operation and maintenance contract for data center operation two shifts daily, (min period of three years)

3.0. Help desk (both on screen and off screen mobile/landline of CRIS team, and CA centers, training, familiarization support system).

4.0. RDEMS Oracle 9i(10g) license multi-user, windows enterprise OS, D2K, Antivirus packages, Broad vision licenses etc.

5.0. Testing of software in data centre at CRIS in LAN mode, extended LAN MODE and on Internet (after up-linking server by CRIS)

6.0. Internet Web up-linking service contract for one year for server connectivity with Gateway server (min 2 MB internet pipe with upto 4 MB slots)

7.0. Networking of CRIS data centre with Zonal Railways and PUs.

8.0. Use of FOIS network to link upto eight zonal Rail HQ servers with COS officers (last mile connectivity), and 5 PUs and cater to Engg (OL), & CAO construction offices.

9.0. Payment gateway setup with SBI, ICICI Gateways/RBI etc.

10.0. Operational instruction set for Railway COS/CMMs to be prepared by N.Railway and CRIS.

11.0. Railways/PUs to buy digital certificates, test tenders, broad band connectivity and training (min. 6 per Rly users)

12.0. Railway/PUs to copy N.Rly joint procedure order for digital certificate management.

13.0. Railway/PUs to setup Access Permissions, login ID and passwords, familiarize stores, accounts, teams in each zones/PUs. Each Railway/PU to have one or two user ADMN level ID.

14.0. Raiwlay/PUs to issue action plan for starting, progress and extended use, all single PAC, LT (upto 5 vendors), open tender, all stock items > 6 months stock, NS items with limited vendors, and lastly more general category items.

15.0. Railways to upload their own Instructions to tenderers (pamphlet – 1) by copying N.Rlys instruction sets, IRS Conditions, special instructions and tender notices etc.

Itemised detailed Estimate

3.1. SEGMENT 1 – HARDWARE AND CENTRAL FACILITIES – ESTIMATED COST Rs.650 LAKHS.

S. No.	Description	Item Details	Estimated Cost Rs.
Date Centre Hardware Architecture			
1.	6 SERVERS, DATA APPLICATION WEB	RS.7 LAKHS (EACH) X 6	42 LAKHS
2.	1 BACKUP SERVER 100% BACKUP SUPPORT	RS.7 LAKHS (EACH) X 1	7 LAKHS
3.	STORAGE BOX FOR DATA STORAGE FOR ZONAL RLY/PU		
4.	3 LAYER SWITCH (HA) 24 PORT G.BIT 2 NO.	RS.5 LAKH PER SET X 2	25 LAKHS
5.	ROUTER PAIR – 4 –WAN MODEMS PAIR	RS.12.5 LAKH PER SET X 2	25 LAKHS
6.	CAT 6/FIBRE/UTB CABLES AND CONNECTORS	CAT6/UTP/FIBRE CABLES FOR DATA CENTER, LAN SET UP&INTERNET CONNECTIVITY UPTO GATEWAY SERVER	25 LAKHS
7.	UP-LINKING SERVICE PER YEAR 2*2 MBPS PIPES MINIMUM TO CATER 20 RLY TRAFFIC	UPLINKING RATE PER YEAR PER 2 MBPOS = RS.15 LAKH PER YEAR 2X2 MBPS @ 30 LAKH PER YEAR	25 LAKHS PER YEAR
8.	AMC@10% HARDWARE (APPROX)	AMC FOR THEABOVE HARDWARE ITEMS S.NO.1-7	25 LAKHS
9.	HARDWARE EXPANSION 1 APPLICATION SERVER 2 DATA BASE SERVER		11 LAKHS
Communication Hardware			
10.	CONNECTIVITY AND COMMUNICTION HARDWARE LAN SET UP, FIREWALLS, LOAD BALANCER, NM SWITCH, FAILURE DETECTION SWITCHES WITH 3 YEAR AMC	COMMUNICATION HARDWARE, COMPONENTS AND ELECTRONICS, WEB COMPONENTS ETC. WITH 3 YEAR AMC FOR HARDWARE	90 LAKHS INCLUDING COST OF CONNECTION
11	AMC @ 10% (APPROX)	AMC FOR ABOVE S.NO.9 COMMUNICATION HARDWARE	10 LAKHS PER YEAR (APPROX)
12	OPERATION AND RUNNING COST ONE	8 ENGINEERS X RS.1.5 LAKH X 12 MONTHS (@	1.40 CRORES/YEAR

	YEAR (THIS IS ESSENTIAL COST) DAILY OPERATE RUN AND MAINTAIN DATA CENTRE	RS.1.5 LAKH PER MAN MONTH) TO RUN, OPERATE, MAINTAIN DATA CENTER DAILY TWO SHIFTS 7 DAYS/WEEK	
System Software Items			
13.	ORACLE UNLIMITED USER	ORACLE 10 RDBMS	80 LAKHS
14.	BROADVISION LICENSE FOR 4 CPU		35 LAKHS
15.	WINDOWS, JAVA APACHE	FRONT END PROGRAMMES	15 LAKHS
16.	ANTI VIRUS, WINDOWS, ENTERPRISE MULTI USER	SUPPORT SOFTWARE	15 LAKHS
17.	5 (NO) PC, PRINTER AND CONFIGURATION PLATEFORM	FOR CRIS TESTING CONFIGURE, TRAINING ETC.	15 LAKHS
18.	5 NO. INKJET/LASER PRINTERS	FOR CRIS TEST BENCH, TRAINING AND OPERATION OF DATA APPLICATIONS	5 LAKHS
19.	HARDWARE PROVISION FOR ZONAL RAILWAYS 13 RAILWAY UNIT	5 PC + 5 NO LASER PRINTER HIGH CAPACITY + COPIER/FAX 3.8 LAKH EACH	30 LAKH
20.	EXPANDED ABILITY OF SYSTEM SOFTWARE FOR ORACLE AND BROADVISION		20 LAKH
Total Segment 1 Hardware And Central Facilities – 6.5 Crores			

3.2. Segment 2 – Application software (estimated cost – Rs.3.20 crore)

The application software revision/new work/enhancement/extension will be done in following steps:

Step-I

S. No.	Activity (1)	Man month	Estimated cost in lakhs @ rate of Rs.1 lakh per man month
1.	Centralized EPS, central page, central each, integration, module	30	30
2.	Railway page, color, integration	20	20
3.	PO data integration with	20	20

	MMIS and PO modification, test run in CRIS, software testing in LAN mode		
4.	Rate page, commercial page revisions	20	20
Total cost of software module step 1			**90 lakh**

Step II

S. No.	Activity (1)	Man month	Estimated cost in lakhs @ rate of Rs.1 lakh per man month
1.	Payment gateway, all Rly module, set up fees by server Pr.	25	20
2.	Payment gateway license fee by bank consolidated		10
Total cost of software module step II			**30 lakhs**

Step III

S.No.	Activity (1)	Man month	Estimated cost in lakhs @ rate of Rs.1 lakh per man month
1.	E-Auction centralized module, online acceptance, payment	20	20 lakhs
2.	Global tendering, new rate page, additional pages for M&P etc.	20	20 lakhs
3.	R.A. for all Railways pages	10	10 lakhs
4.	Works tenders All Railway pages, other revisions	15	15lakhs
5.	Other modules on additional pages for authorization, technical person page, eligibility criteria compliance box, Annexure 1-10 in Rly Bd's tenders, cofmows M&P auto update index on each module for monitoring	15	15 lakhs
Total cost of software module step III			**80 lakhs**

Step IV New Items on contract MGT

S. No.	Activity (1)	Man month	Estimated cost in lakhs @ rate of Rs.1 lakh per man month
1.	Inspection call page/pages, digital sign/verify module	10	10L
2.	Inspection report page/pages, dig. sign/verify	10	10L

3.	Delivery/page/pages, part dely. Dign. sign/verify	10	10L
4.	Depot/consignee page for DRR, receipt, depot inspection	10	10 L
5.	R-note, RO data transfer page, dig. sign/verify	10	10 L
6.	Payment, supplier bill screen dig.sign/verify	10	10 L
7.	Store account screen data transfer from MMIS module III on stores account on CO7, payment by EDS/EFT mode	20	20 L
8.	E-payment modules as per FOIS integration with EPS	10	10 L
9.	Status change, change of colour and integration of each supply chain module automatic with change in previous activity, colour must change	10	10 L
	Sub Total		**1 Crore**
10.	Balance 20 lakh to be kept as AMC for revision of software, licence cost for broad vision, RDBMS		**20 L**
Total cost of Step IV			**1.2 crore**

NOTE: Purchase order performance auto index must be created. It must update itself on each phase III module data with PO data as primary link.

Grand Total of Step I + II + II + IV is Rs.3.2 crores

3.3. Segment 3 – Facilities in zonal Railways/Units (estimated cost Rs.1.50 crore)

Each of the eight zonal Railways and five PUs will create following facilities for networking last mile

Networking last mile + 5 PC + 5 laser printer + 5 broadband for COS, PCE, CAO offices in each Railway unit @ Rs.3.85lakh per office x 3 office in each Railway unit x 13	**1.50 crore**

3.4. Segment 4 – Training and Implementation (Estimated cost Rs. 3.40 crores)

Activity	Details		Estimated cost
Training	Training modules to cover training of upto 300 Railway staff/officer + instruction manual module @ Rs.20,000 per persons	300 x 20,000	60 lakhs
Implementation	1) Operation of data	(a) 4 persons per day	48 lakhs

cost	center, hardware, website log, help desk, database support, EDP support and network, up linking supports	@ Rs.1 lakh per person per month for 12 months	
		(b) Equipment cost AMC charges @ 10% per Equipment.	45 lakhs 4 lakhs Approx.
	2) Maintenance cost on operation running of hardware and application and system software, networking	(a) 4 persons per day @ Rs.1 lakh per person per month for 12 months	48 lakhs
	3) Implementation cost of networking operation	Networking	30 lakhs
	4) Transportation vehicle utility 1 no.	One no. utility vehicle for N.Railway for support	5 lakhs
	5) AMC charges for software for one year	AMC	60 lakhs
Grand Total			**3.04 crores**

3.5. Segment 5 – Disaster Recovery Facilities (Estimated Cost Rs.3.50 crore) Itemised Estimate

S. No.	DESCRIPTION	ITEM DETAILS	ESTIMATED COST IN RS.
1.	3 SERVERS, DATA APPLICATION WEB	RS. 7 LAKHS X 3 NO.	21 LAKHS
2.	1 BACKUP SERVER	RS.7 LAKHS	7 LAKHS
3.	STORAGE BOX FOR DATA STORAGE FOR ZONAL RLY/PU		15 LAKHS
4.	3 LAYER SWITCH 2 NO.	RS.5 LAKH X 2	10 LAKHS
5.	ROUTER PAIR 4 WAN MODEMS PAIR	RS. 12.5 LAKH X 2	25 LAKHS
6.	CAT 6 CABLES, CONNECTORS	CAT 6 CABLES FOR DATA CENTRE, LAN	13 LAKHS
7.	UPLINKING SERVICE PER YEAR, 2X2 MBPS PIPES MINIMUM TO CATER 20 RLY TRAFFIC		20 LAKHS
8.	AMC @ 10% HARDWARE	AMC FOR HARDWARE	12 LAKHS
9.	CONNECTIVITY HARDWARE LAN SET UP FIREWALLS LOAD BALANCER, NM SWITCH FAILURE DETECTION SWITCHES	COMMUNICTION HARDWARE, COMPONENTS AND ELECTRONICS, WEB COMPONENTS ETC.	50 LAKHS
10.	OPERATION AND RUNNING COST ONE YEAR (THIS IS ESSENTIAL COST) DAILY OPERATE RUN AND MAINTAIN DATA CENTER	3 ENGINEERS X 1.5 LAKH X 12 MONTHS (@ 1.5 LAKH PER MANMONTH) TO RUN,	54 LAKHS

		OPERATE, MAINTAIN DATA CENTRE DAILY TWO SHIFTS 7 DAYS/WEEK	
11.	ORACLE UNLIMITED USER	ORACLE 10G RDBMS	36 LAKHS
12.	BROADVISION LICENSE FOR 4 CPU		20 LAKHS
13.	WINDOWS, JAVA APACHE	FRONT END PROGRAMMES	16 LAKHS
14.	ANTI VIRUS, WINDOWS, ENTERPRISE MULTIUSER	SUPPORT SOFTWARE	8 LAKHS
15	3 NO. PC, PRINTER, 3 NO. PC SET	FOR CRIS TESTING CONFIGURE, TRAIINING ETC.	10 LAKHS
16	3 No. INKJET/LASER	FOR CRIS	3 LAKHS
17	HARDWARE PROVISION FOR ZONAL RAILWAYS + pus (13 RAILWAY UNITS	3 NO. PC + 3 NO. LASER PRINTER	30 LAKHS
		TOTAL	**3.50 CRORES**

3.6. Segment 6 – Digital Certificates (Estimated Cost Rs.0.60 crore)

i. Upto 500 digital certificate	Rs.3000/- each	15 lakhs
ii. SSL Certificate	5 lakh	5 lakhs
iii. Uplinking cost each railway	3 lakh x 13 unit	40 lakhs appr.
	TOTAL	**60 LAKHS**

3.7. Segment 7 – Zonal Railways Establishment Charges (Estimated cost Rs.160 crore)

RAILWAY	ESTABLISHMENT	ESTIMATED COST PER YEAR RS.
N.RLY	1 SAG STORES @ RS.10 LAKHS (TO BE CREATED WITH BD'S SANCTION) 1 JAG ACCOUNTS @ 5 LAKHS	15 LAKHS
CRIS	1 SAG STORES @ RS. 10 LAKHS 1 JAG STORES @ RS. 5 LAKHS	15 LAKHS
SEVEN ZONAL RLY	7 SAG STORES @ RS. 5 LAKHS /EACH 7 JAG ACCCOUNTS @ RS. 5 LAKHS/EACH	70 LAKHS
	7 STORES OS HELP DESK SUPPORT 2 2.1 LAKHS (APPROX.)	15 LAKHS
FIVE PUS	5 JAG STORES @ RS. 5 LAKHS /EACH 4 JAG/ACCOUNTS @ RS. 5 LAKHS (FOR RWF ONLY 1 JAG)	45 LAKHS
	GRAND TOTAL	**1.60 CRORE (APPROX)**

The total value of Detailed estimate of all the seven segments is Rs.19.90 crores.

ANNEXURE II/6-04

AGREEMENT BETWEEN CRIS AND NORTHERN RAILWAY FOR IMPLEMENTATION OF E-PROCUREMENT SYSTEM (PHASE-I) ON EIGHT ZONAL RAILWAYS AND FIVE PRODUCTION UNITS

1. **PREAMBLE:**

1.1. This agreement is made and entered into 10th day of January 2007 between Northern Railway (NR), nodal agency for implementation of project over eight zonal Railways (WR, CR, NR, SECR, WCR, NCR, SR & SCR) and five production units (RCF, ICF, DLW, DMW & RWF), on behalf of President of India represented by CMM/M/NR (which expression shall unless repugnant to the context thereof include his successor in office) of one part and Centre for Railway Information Systems (CRIS) having its Head office at Chanakya Puri, New Delhi – 110 021 (hereinafter referred to as CRIS) which expression shall unless repugnant to the meaning or context hereof mean and include its successors, legal representative and permitted assigns of the other part.

1.2. As per Railway Board's letter No.2004/C&IS/AP 2004-05/e-procurement dated 12.09.06, both the parties mentioned herein agree to execute the present agreement for implementation of e-procurement system over eight zonal railways and five production units.

2. **SCOPE OF WORK:**

2.1. The phase I of the project covers implementation of e-procurement system over eight Zonal Railways (WR, CR, NR, SECR, WCR, NCR, SR & SCR) and five production units (RCF, ICF, DLW, DMW & RWF) where MMIS project is operational.

2.2. Scope of this project includes:

(a) Procurement of Hardware and Central facilities for setting up of secured data center at CRIS with adequate internet connectivity and up linking support at CRIS.

(b) Customization of the existing application software running on Northern Railways (for stores procurement tendering module) for procurement of stores by all the Zonal Railways and other units of Indian Railways like Production Units, COFMOW, Railway Board etc. Rolling out and implementation of EPS in eight Zonal Railways and five production units as per para 2.1. above.

(c) Development of enhanced features in the application software, additional search and post contract tracking modules and linkages with MMIS.

(d) Development of enhanced features in the application software for global tendering and reverse auction for procurement of stores, and auction for sale of scrap and unserviceable stores.

(e) Integration of payment gateway for tender cost, earnest money, security deposit and development of payment module and linking with stores accounts module of MMIS for payment through ECS/EFT against suppliers bill.

(f) Procuring PC, printer etc. for railways, its installation and networking with their MMIS server in purchase office and providing connectivity to data centre through railtel network.

(g) CRIS will arrange training to core team of Railway users and vendors on the operation and running of application software. Training of trainer operation will be adopted.

(h) CRIS will manage operation and running of the Data centre and provide all the support to Railways during the implementation of this project, thereafter it will be covered under AMC on additional charges (including operation and maintenance of Hardware, software and networking, licence fee of system software and antivirus, up linking cost, establishment cost for running of data center and help desk support, disaster recovery support etc.)

(i) CRIS will create a disaster recovery facility for the system at a suitable location along with other projects like PRS, FOIS, UTS etc.

3. ORGANISATION STRUCTURE:

Railway Board while communication sanction of the project vide letter No.2004/C&IS/AP 204-05/e-procurement dated 12.09.2006, have advised that a committee consisting of EDRS (G), GM/CRIS and CMM(M), Northern Railway is nominated to oversea the implementation of the project and to ensure co-ordination with zonal Railways and production units. To facilitate the successful execution of the project, each nodal agency will be responsible to discharge their respective activities enumerated as under:-

3.1. NODAL OFFICER FROM RAILWAYS:

COS/NR will control the budget. CMM(M)NR will assist in releasing the funds requirements from Northern Railway as well as co-ordinate with other Railways for necessary support to CRIS for implementation of the system. NR shall nominate one JAG/SG officer from stores and one JAG/SG officer from accounts department for approving the input/output forms and functional reports pertaining to their respective areas for new features added in the application software. Such approval will be given by the nominated officer within 7 days. They along with another JAG/SG officer nominated by PCE/NR will also co-ordinate with other Railways for necessary support to CRIS in implementation. EDRS(G) will monitor the project proceedings at the level of CRIS and Railways/PUs under consideration will ensure that all the necessary support is provided to CRIS for smooth implementation of e-procurement system in their units. They will also nominate a JAG/SG officer, who will co-ordinate the implementation efforts in their Railway/production units.

3.2. NODAL OFFICER FROM CRIS:

GM/PROJECT –V will be the Chief Project Officer on behalf of CRIS for implementation of EPS in Railways. He will also act as an interface between CRIS, Railway Board and Railways under Phase –I for taking necessary approval and other resources including funds required for smooth handling of the project.

4. IMPLEMENTATION STRATEGY:

4.1. In the first phase, Electronic Procurement System (EPS) will be implemented in eight Zonal Railways (WR, CR, NR, SECR, WCR, NCR, SR & SCR) and five production units (RCF, ICF, DLW, DMW & RWF), where MMIS project is operational.

4.2. The existing application software (stores tendering module) developed by M/s. HCL and running successfully at NR in ASP mode, will be extended for use by other Railways and production units on a centralized data center by suitably customizing the same through M/s. HCL Reverse Auction, Engineering Stores Tendering module and works tender module developed by M/s. HCL has not been rolled out in NR.

4.3. The application software will also be upgraded suitably to include other utilities such as two packet tendering system, inspection call screen interface, inspection report, material dispatch, information, fetching of receipt note data from MMIS server in purchase office to EPS, contract data transfer module from MMIS to EPS, post contract amendment interface, search options, global tendering and auction/reverse auction.

4.4. NR will provide a copy of approved SRS and source code for the pilot project and also one copy each of user manual and reference manual giving detailed technical features.

4.5. CRIS will procure all the necessary hardware, system software licenses, antivirus, networking equipments etc. for setting up of data centre and disaster recovery center.

4.6. CRIS will also procure services of payment gateway for integration with the application software and connectivity from internet gateway to data centre.

4.7. Network connectivity for e-procurement system will be provided through Railtel. Last mile connectivity may be done by CSTE's of concerned Railways.

4.8. CRIS will also procure PC (along with UPS) and printers for each Zonal Railway/Production units along with required networking equipments, etc. for implementation of the project. Installation of hardware and application software will commence after the sites are ready in all respects (including electrical/civil works to provide points for power supply to hardware and networking equipment, internet connectivity, buyer and digital certificate etc) and respective Railways give a certificate in this regard. Railway/Production units will have to provide furniture and dust free environment for installation of new PCs. They will also provide broadband connectivity in adequate numbers to purchase officers for uninterrupted access to website. Consumables and stationery required for implementation of the system will also be provided by the respective Railways. Northern Railway will coordinate with concerned Railways for providing all the support to CRIS for installation of PCs and implementation of EPS at the identified locations. The hardware, software and networking equipments will be delivered at identified locations, The coordinating officer of the Railway/Production unit will ensure that these items are received and made available for installation.

4.9. CRIS will give 2 days handholding support and 3 days training to officers/staff in each Railway/PU on site. However in case of difficulty during implementation, assistance of CRIS software Engineers can be availed telephonically or through e-mail.

4.10. Railways will ensure participation of sufficient number of officers and staff for carrying out testing of software modules before the same is handed over finally. Necessary data/information for configuration/development/testing of application software shall be provided by NR. Testing/acceptance of application software (with existing features) in centralized data center will be done by NR as per approved test plan already used by NR for pilot project. Test plan for enhanced/new features will be finalised in consultation with NR and EDRS/G.

4.11. Approval/comments on the SRS of each of the four stages mentioned in para 7 will be given by NR within 7 days. Approval for the customized application software and its enhanced features shall be jointly given by GM/Project-V, CMM/M and EDRS(G). Completion certificate for successful implementation in Railways/ Production units shall be given by the nominated coordinating officer of the Railway/Production unit.

4.12. CRIS will operate and run the data centre with adequate back up, security features and audit trail. Help desk support will also provided.

4.13. CRIS will also create and manage the disaster recovery facility along with other projects being handled by CRIS like PRS, FOIS, UTS etc.

4.14. CRIS will arrange training for railway users as well as vendors selected by Railways at New Delhi and at other 2/3 locations to be decided in consultation with EDRS(G). Training of trainer approach will be adopted.

4.15. Zonal Railways will procure digital signature certificate and broadband themselves. Any assistance in this regard will be provided by NR and CRIS.

4.16. NR shall provide assistance to zonal railway/PUs e-procurement policy circulars, digital certification details, implementation plan on NR, e-procurement contract document as well as standard terms and conditions etc.

4.17. Zonal Railways/ PUs will also frame their standard and special conditions of supply contract for 3-tenders on similar lines as already finalised and implemented by NR. They will also issue e-tender opening policy, JPO on digital certificate management on the lines of NR.

4.18. Zonal Railways/PUs shall provide MMIS tender data interface format to CRIS for developing data fetching utility between their MMIS and centralized EPS.

4.19. Zonal Railways/Production Units will advise their registered and approved vendors to obtain digital certificate from CA as per Railway Board's instructions. Vendors approaching Railways for approval/registration or for renewal of their approval/registration should also be insisted to obtain digital certificate from CA. Zonal Railways/PUs shall also regularly hold familiarization sessions for their own registered/approval vendors to familiarize them on EPS.

5. DELIVERABLES:

The implementation of EPS in Railways and Production units will comprise of the following deliverables:

a) SRS of EPS for centralized module and enhanced features for each of the four stages referred in para 7.

b) Periodical status reports.

c) User manuals.

d) Intermediate completion report for following modules:
   (i) Basic tendering module
   (ii) inspection interface module
   (iii) purchase order interface module
   (iv) contract management and receipt date interface module
   (v) Auction/reverse auction module
   (vi) two packet system module
   (vii) global tender module
   (viii) e-billing/e-payment module

e) Project closing report

6. COST OF THE PROJECT AND PAYMENT TERMS:

The total contract value shall be Rs.18.25 crores (Rupees Eighteen crores twenty five lacs only) as per details mentioned below:

S. No.	Purpose	Amount (in lacs)
1.	Cost of hardware and central facilities (including operation and maintenance)	590.00
2.	Cost of customization and up gradation of application software	288.00
3.	Cost of terminal sub-system in zonal railways/PUs	135.00
4.	Training and implementation (including operation and running of data centre)	264.00
5.	Disaster recovery facilities (including operation and maintenance)	308.00
6.	SSL certificate, digital certificate for CRIS etc.	45.00
7.	Miscellaneous charges (includes contingency, CRIS R&D, procurement charges, etc.)	195.00
8.	Total Cost	1825.00

Release of payments to CRIS will be made as per following schedule:

a) Interest free mobilization advance to the tune of Rs.4.00 crores to commence execution of the project. This amount will be adjusted against the project cost on an ongoing basis.

b) CRIS will indicate the requirement of fund at the beginning of every quarter (starting from Jan'07) for the next quarter, based on liability entered/likely to be entered. NR will transfer fund required during the quarter to CRIS through cheque at the beginning of the quarter. The first cheque will be received from NR in April 2007 based on liability indicated in Jan 2007.

6.1. CRIS shall not be required to furnish any bank guarantee to cover the amount of payment since it is a society registered under the Ministry of Railways.

6.2. The Railway may decide to advance more funds against this work if it becomes apparent during the course of the project that the actual expenditure shall significantly exceed the estimate. For further payment, a supplementary MOU in the same format as this document shall be entered between the Railways and CRIS.

7. IMPLEMENTATION TIME PERIOD:

S. No.	Description	Time period from the date of agreement (in months)
a.	Customization of existing application software running at NR for use by all the Railways and production units and rolling out the application along with payment gateway in data centre mode at NR and RCF/Tilak bridge	9
b.	Rolling out the existing application in other seven railways and four production units in data centre mode with PO interface facility in these units as well as at NR and RCF.	9+6= 15
c.	Development and rolling out additional features like depot interface, inspection interface, contract management and payment module in all the thirteen units	9+6+6=21
d.	Setting up of disaster recovery facility, rolling out enhanced features like auction sale, reverse auction, global tendering, two packet system etc. after customization in all the thirteen units.	9+6+6+6=27

8. AMC:

8.1. Operation and management of the Date centre and support will be covered under AMC on additional charges at rates mutually agreed to between the Railways and CRIS. This will include operation and maintenance of hardware, software and networking, licence fee of system software, antivirus etc. up linking cost, establishment cost for running of

data centre and held desk support, disaster recovery support etc. CRIS will detail out the estimate for AMC charges by end of 2007.

9. OTHER TERMS AND CONDITIONS:

9.1. Northern Railway has already procured eight servers and other hardware (as per list enclosed). These will be transferred to CRIS for utilization in this project, if the are found suitable for running he modified version of application. The cost of these servers will be adjusted against the mobilization advance of Rs.4.00 crores.

9.2. NR shall also revise the estimate to provide for CRIS charges (R&D, procurement and contingency charges; total amounting to 12%) as recovery facility for at least two years.

9.3. The parties shall use their best efforts to settle amicable all disputes arising out of or in connection with this contract or the interpretation thereof. In the event of any dispute or difference, the parties thereto, such dispute or difference shall be resolved amicably by mutual consultation or through the good offices of AM/IT and AM/Stores Railway Board.

9.4. No claim for damage or any other remedy shall arise out of any breach of or any failure to perform any of the contractual obligations by any reason beyond the control of the defaulting party *i.e.* due to Force majeure reasons. The force majeure reasons may include fires, explosions, floods, earthquakes, strikes and wars. The contract delivery period may be extended in case of force majeure. In order to be able to obtain an extension to the contract delivery period CRIS shall promptly modify Railway board advising the existence of such an event and its impact on thee performance of the contract and show that such an even is not attributable to any failures on its part.

9.5. The period of agreement will be 4 years.

9.6. Any addition, alteration, review and extension of agreement will be done only with the mutual consent.

9.7. CRIS shall be responsible for compliance of the provisions of relevant laws, rules and regulations governing the subject matter for the work carried out by it.

9.8. Cancellation of the agreement will be done with mutual consent under the guidance of EDRS (G) Railway Board and ED/C&IS/Railway Board.

-Sd-
V.K. Srivastava
GM/Project V

-Sd-
R.K. Vyas
CMM/M

LIST OF HARDWARE ITEMS AVAILABLE WITH NR

S. No.	Brief Description	Quantity
1.	SERVER XEON DUAL PROCESSOR, 3.2. GHz	6
2.	SERVER INTEL PENTIUM IV, 3 GHz	2
3.	DDR2 ECC RAM 512 MB FOR P IV SERIES	2
4.	DDRS ECC RAM 2 GB FOR XEON SERVERS	2
5.	MODEM, LEASED LINE 2 MBPS	2
6.	L2 MANAGED 14 PORT 10/100 Mbps SWITCH	2
7.	L2 MANAGED 24 PORT 10/100 Mbps SWITCH	2
8.	ROUTER WITH 2 LAN AND 2 WAN PORTS	2

ANNEXURE-II/6-05

CRIS CENTRE FOR RAILWAY INFORMATION SYSTEMS

CHANAKYAPURI,
NEW DELHI-110021.

No. CRIS/GM-P(V)/EPS/2 Dated 12th January2007

COS/All Indian Railways & PUs.

Sub : **Implementation of E Procurement System (EPS) in Railways**

Pilot project on E-procurement system has been running successfully in COS office of Northern Railway in ASP (Application Service Provider) mode since October 2005. it has, therefore, been decided by Railway Board to extend this system to other railways.

Railway Board vide letter No.2004/C&IS/AP 2004-05/e-Procurement dated 12/9/2006 has sanctioned the work for implementation of E-Procurement System through centralized Data Center at CRIS, in eight zonal railways (WR, CR, NR, SECR, WCR, NCR, SR & SCR) and five production units (RCF, ICF, DLW, DMW & RWF) where MMIS is already operational. The scope includes procurement of stores by COS office and PCE office.

The two subsystems of EPS are-

. on line MMIS – Purchase, Depot, Sale, Uniform and Stores Accounts modules

. E-Tendering

As per implementation plan Railways will continue to run MMIS on their server in LAN. E-Tendering will run on a centralized Data Center (DC) at CRIS for all the railways. Networking of DC at CRIS with railways is planned through Railtel. Internet (Broadband) can be used a back up. Disaster Recovery (DR) set up is being planned at Hyderabad along with other applications at CRIS.

E-tendering subsystem will be integrated with MMIS at front end and back end for exchange of data between two subsystems.

In order to design the data exchange utility between two subsystems, following information may please be submitted:-

- Architecture of MMIS set up in COS office and depot, backend and front end technology.
- Are all the five modules of MMIS running online?
- The status of computerization of procurement activities in PCE office for procurement of track fittings.

It is requested that a JAG/SG officer may please be nominated in your railway to coordinate the implementation efforts. Name and designation of the officer with his phone number and E mail address may please be advised.

It is also requested that relevant circulars such as JPO on Digital Certificate management, E-tender opening policy, e-procurement policy, instruction to bidders etc may be obtained from COS/NR where pilot project is running for more than a year, and similar circulars may be framed on your railway. All the necessary assistance in this regard will be provided by Northern Railway.

In the proposed system, only those vendors, who have Digital Signature Certificate (DSC) and e-mail ID, will be able to participate and submit their bid. Hence all the registered vendors of your railway may be advised to obtain DSC. It should be made mandatory requirement for registration/approval of new vendors and renewal of registration/approval of existing vendors. They may be advised to obtain Digital Signature Certificate with highest level of trust with organization name (such as class III b of (n) Code solutions). Railway users (from stores, accounts and engineering department) will also required to digitally sign the documents while issuing tender, opening tender box, issuing purchase order etc. and hence sufficient number of Digital Signature Certificate with moderate level of trust with Railway/PU name (such as Class II b of (n) Code Solutions) for Officers/staff may also be procured.

Sd/-
(V.K. Srivastava)
GM/Project-V

ANNEXURE-II/6-06

NORTHERN RAILWAY

No.CMM/C/E-Procurment/2004-05 New Delhi Dated: 27/4/07.

The Controller of Stores/WR, CR, SECR, WCR, NCR, SR, SCR, RCF, ICF, DLW, DMW, RWF

Sub : **Joint procedure order for e-procurement system.**

Northern railway has successfully implemented a pilot project for e-procurement during the year 2005-06. Railway board has decided that e-procurement project shall be extended to 8 zonal railways and 5 PUs in a time bound manner. The work for creation and setting of e-procurement centralized data centre has been jointly assigned to NR and CRIS. Action for creation of centralized data centre and expanding the existing application software is already under way at CRIS.

Before implementation of e-tendering, Northern Railway has issued a Joint Stores and Accounts Procedure order for e-procurement system laying down activities and responsibilities for smooth take over from manual to electronic tendering. A copy of this JPO is sent to your railway for perusal and issue of a JPO on similar line on your Railways as well.

D/A: As above

Sd/-
Dy. CMM/EP

NORTHERN RAILWAY

New Delhi

No.129/S/O/EP/PG/2005-2006 Dated: 17/8/05.

All Purchase officers, Purchase sections in charge/Stores Branch/N.Rly

Sub : **Procedure order for e-procurement system:**

Please find enclosed herewith procedure order for e-procurement system. This is issued with concurrence of HQ finance.

D/A Procedure order in 4 pages Sd/- Dy. CMM/EP

No.129/S/O/EP/PG/2005-2006 Dated: 17/8/05.

Procedure order for e-procurement system.

S. No.	Activity	Responsibility
1.	Access to EPS : The railway officials can enter into e-procurement application using login ID and password separately issued to them by administrator. This shall be disclosed/shared with anybody	Individual officials/administrator.
2.	Creation of tender: The tender details for e-tender will be created in existing MMIS using following tender codes. Tender type Existing code EP-code Open tender 40 Code 41 Limited tender 20 Code-21 Bulleting tender 10 Code-11 For electronics tenders, tender type must be "electronic" in MMIS tender form.	Section in charge.
3.	Fetching of tenders in EPS: Once tenders details has been created in MMIS, the same will be fetched in EPS by using the utility interface programme on daily basis	Section in charge.
4.	Uploading of tenders: The tender fetched in EPS shall be attached with encryption certificate of COS/N. Rly. The encryption certificate of	i. AMM in charge of concerned purchase sections.

	COS/NR shall be installed in all computers. The digital public keys of two tender opening officials authorized to open the electronic tender will be pre-attached with NIT at this stage. The electronic tender must be digitally signed and uploaded using the individual digital certificate provided to concerned AMM of tender section on daily basis after due approval of competent authority as per extant SOP	ii. Accounts Dept shall authorize SO/Accounts concerned for opening of electronic tender box.
5.	Issue of corrigendum to tenders: After taking sanction of competent authority to tender as per existing process, the corrigendum shall be created in EPS by the purchase section and digitally signed and uploaded using digital certificates of AMM in charge of tender section	i. Section in-charge to create corrigendum. AMM to sign digitally and upload.
6.	Payment of tender cost and earnest money: Application provide for submission of tender cost and earnest money either manually as per existing procedure or through payment gateway facility using credit card. In case of manual submission of tender cost and earnest money vendors shall submit details of such payment in the required electronic page before filling up "Commercial Rate Page" and manual instruments towards such payments shall be submitte4d to electronic purchase section for maintaining records in register. The EP section will hand over these instrument to concerned purchase section for further action. In case of submission of tender cost and EMD through payment gateway, the vendors shall be permitted to make online payment through credit card/debit card using payment gateway facility and shall give details of such payments in the required electronic page. The EP section shall submit the details received from ASP provider regarding details of payment received against particular tender to concerned purchase section for further action.	i. In-charge/electronic procurement section. ii. Section in charge

7.	Opening of electronic tender: (i) As per Railway Board approved guidelines for e- procurement system a) The late and delayed offers after due time shall not be permitted. b) Submission of manual offers along with electronic offers shall not be permitted.	i. Tender opening officials for opening of tender box. ii. Purchase officer for other offer details

	(ii) The electronic tender box shall be opened at nominated date and time by two pre authorized officials one each from Stores and associate finance. They shall open the tender using their ID and password and attaching their digital certificates on schedule due date and time of electronic tender box opening. The offers of firms so received shall be opened and acknowledged by the tender opening officials. Once all the offers against that tender have been opened, verified and acknowledged, the tabulation statement shall be generated and print out shall be taken. (iii) Vetting of tabulation statement: The tender opening officials shall put their signature on the tabulation statement as generated by e-procurement application for records in tender cases. a) If there are no special condition/PVC etc, given by any tenderers on Commercial rate page, the same generated tabulation statement shall be sent to account department for vetting which they will return back to stores department within one working day as vetted. b) In case any updated manual tabulation statement is required to be prepared for taking PVC/conditional offered rate by tenderers into account, such manual tabulation statements shall be vetted by accounts as per existing procedure. (iv) Details of commercial offers and other offers details: After opening, verifying and acknowledging of each offers by tender opening officials, such offer details shall remain in secured encrypted form stored in archive. The purchase officers concerned can open, view and download, commercial and other details by using their ID and password and if required can take print out in PDF format of suitable offers.	
8.	Security of digital certificates: All AMM & accounts officials who have been provided digital certificates and e-token shall keep these in safe individual custody and shall not share their e-token or password with other officials. The digital certificate is issued by certifying agency as per IT ACT 2000	Individual official.
9.	Change in tender opening officials. Any change in tender opening officials name and ID can be made before tender opening date and time by	Dy. CMM

	administrator, who can access and modify the name and ID of tender opening officials. However such changes shall not be carried out in routine manner	
10.	Post tender activities: Tender decision shall continue to be taken as per existing guidelines. However after opening of the tender in EPS post tender activities shall be carried out as follows: a) Negotiation: Shall be created directly in EPS in notices folder under negotiation. b) Counter offer: Shall be created directly in EPS in notices folder under counter offer. c) Advance acceptance: Shall be created as per existing manual system and uploaded in EPS in notices folder under Advance Acceptance. d) Purchase order: Shall be created as per manual system in MMIS & uploaded in EPS in notices folder under Purchase order. e) Modification Advice MA: Approval for MA shall be taken as per existing system. MA to be created first in MMIS as per existing system and later to be uploaded in EPS in notices folder under Modification Advice for access and view by vendors.	i. Section in charge to create and attach in EPS ii. Concerned officer as per extant SOP to sign digitally and upload.

ANNEXURE II/6-07

MINISTRY OF RAILWAYS

No: 2007/JDRS(M)/01 Dated 27.04.07

Sub: **Action Plan For E-Procurement Implementation In 13 Zonal Railways//PUs**

Progress Review Meeting held on 24.04.207 was attended by

(1) Shri. A.K.Goel EDRS(G)/Rly Bd
(2) Shri. Aditya Sharma CMM / N.Rly
(3) Shri. Ajay Gupta JDRS(M)/Rly Bd.

E-Procurement is to be implementation on 8 Zonal Railways and 5 PUs under the sanctioned project. COS/NR is the Nodal Agency for providing policy instructions and process guidelines on E-procurement system(EPS) in these Railway Units. CRIS has been nominated as the Central agency for setting up the Data centre and further software development for integrated E-procurement t for all railway units. Target for implementation have been laid down by CRIS jointly with N.Rly and the same are to be adhered to ensure timely implementation.

As per the Action Plan all the 13 Railway Units must undertake and complete following activities for readiness, testing and familiarization before starting E-tendering as per the time frame:-

i) Issue Joint Procedure order on E-procurement on the same line as per N.Rly JPO.
ii) Circulate E-tender General Instruction set as per N.Rly with desired revision.
iii) Railways are advised to obtain Digital certificates + encryption and intimate progress to CRIS and Northern Railway
iv) N.Rly to create buyer ID for nominated officers for each Railway for access and viewing to get familiarized with NREPS. N.Rly will provide assistance to the Rlys. To test the e-tendering process by providing atleast 3 login ID to each Rly.
v) All registered / Approved Vendors are required to procure digital certificate before starting EPS. Rlys are advised to obtain N.Rly instruction set issued to registered vendors and expedite the process of acquiring Digital certificates by all Approved / Registered vendors.
vi) E-tender policy (N.Rly policy) is to be issued by Railways after desired revision for planned implementation on e-Tenders.
vii) N.Rly will organize vendor familiarization meet regularly.
viii) List of items which have been already decided on e-tenders by N.Rly may be provided to other railway.

The Ministry of Finance, Dept. Of Expenditure, under Mission Mode Project (MMPs) of e-governance have issued O.M dated 10.01.2007 to switch over to e-procurement *w.e.f* July 1, 2007. N.Rly is required to plan above activities in time bound manner and inform progress to Railway Board regularly. The above activities should be completed before 31st August,2007.

13 Rlys/PUs will send a team of 2-3 JAG/SG Officers to N.Rly to familiarize with EPS as per following program, Actual schedule program date will be communicated by N.Rly. Action Plan for familiarization process by N.Rly.

Railways	Time Frame	Target
WCR. CR & WR	3 Man days	May-2007
RCF, SCR, S.R	-do-	June -2007
NCR, ICF, DLW	-do-	July- 2007
SECR, DMW, RWF	-do-	August -2007

N.Rly will e-mail SRS C.D of EPS system to all COS of Zonal Railways and PUs for study and preparedness before implementation of EPS.

(Ajay Gupta),
Director, Rly.Stores (M)

ANNEXURE II/6-08

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.2006/RS(G)/509/7 New Delhi, dated 10th May, 2007

MD/CRIS
COS/NR
CMM/EP/NR
GMP/CRIS

Sub : **Progress of Implementation of e-procurement project.**

Please find enclosed the minutes of the meeting held on 09.05.2007 in EDRS/G's chamber on the above mentioned subject.

-Sd-
(A.K. GOEL)
Executive Director, Rly.Stores (G)

Review of progress of implementation of e-procurement project

S/Shri.

A.K. Goel, EDRS/G, Railway Board
V.K. Srivastava, GMP, CRIS
Aditya Sharma, CMM/EP/NR
Ajay Gupta, JDRS/M, Railway Board

1. To review the progress of implementation of e-procurement on zonal Railways and PUs against the sanctioned project, a meeting was convened by EDRS/G on 9th May, 2007 in Railway Board with CPM/CRIS and CMM/NR. Following action plan was finalized:

Progress at CRIS-

Data Centre and software up gradation-

(i) CIRS has finalised the Data centre requirement along with software up gradation components. The work for Data centre creation at CRIS has already commenced and is expected to be completed before 31st May 2007. Software contract is expected to be finalised shortly which would also cover training module and system support for a period upto 2 years.

(ii) CRIS will formulate training schedule Railway unit wise and intimate the same to all in advance to cover all the 13 Railway units within 6 months period.

(iii) CRIS will commence Data Centre Linkage with Railway units, with Railtel to complete all the communication links within 2007-08.

(iv) CIRS will intimate funds requirement for the year 2007-08 and intimate the same to NR at the earliest.

Progress at Northern Railway-

i) NR has so far finalised more than 500 e-tenders and need to intensify e-tendering further to included all high value items. It is essential that all such items which have been finalised through e-tender should not be reverted back to manual tenders and a policy circular to this effect should be issued by NR and implemented early.

ii) NR should resume vendor familiarization meet regularly to cover all registered and approved vendors as was being done earlier.

iii) NR shall assist all railway units in providing existing instructions and policy circulars on e-tendering from time to time.

iv) NR shall also plan centralized digital certification for all railway units and will co-ordinate with railway units for obtaining details of officers. Such digital certificate should be provided for 2 years period.

v) Recently Finance Ministry has made it mandatory to cover all tendering process to e-procurement. This should be implemented and an action plan to this effect will be submitted by Northern Railway.

vi) NR Shall advise funds requirement for the year 2006-07 and intimate the C&IS Date.

The progress shall again be reviewed on fortnightly basis jointly with CPM/CRIS and Northern Railway. The next meeting will be held on the last week of May 2007 and the date will be intimated shortly.

Essential Activities to be carried out by Railways/PUs for e-procurement implementation

S. No.	Activity	Action by	Target to be indicated for each Railway	Present status to be indicated by Railway units	Further assistance to be mentioned by Railway unit
1.	Issue of Joint procedure order as per Northern Railway JPO on e-procurement	COS/Zonal Rly/PU	To be issued before 31st July 2007 by all Railway units		
2.	To copy the e-tender 'general tender	COS/Zonal Rly/PU	31st August, 2007 for all		

	instruction' set as per N.Rly for circulation by Zonal Railway after desired revision		Railway units		
3.	Railways to obtain Digital certificate + encryption and intimate progress to CRIS & Northern Railway	(i) COS/ Zonal Rly PU (ii) CMM/ EP, NR	This work must be completed by all Rly/PUs well within 31st August 2007		
4.	(a) N.Railway to create buyer I.D. for nominated officers for each Rly for access and view. (b) Rlys. to intimate detailed list of min. 5officers for creating buyer ID to N.Rly	N.Rly jointly within JDRS/M, Rly .Bd.	To be completed by 30th June 2007.		
5.	All Regd/Approved vendors to procure digital certificate before starting implementation Rlys to obtain N.Rly instruction set as issued to registered vendors.	COS/Rlys. and PUS.	(i) Monthly target to be set by COS/Railway/PU (ii) Final target to be completed within October 2007		
6.	E-tender policy for issuing e-tenders (N.Rly policy to be adopted & issued by Railways)	COS/Rlys And PUs	E-tender policy to be circulated by 31st August by all Railway/PUs.		
7.	Vendor familiarization meet at N.Rly to be regularly taken up for vendor familiarization	N.Rly	Monthly target to be set by COS/NR		
8.	List of items to be obtained as per N.R. which have been decided on e-tenders	Rly.Units/ PUs	N.Rly to set the target and intimate the progress		
9.	Railway/PU to send team for familiarization to N.Rly within May-August for at least one week for test and familiarization on e-process tender.	Rly/PUs	NR to coordinate and intimate the schedule to Railways. Target 31.8.2007 for all 13 Railways		

10.	Procedure order for digital certificate management as per NR's existing procedure order	Rly. units	31st July for all Rlys.		
11.	Railways to upload test tenders, test e-bids and create tabulation statements, verify entire process chain at their end.	NR with Rly units	Within 6 months. This is the final activity, hence will start on completion of all other activities as above which should be completed by 31st Oct.2007.		

ANNEXURE II/6-09

Amitabha Datta
AMRS

Railway Board,
New Delhi.

D.O.No.2006/RS(G)/509/7

Dated: 16/5/07

My Dear Surendra,

Sub : **Implementation Plan for e-procurement on Zonal Railways & PUs.**

Ref : EDRS(G)'s letter of even number dated (copy enclosed)

1.0 As you are aware e-procurement application is to be implemented on all the railways in a time bound manner within two years time/. This has already been implemented under the pilot project on Northern Railway and its scope is now to be extended to all the supply tenders by COS/N.Rly.

2.0 The first phase of implementation will cover seven more zonal railways and 5 PUs and CRIS has been nominated to set up the Centralized Data centre and extend the scope of application software to include all the 13 railway units. The formal training on e-procurement working process shall be provided by CRIS, during the current year for which railway-wise training time schedule will be intimated by GM/Projects (V)/CIRS in due course. You are advise to coordinate the training sessions directly with CRIS to cover all the nominated officers and staff as per the laid down time schedule. A team of officers and staff should be constituted with a CMM as in charge to deal with all aspects and activities related to e-procurement. It will be the responsibility of the in charge CMM to exercise command and control in the matter so that the project is implemented within the prescribed time frame. I would also request you to keep the matter under your personal watch.

3.0 Since timely implementation is to be insured by all 13 railway units within one year, an item wise activity schedule has been framed and is enclosed herewith, progress of which need to be personally monitored at your level and intimated to me every month to ensure early implementation. You are therefore advised to set up your team now, and

start monitoring the progress regularly. Any assistance which may be required should be obtained from the nomi9nated officers on N.Rly/Rly Bd whose names are indicated below:

Name and Designation of the officers for assistance and guidance.

Railway Board	Shri. A.K. Goel, EDRS(G)	9910487512
Railway Board	Shri Ajay Gupta DRS/M	9910487519
Northern Railway	Shri Aditya Sharma EMM/EP	9811560035
CRIS	Shri V.K. Srivastava, GM/Projects (V)	9911352552

Yours sincerely
Sd/-
(Amitabha Datta)

ANNEXURE II/6-10

MINISTRY OF RAILWAYS

No: 2007/DRS(M)/EPS/01 Dated 24.05.07

Sub : **Implementation of E-Procurement System (EPS)**

Ref : (i) AM(RS) D.O letter no:2006/RS(G)/509/7 dated 16.05.2007
(ii) Rly Bd's letter no: 2007/JDRS(M)01 dt 27.04.2007.

AM(RS), vide D.O letter under reference(i), has intimated to the COSs of 13 Railway Units for timely implementation of E-procurement System. In continuation of this as per item no. (iv) of letter under ref(ii), N.Rly / Rly Board are going to create buyer IDs for nominated officers for each railways to access N.Rly E-Procurement system (Website on www.nreps.com)

It is advised to intimate three Email IDs (COS,CMM & One Nodal In-charge of EPS) to Railway Board. These Officers will be made system Administrator who will further create user ID for respective Railways. Buyer IDs will help to access the N.Rly E-procurement system and get familiarized with e-tendering process.

Please furnish the details in the following format to undersigned within one week,

Name	Designation	Ph. No	E-Mail

Details may be faxed & e-mailed to the undersigned.

(Ajay Gupta),
Director, Rly.Stores (M)

ANNEXURE II/6-11

MINISTRY OF RAILWAYS

No: CMM/C/E-Procurement/2006-07 Dated 25.05.07

Sub : **Action plan for e-procurement implementation in 13 Zonal Railways//PUs**

Ref: Railway Board's letter no: 207/JDRS(M)/1 dated 27.04.2007.

Action plan for e-procurement implementation was circulated vide Railway Board's letter dated 27.04.207 mentioned under reference. Action taken by Northern Railway as well as action required to be taken by the individual Railways are as under:-

i. Copy of JPO has been sent to concerned Zonal railways and Production units vide letter of even number dated 27.04.2007. Railways / pus may arrange to issue Joint Procedure Order on similar lines.

ii. General and special conditions of Electronic tenders is available in Northern Railway E-procurement Web site www.nerps.com . You can register as a vendor and after registration can down load "General and Special Conditions of Electronic Tenders " under Sub-heading Stores under main page " instructions of E-Procurement systems" which appear on screen immediately after signing in.

iii. Railways are advised to obtain Digital certificate plus encryption for select officers / staff from any of the licensed certifying authorities. The details are available through hyper link "certifying authority" in Northern Railway E-procurement site.

iv. To create buyer ID for nominated officers of each railway for familiarization\rion with NREPS, please advise name, designation along with e-Mail address of concerned officers. In this connection JDRS (M), Railway Board recent letter may also be connected.

v. All registered / approved vendors are required to be persuaded to procure Digital certificates. This exercise is to be under taken in right earnest immediately. Copy of letter issued to vendors by Northern Railway is enclosed. Individual Railways may arrange to issue similar letters to their registered / approved vendors.

vi. Copy of E-tender policies of Northern Railway has been collected from time to time by some of the Railways. In Northern Railway initially PAC tenders were taken under E-procurement followed by limited tenders where vendor base is less than 5. Subsequently advertised tender items were also included where stock position is comfortable (say more than 6 months). Copies of some of the instructions issued are enclosed.

vii. Pertains to Northern Railway

viii. Railways have been asked vide letter of even number dated 9.5.07 to collect CD containing SRS of EPS and list of purchase orders finalized by Northern Railway

through EP. Provision for training of officers / staff of Stores, Accounts and PCE office has been kept in the tender floated by CRIS to customize and roll out existing NREPS applications along with enhanced features for Zonal Railways and PUs. However, Railways are requested to send their individual officers for one day familiarization training at Northern Railway Headquarters Office which is being held on Tuesdays and Thursdays at 11.00 hrs.

ix. Railways are also requested to advice E-Mail addresses, phone numbers. Mobile number etc., of officers associated with E-procurement.

Sd/-
(ADITYA SHARMA)
CMM/EP

ANNEXURE II/6-12

Review of implementation of E-procurement

The review meeting on EPS was held at EDRS(G)'s chamber on 16/07/07, was attended by the following officers:

1. Shri. A.K. Goel, EDRS(G)/Rly Board
2. Shri V.K. Srivastava, GM/Projects (V)/CRIS
3. Shri Aditya Sharma EMM/EP/N/Rly
4. Shri. Ram Raksha, Dy.CMM(EP)/NR
5. Shri Ajay Gupta DRS/M/Rly Bd

1. CMM/EP/NR informed that NR has provided all assistance to the railways as per the targets given by AM/RS. Recently on 06/7/07, a familiarization meet/presentation was organized at NR Head Quarters and officers/staff of 12 railways and PUs attended the program.
2. EDRS(G) advised CMM/NR to bring more items under e-procurement preview by motivating all purchase officers of NR. As per policy decision, items once finalized through e-tendering must be essentially earmarked for e-tendering mode only. This has to be ensured.
3. NR was advised to organize more vendor/buyer meets as familiarization training on EPS once every month.
4. GM/CRIS informed that single tender on M/s. HCL will be finalized in six weeks time. EDRS(G) emphasized that timely finalization of software contract is to be expedited so that implementation of e-procurement system can be done in the targeted time.
5. GM/CRIS informed that after awarding contract for software, the application (module-I) will be made ready in six months for two railway units (ie) NR & RCF on centralized data base using CRIS own data centre. Thereafter, all remaining railways will be integrated in phased manner after finalizing MMIS interface for each Railways (Module-II)

6. Training modules on e-procurement shall also be planned simultaneously by CRIS for timely implementation.

7. NR shall create system log register and maintain system availability/uptime on daily basis for regulating annual maintenance contract with the EPS software vendor.

8. NR shall provide soft copy of each manual and policy instructions on e-tendering as per the standard format to DRS(M) and these will be uploaded on Rly Bd EPS progress site (which has been created recently by Stores Dte) for direct access to all railway units.

Next meeting with CRIS and NR will be held in August 2007 and date shall be intimated shortly.

Sd/-
Ajay Gupta
DRS(M)/Rly Bd.

No: DRS(M)/2007/EPS/01 New Delhi
Dated 17.07.07

ANNEXURE II/6-13

MINISTRY OF RAILWAYS

No: 2007/DRS(M)/EPS/01 Dated 24.08.07

The COS/All Rlys. & PUs

Sub : **Compliance of essential activities for implementation of EPS as per Target fixed by Board.**

Ref : AM(RS) / Rly Board's D.O letter no:2006/RS(G)/509/7 dated 16.05.2007

AM(RS) vide D.O letter under reference, instructed Railway units to adhere to the targets given for the essential activities. During COS Conference of Rly Bd on 2nd and 3rd August 2007, MM and other Board Members emphasized the timely implementation of E-procurement System.

2. It is seen that Railways are lagging behind as per the target fixed by AM(RS). The essential activities *i.e* issue of Joint procedure order as per N.Rly JPO with a target dated 31.9.07 and procedure order for digital certificate management as per N.Rly procedure order with a target date 31.09.2007, are still to be completed digital certificates are yet to be received in some Railways.

3. It is desired that the progress of implementation of the essential activity of EPS are personally monitored at COS level. Where the implementation of the essential activity have not been completed as per the target, the revised target date should be intimated to AM(RS) by giving the reason for delay.

The website httt://10.1.20.21/stores (select EPS progress on the stores web page) is to be suitably updated regularly.

Sd/-

(**A.K.Goel),**

Exe. Director, Rly Stores (G), Rly BD

ANNEXURE II/6-14

Review of implementation of E-procurement

The review meeting on EPS was held at EDRS (G)'s chamber on 04.10.2007 and attended by the following officers:

1. Shri Manohar Singh OSD(IT)/NR
2. Shri A.K. Goel, EDRS(G), Rly.Bd
3. Shri V.K. Srivastava, GM/Project-V/CRIS
4. Shri S.K. Gupta CRIS
5. Shri Ram Raksha , Dy.CMM/(EP)/NR
6. Shri Ajay Gupta, DRS(M)/Rly Bd
7. M/s HCL Representative

1. OSD/NR intimated that NR is organizing familiarization meet/presentation on regular basis. EDRS (G) has emphasized to widen the scope and include more registered venders in such types of vender's meets which should be held every month.

2. EDRS(G) has expressed the concern about less number o tenders being processed through EPS. Vide Railway Board letter dated 7.9.2007 NR was advised to increase the number of E-tenders. NR has assured that all the items which have been earlier decided by EPS will not be reverted back as manual tenders and more items will be included in this list. Dy. CMMNR has written letter to all purchase officers in this regard. It has been decided to monitor the progress at all levels.

3. M/s HCL confirmed that the EPS site is now regularly monitored to ensure uninterrupted uploads & web access. Northern Railway has also endorsed about improvement in web site maintenance. The uninterrupted availability of web site must be ensured by M/s N.Rly & M/s HCL.

4. It was decided to identify software teams at M/s HCL & CRIS and jointly work out activity wise time schedule of implementations. The software revisions, which are considered essential in the existing EPS for improving user-friendly screens and operations, were advised to M/s HCL for early compliance.

5. GM/CRIS informed that software contact on M/s HCL has been finalized which will cover all stages and activities for e-procurement. EDRS(G) emphasized that S.R.S. and PERT chart should be finalized earlier for timely implementation of EPS.

6. Training Modules for each Railway on E-procurement shall also be planned simultaneously by CRIS.

Next meeting with CRIS and NR will be held in November, 2007 and date shall be intimated shortly.

Sd/-
(AjayGupta)
Director, Rly.Stores(M)

No: DRS(M)/2007/EPS/01 New Delhi dated 16.10.07

ANNEXURE II/6-15

CENTRE FOR RAILWAY INFORMATION SYSTEM

D.O NO: CRIS/GM-P(V)/EPS/2 Dt.14.11.2007

My dear Singh

Sub : **Implementation of E-procurement system (EPS) in Railways.**

Ref : This office letter of even no. dated 12th January 2007

Further to this office letter dated 12th January 2007, it is advised that the contract has been awarded to M/s HCL info systems, Noida for

- Customisation /configuration of EPS application and development of enhanced features.
- Supply of System Software Licenses
- Man power support (DBA, System Administrator, Help Desk etc.) for maintenance and running of application from centralized Date Center
- Roll out of application in eight Railways and Production units.
- Training on application to railway users / vendors.

The entire work is to be completed by them within a period of 16 months. The scope of work has been divided into four stages. Brief detail of activities and functions to be covered in these stages is indicated in Annexure-'A'

Sizing of Data Center Hardware has been completed. Procurement of hardware for CRIS Data Centre as well as Desktop PC and printers for Railways PUs will be shortly.

There will be four modules of training which will be imparted in three phases. Details are enclosed in Annexure "B. training will be imparted to Officers / staff of COS, PCE and Stores Accounts Office of the Railways / Production unit under consideration. Though effort will be made to train as many trainees as possible through this training program but it will not be practically feasible to cover all the Railway users. Hence train the trainer approach will be adopted. A comprehensive training on all the areas will be imparted to trainees so that they are able to take up the role of trainer in their organization and impart training to more and more staff as well those who join the organization as a later stage.

Module I and Module III of training is centralized at Delhi. Other Modules of training will be imparted in respective railways and production units. M/s HCL will provide trainer and courseware. Training infrastructure is to be provided by Railways and Production Units. It is, therefore, requested that necessary arrangement for training *i.e* a classroom / conference room for about 15 participants, LCD projector, white board and PC with Internet connection may please be made at your end. The training schedule will be advised in due course.

It is further requested that the export file of complete database or complete table structure along with schema of MMIS may please be provided on CD within 10 days so that utility for integration of MMIS with EPS is designed and developed.

Problems, if any, during trial on Northern Railway's E-Procurement site and suggestions along with requirement of MIS reports may please be advised so that the same is considered during design stage.

Sd/-
(V.K.Srivastava)
GM/Project V

Encl: As above

Annexure-A

Stage I: Customisation of application software and configuration of the same for use by all the Railways and PUs. The application is to be rolled out at NR Baroda House & RCF Tilak Bridge in Data Centre mode at CRIS in this stage. The scope of work will include:

ii. Designing pages for each Railway with their Logo and color scheme and making suitable changes in database.

iii. Creation of buyer profile for all buying organizations. Separate railway wise Login, centralized login for vendors, for all railways.

iv. Providing flexibility to administrator of each railway to set up hierarchy level, role definition as well as action and access privileges to employees of their organization.

v. Providing interface utility, its testing and integration for linking MMIS data to EPS and back.

vi. Two packet tendering system.

Stage II: Rolling out of the above application in WR, CR, SECR, WCR, NCR, SR, SCR, ICF, DLW, DMU, RCF/Kapurthala & RWF in Centralised data center at CRIS. Following additional features will also be added:

i. Interface utility for import of Purchase order (and its amendment) data from MMIS to EPS.

ii. Digital signing and upload of purchase order/amendment to purchase order for view by consignee, indentor, vendor, inspecting agency etc.

iii. Post contract request/amendment interface.

iv. Provision for alternative offer.

v. Generation of MIS reports railway wise and consolidated.

Stage III: Development and rolling out additional features like Inspection interface, contract management & tracking and payment module in all the eight railways and five PUs. This stage will also include utility for:

i. Generation of purchase order based on purchase approval through EPS.

ii. Delivery status screen (for updation by supplier) for view by consignee.

iii. Integration of stores accounts module of MMIS for payment to supplier's bill through ECS/EFT.

iv. Facility for uploading of form for registration of supply vendors.

v. Submission of vendor registration form with digital signature.

vi. Utility for uploading list of registered vendors for each railway.

vii. Utility for uploading NIT, tender documents and purchase orders for manual tenders also.

Stage IV: Development and rolling out enhanced features like auction sale, reverse action and global tendering in all the thirteen Railways/PUs. This stage will also include following for auction/reverse auction:

ii. Calling for pre-qualification bid from vendors.

iii. The buyer may be permitted to qualify bidders based on technical evaluation and other conditions.

iv. The qualified bidders will be permitted to log on to auction/reverse auction site after authentication and submit rate during online auction/reverse auction.

v. A graphical representation of dynamic bidding process on time scale should also be designed on the buyer's screen and bidder's screen.

vi. The entire bidding process has to be on a real time basis with auto refresh of screen.

vii. A countdown clock synchronized with server clock to show the time left on buyers and bidders screen.

viii. Auction/reverse auction time may be permitted to be enlarged at the buyer's option.

ix. A printout of final bids received (indicating landed price, taxes & duties etc) from the participating bidders after closure time is to be provided by the system in tabular form for download and print as an authentic document for purchase committee.

x. Online acceptance/rejection of bid/bids for sale through e-auction.

xi. Creation of online bid sheet, sale order, delivery order etc for auction sale.

xii. A summary sheet for the auction process indicating number of bidders who have participated, number of bids submitted by them, time of start and close of auction, total period for which auction ran, number and period of extensions (if any) details of alerts sent during the process etc, should be generated.

For global tendering (GT) following features may also be added:

xiii. Complete tendering process will be same as for open tender except a separate design of rate page for GT.

xiv. The system should allow sending email with a copy of NIT to selected foreign embassies in India and Indian embassies abroad for wide publicity of tender.

Annexure-B

1.0 Training module: Following four modules of training are planned for E-procurement system.

Module I : This module is designed for familiarization and giving over view of application to middle (JAG/SG) & top level (SAG) officers of Stores, PCE and stores account office. The objective of this training is to make the trainees familiar with the functions of this application and use of managerial reports.

Module II: This module is designed for detailed working of this application to other officers and staff of Stores, PCE & stores accounts office. The objective of this training is to train the trainees on various functions of the application including uploading of tenders & corrigendum, opening of tender, downloading offers and other statements, conducting auctions etc.

Module III: This module is designed for administrators (Stores, PCE & stores accounts office) of each Railways and PUs. They will be trained on performing administrative roles in their organization such as grant action and access privileges, role definition of employees of their organization, editing the employee database of their organization etc.

Module IV: This module is designed for vendors of stores supply and track supply items. The objective of this training is to make them capable of downloading bid documents, payment of tender fee/EMD etc, online submission of bids and uploading attachments, participating online in tender opening process, uploading inspection call, participation in online auction and reverse auction etc.

2.0 The above modules will run in the following three phases:

- Phase I : During this phase basic tendering module as developed during stage I and II of the application will be covered. A small capsule on digital signature certificate and its application will also be part of this phase.
- Phase II: During this phase enhanced features of tendering module as developed during stage III of the application will be covered.
- Phase III: During this phase auction, reverse auction, global tendering etc as developed during stage IV of this application will be covered.

Normal batch size will be 12-15 participants. Training for at least one batch (on module II) is planned in every Railway/PU in all the three phases.

ANNEXURE II/6-16

CRIS CENTRE FOR RAILWAY INFORMATION SYSTEMS
(An Organisation of the Ministry of Railways, Govt. of India)

V.K. Srivastava
GM/Project V Gm.ireps@gmail.com
D.O. No.cris/gm-p(v)/eps/4 Dated 30.11.2007

My dear Singh

Sub : **Training on NREPS system and setting up of helpdesk.**

Ref : My DO No. CRIS/GM-P(V)/EPS/2 dated 14.11.2007.

…

As per Railway Board's directives, nominated Railways/PUs have been advised to start trial on Northern Railway's E-Procurement System i.e. www.nreps.com. In order to familiarize themselves with E-tendering. It is understood that railway users are facing difficulty in conducting trial especially during the process of using Digital Signature Certificate/Encryption Certificate. While configuration/enhancement of application for use by other railways is being done separately by CRIS, it is decided to provide in house training to railway users on NREPS system to educate them on initial set up, application on Digital Signature Certificate and Encryption Certificate, work flow etc. Schedule for the training is given in the following table:

Date	Eligibility	Number of Trainees
17.12.2007	Nominated officer to look after EPS	One officer from each railway
18.12.2007	Staff well versed with MMIS system	Three staff each from NR, NCR, RCF, DLW and DMW
19.12.2007	- do -	Three staff each from WCR, SECR, WR and CR
20.12.2007	- do -	Three staff each from SR, SC, RWF and ICF

It is requested that the nomination of trainees may be sent by 10th Dec.2007 with an advice to report Chief Manager/EPS, CRIS, New Delhi by 10.00 AM on the scheduled day.

Trainees may be advised to bring their Digital Signature Certificate. They should also visit the Northern Railway's E-Procurement site extensively and conduct trials. Difficulties faced by them may be noted down along with error message and screen shots so that the same are also discussed during the training session.

We have also set up a helpdesk cell which can be approached via e-mail/telephone in case of any difficulty faced by Railway users. Name of helpdesk Officers with phone number and e-mail id is given below:

Name of Help Desk Official	Ph. No.	E-mail
Mr. Sandeep	9868576134	helpdesk.eps@cris.org.in
Mr.Rajesh Sharma	9810702981	helpdesk.eps@gmail.com

Following officials may be approached in case the problem is not resolved satisfactorily.

Ms. Poonam Mishra, SE 9911432173

Mr. S.K. Gupta, CM 011-24122679, 9958198457

It is requested that the information regarding MMIS, as requested vide my DO dated 14.11.2007, may be expedited and your railways logo (in gif file format) may also be sent.

With best wishes, Sd/- **V.K. Srivastava**

ANNEXURE II/6-17

A.K. GOEL
EXECUTIVE DIRECTOR, RAILWAYS STORES (G)

D.O. NO.DRSM/2007/EPS/01 New Delhi dated 17th March, 2008

To all COSs/Zonal Railways/PUs

Sub : **Implementation Plan for e-procurement Project for Indian Railways**

As you are aware it is planned to start e-procurement in your Railway in this year for which centralized application software is being developed by CRIS in consultation with the service provider. CRIS has advised that the implementation along with training for the Railways will start from April, 2008 onwards starting from RCF and for other railways and PUs from June 2008 onwards in phased manner. It is therefore necessary that to ensure successful implementation all the registered vendors in your railway complete digital certificate before 30th June 2008 (for RCF before 30th April, 2008) so that all bulletin tenders can be transferred to e-procurement mode immediately on its implementation in your Railway. It is therefore, advised that suitable instructions are issued in the Stores Weekly Bulletin advising all the registered firms to complete digital certification process well before June, 2008. It is also advised that adequate number of broad band connectivity may be provided to all purchase officers without any further delay.

The compliance of the above may kindly be advised to the undersigned early

Sd/-
(A.K.Goel)

ANNEXURE II/6-18

CRIS CENTRE FOR RAILWAY INFORMATION SYSTEMS
CHANAKYAPURI,
NEW DELHI-110021.

No.CRIS/GM-P(V)/EPS/2 Dated 01.04.2008

COS/All Indian Railways & PUs.

Sub : **Implementation of E-Procurement system (EPS) in Railways.**

Development of application for E-procurement System at CRIS is in advanced stage and roll out to NR and RCF Tilak Bridge is expected to start from April end to May 08 followed by training to railway users. Roll out to other railways will start in June 08.

As decided by Railway Board a presentation will be made on E-procurement on 04.04.08 (AN) covering detailed implementation plan and strategy to be adopted by Railways for implementation of E-Procurement on Indian Railways.

As advised by Railway Board, railways are requested to ensure that all the railway users obtain a class II digital signature certificate and all their registered vendors obtain a class III digital signature certificate with the company name. This is essential for any transaction on the EPS application. As the EPS application is web based, Railways should also obtain adequate number of broadband connections.

The EPS application will exchange relevant data from respective railways MMIS for generating E-tender etc. Trouble free working of MMIS in railways is, therefore, considered necessary. Railways are therefore, advised to install latest version of antivirus on their servers and client machines and regularly update the same. As Oracle 10g is the RDBMS selected for EPS, railways are also requested to upgrade their MMIS by switching over to Oracle 10g RDBMS so that seamless interface is developed between EPS and MMIS.

Sd/-
(V.K. Srivatsava)
GM/Project V

ANNEXURE II/6-19

CRIS CENTRE FOR RAILWAY INFORMATION SYSTEMS

CHANAKYAPURI,
NEW DELHI-110021.

No.CRIS/GM-P(V)/EPS/13 Dated 07.04.2008
COS/All Indian Railways & PUs.

Sub : **Implementation of E Procurement System (EPS)**

Ref : Discussions held in CRIS during meeting of Core Group for Implementation of E-Procurement application.

IREPS application is being developed at CRIS with Oracle 10g as database system. The application will have interface for both way transfer of data between MMIS of Railways and IREPS at CRIS. It is desired that data transfer between both systems is carried out seamlessly without any manual intervention.

Your Railway MMIS is being run on Oracle 8/8 I /FoxPro/SQL server database. M/s HCL who are developing IREPS application has advised that seamless integration between MMIS and IREPS may not be possible if MMIS is running on Oracle versions older than 9-i/Fox-Pro/SQL server etc. As per decision taken in meeting of Core Group for implementation of MMIS, Railways having their MMIS on lower versions of Oracle or Fox-pro etc., should immediately switch over to Oracle 10-g database. It is requested to take necessary action to switch over MMIS running in your Railway from Oracle 8/8- i/Fox-Pro/SQL

server to Oracle 10-g. It is also advised that suitable antivirus software is installed in MMIS servers and PCs connected in the network.

It is requested to advise expected time to be taken by your Railway to switch MMIS to Oracle 10-g database. It is once again requested o carry out this work in shortest possible time so that integration with IREPS can be carried out without any delay.

Sd/-
(S.K.Gupta)
CM/EPS

ANNEXURE II/6-20

Amitabha Datta
Addl.Member, Railway Stores

D.O. NO.DRS(M)/2008/EPS/01 25th August, 2008

My dear Mangat Rai,

Sub : **Rolling out of e-procurement.**

Hon'ble MR was informed in June '08 that e-procurement will be rolled out on your Rly/Unit by Aug/Sept '08. From the latest progress report submitted by GM/CRIS, it is seen that your Rly/Unit is yet to complete certain last mile activities like obtaining encryption certificate, provision of broadband connections, completion of familiarization training, provision of hardware, etc. This position is not at all acceptable. I would expect that you will personally look into the matter and ensure that all ht glitches are removed at the earliest and the e-procurement is rolled out on your Rly/Unit within the target date. For any problem you should coordinate with EDRS(G)/Rly Board.

Sd/-
(Amitabha Datta)

ANNEXURE-II/6-21

Amitabha Datta
Addl.Member, Railway Stores

D.O. NO.DRS(M)/2008/EPS/01 5th September, 2008

My dear Mangat Rai,

Sub : **Rolling out of e-procurement.**

Ref : My D.O. of even No. dated 25.8.2008

After issue of the above mentioned letter, a review meeting was held in the Board's office on 3.9.2008 when CMM & DY.CMM, in charge of e-procurement of your Railway/Unit were present. I have advised them to immediately draw a detailed road map for rolling out of e-procurement on your Rly/Unit, indicating dates of commencement and completion of

implementation of the project. This should be sent to Board within a week's time. If any assistance is necessary then the matter should be referred to EDRS(G)/Railway Board. I would also suggest that you hold a meeting on the subject every ten days to monitor the progress of work.

Sd/-
(Amitabha Datta)

ANNEXURE II/6-22

Amitabha Datta
Addl.Member, Railway Stores

D.O. NO.DRS(M)/2008/EPS/01 5th September, 2008

My dear Mangat Rai,

Sub : **Rolling out of e-procurement.**

Ref : My D.O. of even No. dated 25.8.2008

After issue of the above mentioned letter, a review meeting was held in the Board's office on 3.9.2008 when CMM & DY.CMM, in charge of e-procurement of your Railway/Unit were present. I have advised them to immediately draw a detailed road map for rolling out of e-procurement on your Rly/Unit, indicating dates of commencement and completion of implementation of the project. This should be sent to Board within a week's time. If any assistance is necessary then the matter should be referred to EDRS(G)/Railway Board. I would also suggest that you hold a meeting on the subject every ten days to monitor the progress of work.

Sd/-
(Amitabha Datta)

ANNEXURE II/6-23

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.2008/RS(M)/EP/01 New Delhi, Dated:09.09.2008

Controller of Stores,
NR, CR, WR, WCR, SR, SCR, NCR, SECR
RCF, ICF, RWF, DLW, DMW

Sub: **Minutes of Review meeting for implementation of e-procurement system held on 03.09.2008**

Minutes of review meeting for implementation of e-procurement held at Railway Board on 03.09.2008 are enclosed for ready reference and necessary action at your end. In this regard AM/RS has also written a DO letter No. DRS(M)2008/EPS/01 dated 05.09.2008.

COSs and CMMs in charge are advised to review the progress of EPS on regular basis and the same should be intimated to Railway Board. It is advised to strictly adhere to the targets fixed during meeting and intimated by these minutes.

Railways/PUs are also advised to organized regular vendor training and start wide publicity through weekly bulletins and news papers.

As intimated by AM/RS's DO letter, COSs are also advised to draw a detailed road map for rolling out of EPS and indicate the date of commencement and completion of implementation of the project.

The information can be faxed on 011-23073191.

-Sd-
(Ajay Gupta)
Director, Railway Stores (M)
Railway Board

Minutes of review meeting with CMMS of 13 Zonal Railways/PUs and CRIS held on 03.09.2008 at Railway Board on implementation of e-procurement

1. Address by EDRS/G:

EDRS/G welcomed all the officers participating in the review meeting for implementation of e-procurement. He briefed about the need for early implementation and action plan for implementation of E-procurement. EDRS/G told that CRIS has already developed E-procurement site i.e. www.ireps.gov.in and in phased manner it will be rolled out for different Railways/PUs.

2. Address by AM/RS:

AM/RS welcomes all the participants and emphasized the importance of successful implementation of E-procurement. AM/RS told that the progress of E-procurement is being monitored at Hon'ble MR level. MM and other Board members have emphasized the need for early implementation of E-procurement. AM/RS instructed that COSs should personally monitor the progress of implementation of E-procurement by conducting weekly review meetings.

3. Discussion on agenda items:

3.1. **OSD/IT/NR shared the experience of NR:**

OSD/IT/NR told that actual site, developed by CRIS, was started on 25.08.2008 and NR has started uploading the e-tenders from 01.09.2008. NR told that there are no issues related to connectivity and staff has been trained in IREPS site. Initially NR will be uploading the open tender and later LT & BT will be added when NR vendors will get registered with new site. CRIS is extending all supports in this regard.

AM/RS instructed all the Railways/PUs to organize vendor trainings so that small vendors can also get confidence in e-procurement process. CMM in charge were advised to start wide publicity about vendor training in their weekly bulletins as well as through news paper advertisements and cover all their register/approved vendors through such vendor workshops.

3.2 **CMM/RCF shared the experience of RCF**

RCF/TKJ has also started uploading of e-tenders from 02.09.2008. CRIS has provided trainings to the officers and staff. RCF/TKJ is not facing any problem in implementation of e-procurement.

3.3 **GM/CRIS explained the implementation plan of EPS**:

a) Railways/PUs were advised to provide their bank account related information about setting up payment link for IREPS project vide letter No. CRIS/GM-P(V)/EPS/10 dated 06.12.2007. GM/CRIS told that except DCW, none of the Railway/PUs have provided the required information.

AM/RS asked the Railways/PUs to furnish the information within 7 days.

c) GM/CRIS asked Railways to obtain administrative password. **AM/RS advised the Railways/PUs to take the administrative password within 7 days time.**

4. **Data Transfer from MMIS**

a) Regarding the patch required for transferring the data from MMIS to IREPS site GM/CRIS told that patch for NR and RCF is ready and it has been tested. However for remaining Railways/PUs it was advised to send a person having technical skill on following dates:

Railways/PUs	Date
NCP	05.09.2008
SR	08.09.2008
SECR & ICF	09.09.2008
SCR	15.09.2008
WCR	18.09.2008
CR & WR	19.09.2008

b) Railways are advised to send technical personnel along with MMIS format details as per above schedule. DLW told that they have data in Foxpro which requires special attention for transferring data from MMIS to EPs. CMM/WR along with CRIS will extend help in developing suitable patch for data transfer. COS/CMM DLW should coordinate accordingly.

5. **Suggestions by GM/CRIS**

a. GM/CRIS has asked to provide feed back about the reports required to be generated by www.ireps.gov.in.

b. GM/CRIS told that a utility has been developed to map the vender code of IREPS and MMIS.

c. A help desk has been constituted at CRIS with Rly.No.54835 and P&T no.24102855.

d. CRIS has organized trainings for officers and staff. If more training is required then respective Rly should approach to CRIS.

6. **Implementation Roadmap**:

AM/RS advised that each Railway/PUs will prepare Road Map for implementation of ireps and organizing vender training. COS s of each Rlys/PUs must also prepare an action plan for attaining full flagged implementation of EPS. The same should be communicated to Rly Board within 7 days.

6.1 Railways/PUs were advised to arrange proper connectivity. In this regard each Rly should arrange few Broad Band connections so that uninterrupted communication can be ensured. Connectivity through FOIS will take some time.

6.2 In consultation with CRIS and CMMs in charge of EPS of each Rlys/PUs following target dates were fixed for each Rly/PUs to start EPS on CRIS web site www.ireps.gov.in.

Railways/PUs	IREPS starting date
CR	15.09.2008
NCR	10.09.2008
SCR	20.09.2008
SECR	22.09.2008
SR	15.09.2008
WCR	03.10.2008
WR	20.09.2008
DLW	15.10.2008
ICF	20.09.2008
DMW	10.10.2008
RCF/KHX	15.09.2008
RWF	10.10.2008

7. It was advised by AM/RS that the above Target for starting of EPS must be strictly adhered to and the progress to be followed up by COS/CMMs on weekly basis. The progress of start and further implementation of EPS must be intimated by COSs of each Rlys/PUs in PCDO on regular basis and will be monitored by Railway Board with each Rlys/PUs and CRIS.

ANNEXURE II/6-24

A.K. GOEL
EXECUTIVE DIRECTOR, RAILWAYS STORES (G)

D.O. NO. RS(M)/2008/EPS/01 New Delhi dated 21st October, 2008

Dear Shri Rai,

Sub : **Implementation of e-procurement System.**

Ref: (i) AM/RS D.O. letter No. RS(M)/2008/EPS/01 dated 1.10.2008
(ii) AM/RS D.O. letter No. RS(M)/2008/EPS/01 dated 5.9.2008
(iii) AM/RS D.O. letter No. RS(M)/2008/EPS/01 dated 25.8.2008

…

Successful implementation of E-Procurement System (EPS) is high priority area of Hon'ble MR. In this connection AM(RS) has written number of D.O. letters to take necessary action and monitor the progress of implementation of EPS on regular basis. CRIS is also intimating the progress report on regular basis. It is required to take necessary action regarding following matter:-

1. The road map submitted by you did not indicate the completion date of covering all types of tenders. As desired by AM(RS), vide reference No.(ii) you are advised to give detailed road map for implementation of E-Procurement System in the following format.

Sr. No.	Tender Types	Starting date of uploading e-tenders	Completion date (100% e-tenders)
1.	LT/PAC		
2.	BT		
3.	OT		

This completion period should be within 2-3 months from date of commencing the uploading of e-tender.

2. You are advised to monitor the progress of implementation of EPS on regular basis. It is again advised to motivate the venders by holding regular meetings to get registered with www.ireps.gov.in.

The progress report is to be sent to Railway Board at Fax No.011-23073196 on regular basis (10 days interval)

Sd/-
(A.K. Goel)

ANNEXURE II/6-25

R.K. Rao
Member Mechanical

D.O. No.RS(M)/2008/EPS/01 Dt.30th October, 2008

My dear Chopra,

Sub : **Implementation of E-Procurement System**

E Procurement is being implemented on eight Zonal Railways (NR, CR, SCR, WR, SR, WCR, SECR & NCR) and five Production Units (RCF, ICF, DLW, DMW & RWF) in phase I. EPS has single database server at CRIS and can be accessed at www.ireps.gov.in. Successful implementation of EPS is a high priority area of Hon'ble MR.

2. Your Railway is one of the units where EPS is being implemented. The COS of your unit has already been advised to hold regular review meetings to monitor progress of implementation of the project. Following key issues require regular attention:

a. There is a need to draw a detailed road map for implementation EPS. In this direction AM/RS has written DO letters (No. DRS(M)/2008/EPS/01 dated 5.9.2008) to the COSs to prepare detailed road map for rolling out of EPS, indicating dates of commencement and completion of project.

b. Successful implementation of EPS will depend on wide participation by vendors. It is necessary that concerned officers are advised to motivate the vendors by holding regular meetings and get them registered with www.ireps.gov.in.

3. I would suggest that you may have periodic review done so that the project gets implemented expeditiously.

Sd/-
(R.K. Rao)

ANNEXURE II/6-26

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.RS(M)/2009/EPS/01 New Delhi, dated : 09.06.2009

COS, All Indian Rlys & PUs.

Sub : **implementation of e-Procurement System.**

E-Procurement system has been implemented successfully in 8 Zonal Railways and 5 Production Units. During implementation of pilot project Northern Railway has formulated and issued detailed joint procedure order on E-tender opening procedure, jointly with their account

department. The detailed Joint procedure order as prepared by NR jointly by stores and accounts, has been adopted by all the Railways. Subsequently the same JPO has also been endorsed by Railway Board Finance Directorate and sent to you. Rlys/PUs are implementing EPS in a successful manner however there are certain areas which will further improve performance & will reduce tender settlement time.

1. Printing of offers at the time of tender opening: The basic spirit of EPS is to make near paperless working. In this regard the para 7(ii) of N.Rlys JPO clearly indicates as under:-

   "The offers of firms so received shall be opened and acknowledged by the tender opening officials. Once all the offers against that tender have been opened verified and acknowledged, the tabulation statement shall be generated and print out shall be taken".

   Further the para 8(iv) states "After opening, verifying and acknowledging of each offer by tender opening officials, such offers details shall remain in secured encrypted form stored in Archive. The Purchase Officers concerned can open, view and down load commercial and other details by using their ID and password and if required can take printout of suitable offers.

   It is reported that Rlys/PUs are not following the instructions as laid down in the JPO which was also endorsed by Rly. Board finance Directorate and instead generating printout of each offer at the time of tender opening even though each financial and techno commercial offer is already being tabulated and printed in their tabular form. The printing of offers at the time of tender opening is against the spirit of e-procurement and also the JPO as issued by N.Rly and adopted by your Rly/PU.

   In this regard AM/RS during last COS conference at Chennai had also emphasized as follows:-

   "There should not be any need for printing of entire electronic offer submitted by each vendor. In fact, all the technical departments should be given access to view the e-offers, along with the printed financial and techno-commercial tabulation statements. The printing of-offer of firm in e-procurement system defeats the very purpose of switching over from manual system of tenders for procurement of goods to electronic system of tenders for the same". (para 6.2 (i) & (ii) of minutes of meeting).

   It is therefore necessary to follow the spirit of JPO and not to print each offer at the time of tender opening.

2. No mixing of manual and electronic tenders:- As a policy, Railway Board, in the past, has clearly advised:

   "Submission of Manual Offers along with electronic offers shall not be permitted" (which has also mentioned in para 7(i)b of JPO of NR).

   It is emphasized once again to follow the instructions as issued in this direction.

3. Opening of e-tenders in short period:- The schedule of power as delegated by Railway Board empowers Zonal Railways/PUs to open tenders in short period

under emergency as deemed necessary. In such cases of urgency, e-tenders can also be opened in a short period as permitted for manual tenders.

Rlys/PUs are advised to issue suitable instructions to follow as advised above. It is requested to give the compliance to the Board at the earliest possible.

This has the approval of AM/RS

Sd/-
(Ajay Gupa)
Director Railway Stores(M)

ANNEXURE-II/6-27

Government of India
Ministry of Railways
Railway Board

No. RS(M)/2009/EPS/01 Dated: 24/07/09

COS/SCR,NCR,SR,WCR,ICF,DLW,RWF

Sub : **Implementation of e-procurement system.**

The progress of e-procurement system is being monitored at the highest level at Railway Board. At various forums such as COS conference etc, MM, FC and other members have categorily emphasized to implement e-procurement system ensuring 100% e-tendering. It is informed that most of the Zonal Railways/PUs such as NR, CR, WR, SECR, RCF & DMW have already confirmed switching over to 100% e-tendering in their Railways/PUs. In view of good progress shown by few Railways, AM/RS desires that your Railway must also achieve 100% e-tendering well before December 2009, and all steps should be taken to achieve the target.

It is also requested to review the progress on regular basis at your level and intimate the progress to the Board on regular basis.

Sd/-
A.K. Goel
EDRS(G)/Rly Bd

ANNEXURE III

ANNEXURE III/1-01

Extract of Office Order No. 18 dated 1st January 1976 from Directorate General of Supplies and, Disposal (co-ordination Supplies Section CDN-2), New Delhi-1.

OFFICE ORDER No. 18

Sub : **Delivery period/Grace period/Downward trend in prices**

The instructions on the subject as current on 31st December.1975 are reproduced below for the guidance of all concerned--

1. xxx xx
2. xxx

(Para 13(C) of Contract Manual and Office Order No. 18 dated 1st January 1969)

2.2.1. Instructions exist that all the conditions stipulated by the tenderers in tender should be carefully scrutinised by the purchase officers. Where the terms and conditions quoted by the firms are inconsistent with our general and special conditions of contract or otherwise unacceptable, they should be first persuaded to withdraw these terms and conditions. In the event of failure of the firms to agree to our suggestion the quotations should either be ignored or accepted with the sanction of the competent authority on the merits of the case. In any event the position should not be left obscure or confused. Where special terms and conditions are accepted they should be incorporated in the contracts issued which should ultimately contain no more or no less than what contains in the accepted tender or mutually agreed to in most tender correspondence or negotiation with the tenderer. Incorporation of the terms and conditions which are not in the tender or which have not been specifically agreed to by the tenderer will not create a legally binding agreement.

ANNEXURE-III/1-02

Copy of Board's letter No. 74 A C III /30/6 K W dated 28th December 1983 addressed to General Managers All Indian Railways and others.

Sub : **Tender Committee proceeding**

Board vide their letter No. 74 AC III/30/6 dated 11th March 1977 while clarifying the role of finance as a Member in a Tender Committee has stressed that if Accepting Authority does not accept the recommendations of any member, the reasons should invariably be recorded in writings. Similarly if Finance Member finds some financial impropriety in the award of the contract he can report the matter to the F. A. & C. A. O. In spite of these obvious instructions, in one of the Draft Paragraphs on one of the Zonal Railways it has been contended by Associate Finance that since Accepting Authority has to make a final decision of the Tender Committee's recommendations further reference to the Associate Finance is considered redundant. In this context, it is reiterated that though final decision would rest with the Accepting Authority there is no reason at all why such Authority should be precluded from obtaining the opinion Associate Finance at the appropriate level. It is only where the F. A. & C. A. O. is a Member of the Tender Committee that further consultation with him may be unnecessary but even in such a case the Accepting Authority is not precluded from further financial advice.

ANNEXURE III/1-03

COPY of Board's letter no. 89/RS (G)/779/12 dated 27th September 1989 addressed to General Managers, (Stores) All Indian Railways and others.

Sub : **Post Contract deviation from Specification -approval authority**.

Boards have observed that uniformity does not exist on the Railways with regard to approval of deviation from specification subsequent to the awarding of the contract and the Authority Competent therefor. It has therefore, been decided that any deviation from Tendered Specification subsequent to the awarding of the contract whether minor or otherwise, should have the approval at the level of the Competent Authority, who was the Accepting Authority of the Tender Committee proceedings.

This issues with the concurrence of the Finance Directorate of this Ministry.

ANNEXURE--III/1-04

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 83/F (S)I/I/IPW-7/1 New Delhi, Dated 2nd May 1991,

The General Manager (Stores)
All Indian Railways and
Production Units, (CLW, DLW, ICF, W & AP & RCF), Metro Rail Calcutta
Railway Electrification, Allhabad,
Chief Administrative Officer,
Diesel Component Works, Patiala

Sub : **Vetting of Purchase orders**

During the 48th Periodical Conference of the Controllers of Stores of All Indian Railways and Production Units held in Railway Board's Office on 16th and 17th January 1990, Controller of Stores of some of the Railways brought out that in case of tenders below Rs. 2 lakhs, which are not required to be examined by a Tender Committee, some-times splitting up of the ordered quantity is resorted to in order to ensure continuous flow of supplies. In such cases the accepting authority records the reasons for splitting the tendered quantity and accordingly purchase orders are prepared and sent to Finance for vetting, but purchase orders sent for Finance vetting are returned by Finance with the remarks that separate Finance concurrence for splitting the quantity should be obtained before the purchase orders are vetted. This results in delay in placement of purchase orders, thereby increasing the lead-time.

The matter has been examined by the Ministry of Railways and it has been decided that in purchase cases, which are not required to be examined by a Tender Committee, the vetting of purchase orders and scrutiny as laid down in cases where splitting of tendered quantities is resorted to, may be done concurrently by Finance to avoid delays in placement of orders, as is being done already on some of the Railways.

Boards also desire that post audit of the purchase cases below Rs. 2 lakhs should be conducted thoroughly and cases of serious irregularities noticed, if any, should be reviewed at the level of COS/FA & CAO for necessary remedial action.

Sd/-
(H. S. Rathi)
Dy. Director, Finance (Stores)
Railway Board

Copy forwarded to :—

1. GM's (Construction) Southern Railway, Bangalore, South Eastern Railway, Waitair and N. F. Railway, Guwahati

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ANNEXURE--III/1-05

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/5/Pt.I Dated 28/08/03.

Sub : **Reduction in Finance Vetting Stages in Stores Procurement.**

Above matter was discussed in the 56th and 57th COS Conference and it was decided that Accounts vetting stages should be rationalized in order to streamline the purchase process.

Accordingly the following Finance vetting stages are dispensed with:-

Vetting of Advance Acceptance letter in Tender Committee cases. However, a standard format detailing the contents of Advance Acceptance letter be evolved by the Railways to avoid legal implications later on in due consultations with Finance & Legal branch.

Wherever as amendment having financial implication is processed, the amendment letter and the proposal should be simultaneously got concurred / vetted by Finance to cut down delay.

The case wherein sanction of GM for Foreign exchange is involved, the tender case may be put up to GM at one stage only for approval of Tender Committee recommendations as well as sanction of Foreign exchange.

This issues with the concurrence of Finance Dte. of Ministry of Railways.

-Sd-
(P.S.Meena)
Dy. Director, Railway Stores(G)
Railway Board

ANNEXURE III /2-01

Copy of letter No. 77/RS(G)/779129 dated 29th December 1977 from Joint Director, Railway Stores (P), Railway Board, New Delhi, addressed to General Managers, All Zonal Railways

Sub : **Simplification of purchase procedure and delegation of powers in respect thereof**

The question of decentralisation of powers of the General Managers has been under the consideration of Decentralisation Committee and after careful examination of the Report of the Committee, the Board have decided as under-

(i) **Non-enforcement of certain standard conditions of Contract: -** As per para 439-S, the General Managers are competent to vary I. R. S. conditions of Contract in exceptional cases within their powers of purchase. It has now been decided that the General Managers may also waive operation of clauses relating to ' **liquidated damages'**, ' **Risk purchases'** and ' **arbitration** ' appearing in the I. R. S. conditions of Contract as a standing measure on the Railways/Production Units in respect of Contract valued upto Rs. Ten thousand, at the post contract stage, in order to avoid disproportionate administrative expenditure in small recoveries.

(ii) **Recovery of liquidated damages and loss due to risk purchase: -**-While the non-recovery of such amounts are now being dealt with on the Railways under the powers of write off on case to case basis, it has now been decided that the General Managers may also waive such recoveries where they amount to Rs. 2,000/- or less in each case subject to the condition that suitable penal action is taken against the firm, including de-listing the firm, if necessary, from the list of approved suppliers. These powers are to be used in cases recoveries could be made only by resort to arbitration or legal action. These powers may also be exercised by Controllers of Stores / Addl. Controllers of Stores.

(iii) **Payment terms: -**(a) In order to he in line with D. G. S. & D., conditions of contract it has now been decided to enhance the limit of 90 percent payment on proof of despatch as appearing in I. R. S. Conditions of Contracts as a general measure to 95 per cent in contracts other than running contracts and 98 per cent in case of Running Contracts; the balance payment will be *5 per* cent or 2 per cent as the case may be instead of 10 per cent at present. Separate amendments will issue.

(b) It has also been decided that the Controllers of Stores may authorise 100 per cent payment on proof of inspection and despatch in respect of Public Sector Undertakings within their powers of Purchase. In respect of spares for Plant and Machinery, proprietary items and special tools obtained from Government or Non-Government agencies, Controllers of Stores may authorise 100 per cent payment in respect of Contracts upto Rs. 50,000/- on proof of inspection and despatch. Where such payments are authorised without inspection, Bank Guarantees should be obtained.

2. This issues with the concurrence of Finance Directorate of the Ministry of Railways.

Please acknowledge the receipt.

ANNEXURE III /2-02

Copy of letter No. 76/RS (G)/ 164/48-dated *16th / 17th March* 1978 *from Joint Director, Railway Stores (P), Railway Board, New Delhi, addressed to General Manager(s) All Indian Railways and Production Units.*

Sub : **Advance payment on the basis of receipt issued by Road Transport Agency-Procedure regarding**

In continuation of their letter of even number dated 16th March 1977 on the above noted subject, the Ministry of Railways desire that motor lorry receipts should not be accepted as proof of despatch of materials for making advance payments for supply of stores.

This issues with the concurrence of Finance Directorate of the Ministry of Railways.

Please acknowledge receipt of this letter.

ANNEXURE III/2-03

Copy of Board's letter No. 76/RS (G)/753/2 dated 18th June 1980 addressed to General Managers (S), All Indian Railways and others.

Sub : **Payment terms to M/s. Hindustan Cable Ltd**.

Railways/ Production Units have been approaching Ministry of Railways in connection with the payment terms to M/s. Hindustan Cables Ltd., The matter has been examined by the Ministry of Railways and it has been decided to Authorise General Managers to sanction advance payment upto 50 percent of the value of the within his overall purchase powers to M/s. Hindustan Cables only for the supply of Tele-communication equipment's including Cables, to the Railways /Production Units in relaxation of the provision contained in item-49 of Appendix VII-G II subject to the provision that these powers, may not be delegated further to the lower Authorities.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE III/2-04

Copy of letter No. 79/RS(G)/753/1 dated 8th April 1981 received from Shri R . Krishnamurthy, Joint Director, Railway Stores (IC), Railway Board, New Delhi, addressed to General Managers, All Indian Railways.

Sub : **100 per cent advance payment to the Supplier**

The question of making 100 percent advance payment to the Supplier on delivery by road/ex-godown and against *proforma* invoice has been engaging the Board's attention for some time. The matter has been examined by the Ministry of Railways in detail and it has been decided that-

(1) In general 100 per cent advance payment against proof of lorry receipt of road transport/ ex-godown should not be accepted and where it is unavoidable necessary safe guards like Bank guarantee may be taken in consultation with F. A. & C. A. O. for shortages non-conformity to contract specifications, etc.

(2) Wherein it is not possible to insist upon the firms to accept standard terms of payment 100 per cent payment on pro forma invoice may be accepted only in the case of firms of repute for specified period say one year by evolving suitable conditions in consultation with FA&CAO and with the sanction of the General Manager.

This issues with the concurrence of Finance Directorate of the Ministry of Railways.

ANNEXURE III/2-05

Copy of Board's letter No. 76/RS (G)/753/2 dated 13th June 1983 addressed to General Managers, All Indian Railways /Production Units. Etc.,

Sub : **Advance payment through demand draft**

Instances have come to the notice of the Ministry of Railways where in Public Sector Undertakings have insisted upon payment of Advances through Demand Draft and Railways have approached the Board for their sanction of the same. The matter has been examined by the Ministry of Railways and it has been decided that in case where the payment of advance to the Public Sector Undertakings through Demand drafts unavoidable, the Railways/ Units may be authorised to make the advance payments to Public Sector Undertakings in relaxation of the provision contained in Paras l439-1442 G.I. Being Government drafts no expenditure should be incurred on account of commission. This will however be subject to the financial powers delegated to the General Managers from time- to- time for sanction of payment of advance to the Public Sector Undertakings. This issues with the concurrence of the Finance/Accounts Directorates of the Ministry of Railways.

(**JOGINDER SINGH**)
Dy. Director, Railway Stores (G).

ANNEXURE III/2-06

Copy of Board's letter No. 76/RS (G)/753/2 dated 3/7th *August 1984 addressed to General Managers, All Indian Railways and others.*

Sub : **Procurement of non -ferrous metals through Public Sector Undertakings Powers to General Manager for sanction of advance payment thereto**

In partial modification of their letter No. 76/RS (G)/753/2 dated 14th December 1981, the Ministry of Railways have decided to authorise the General Managers to sanction advance payment upto the maximum limit of Rs. 2 crores for purchase of non-ferrous metals from MMTC and other Public Sector Undertakings in the case of procurement through a centralised canalising agency. These powers may also be allowed to be delegated to Controller of Stores, for sanctioning advance upto Rs. 25 lakhs.

This has the sanction of the President.

ANNEXURE III/2-07

Copy of Board's letter No. 72/RS (G)/779/64 dated 28th May 1987 addressed to General Managers All Indian Railways and others.

Sub : **95 Percent advance payment to the supplier.**

It has come to the notice of the Board that some Railways are making 95 percent advance payment to the supplier on the basis of' 'said to contain' R. R. and others are insisting on clear R. R or telling the supplier to wait for receiving 100 percent payment on acceptance of Stores by the Consignee. It is again emphasised that Railways should strictly follow the guidelines given in this office letters of even number dated 18th June 1974 & dated 18th June 1974 (copies enclosed for ready reference).

ANNEXURE I

Copy of Board's letter No. 72/RS (G)/779/64 dated 18th June 1974 addressed to General Managers, All Zonal Railways / Production Units and Chief Administrative Officers, M T Ps.

Sub: **Stores Contracts- advance payment against proof of despatch and inspection provision of a certificate in the bill regarding actual despatch of materials under Railway receipts.**

The question of evolving suitable safeguards for releasing advance payment against proof of despatch and inspection on the basis of Railway Receipt and Inspection certificate has been engaging Boards attention for some past. The need for such a safeguard has been felt so as to prevent the suppliers from obtaining payment by quoting fictitious/bogus Railway Receipt numbers and dates in their bills.

2. After careful consideration of the matter , the Board have decided that in addition to the existing procedures/ safeguards the suppliers should also be asked to furnish the following certificate on the bill itself by providing a suitable clause in the conditions of contract whenever such a payment terms is allowed.

> "I/We have personally examined and verified and do certify that Goods in respect of which payment is being claimed have been actually despatched under R.R. No dated…….. and further that these Goods are the exact material as indicated in Challan No……. .dated……and covered by Inspection Certificate No.....dated I/We hold myself/ our-self personally responsible for the correctness of this statement".

ANNEXURE II

Copy of Board's letter No. 72/RS (G)/779/64 dated 18th June 1974 addressed to General Manager South Eastern Railway, and copy to General Manager Chief Administrative Officers, Officers, All Zonal Railways (excluding S .E. Railway/Production Units and M. T. Ps

Sub : **Release of payment on the basis of qualified Railway Receipts**

Reference Your letter No. S.11/A/0/Pt. II/11862 dated 6th July 1973 on the subject indicated above After careful consideration on the matter the Board have decided that advance payment on the basis of qualified Railway Receipts should be discouraged as far as possible. Such cases may, therefore, be decided on merits. Where extenuating circumstances exist under which a qualified Railway Receipt becomes inescapable the Railway could agree to advance payment against such Railway Receipts after adopting adequate safeguards in consultation with Financial and Legal Advisers.

ANNEXURE III/2-08

Copy of Board's letter No. 87/RS (G)/379/13 dated 3rd August 1987 addressed to General Manager, (Inspection) RITES, 27, Barakhamba Road, New Delhi.

Sub : **Inspection certificate form**

Ref : Boards letter No. 74/RS(G)/379/2 dated 11th May 1976

As per the extent instructions 95 percent or 98 percent advance payment is made to the contractor against the Stores contract on the basis of proof of despatch and original copy of the Inspection Certificate.

2. A case has recently come to the notice of the Board where a firm claimed and received an advance payment based on 2nd and 5th copy of the Inspection Certificate. The investigation of the case further revealed that the materials were never inspected, for which the firm was allowed advance payment.

3. With a view to avoid recurrence of such a case in future, Board have decided that in partial modification of their letter No. 74/RS (G) 379/2 dated 11th May 1976, on the original copy of the Inspection Certificate, the words copy for payment and on all other copies 'Not for payment' should be printed. The supply order should also mention clearly that payment should be claimed on the basis of the "**copy for payment foil only**."

ANNEXURE III/2-09

Copy of Board's letter No. 87/RS (G)/753/1 dated 29th February 1988 addressed to General Managers, A// Indian Railways and others.

Sub: **Delegation of powers of acceptance of 100 percent advance payment to D.R.Ms.**

Ref : C. O. S., Northern Railway's D. 0. No. 66-S/104/46th COS's Conference/SI dated 24th September 1987 addressed to E. D. F.(S).

Ministry of Railways have decided to delegate powers of acceptance of 100 percent advance payment to D. R. Ms. upto a limit of Rs. 5,000 in each case for purchase of spares for machinery and plant items of proprietary nature. It should, however, be ensured that sufficient safeguards like bank guarantee is provided so that the interest of the Government is protected in the event of failure of supplies defective supplies and short receipts, etc.,

This issues with the concurrence of the Finance Directorate of this Ministry.

ANNEXURE III/2-10

Copy of Board's letter No. 86/RS (G)/779/46 *dated 5th August 1988 addressed to General Managers (Stores) South Eastern Railway, Calcutta and others.*

Sub : **Delegation of powers for purchase of Oils and Lubricants marketed by Public sector undertakings (such as I.O. C. /B. P. C. etc.) on Single Tender basis from II-6 of the 46th C. O. S's Meeting with Railway Board**

Ref : South Eastern Railways D. O. No. PA-I/Oil/Policy/3541/2571 dated 7th June 1988, addressed to Dr. Char, E D.R. S.

Please recall the item II-6 of Minutes of the 46th C. O. Ss Meeting held on 17th/18th September 1987 at Calcutta, the extract of which is given below: -

Point No. II-6 " Delegation of powers for purchase of Oils and Lubricants marketed by Public sector undertakings (such as I.O.C. / B.P.C. etc.) on Single Tender basis.

" E D. F. (S) agreed to review the decision taken especially in regard to items procured solely from B.H.E.L., M.M.T.C., I.T.I and other such controlled items. Waiving of tender committee formalities would also be extended to Petroleum products which are sold at controlled rates though in these cases tenders should be called from all the Oil firms".

As is apparent from the recorded minutes, the decision was taken with the intention to dispense with calling of limited tenders from public sector undertakings and formalities of tender committee proceedings for the procurement of petroleum products which are marketed by them on administered prices.

It is clarified that the delegations of powers to C. O. S. / C.M.M for purchase of Oils and Lubricants on Single tender basis up to Rs. 5 lakhs in each case with 100 per cent advance payment without going into the formalities of Tender Committee Examination issued *vide* Board's letter of even number dated 7th April 1988 are applicable to the procurement of Oils and Lubricants from public sector undertakings such as I.O.C. /B.P.C. /H.P.C. etc., the prices of which are administered or controlled. The petroleum products, the prices of which are not administered are out of the purview of this delegation.

Balmer Lawrie & Co., a Public Sector Company, get covered under these delegations only to the extent of their products, which have administered prices otherwise not.

This disposes of C.O.S./South Central Railway's D.O. No.S.226/I/Vol.4 dated 8th July 1988.

ANNEXURE—III/2-11

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No, 93/M (M & P)/1063/36 New Delhi,Dated 25th June 1996.

CAO/COFMOW
The General Managers,
All Indian Railways/P. Us.

Sub. : **Changes in purchase conditions for future procurement of Machinery & Plant in respect of payment terms, inspection, installation & commissioning, warranty terms etc.**

Ref. : (i) DO Letter No. COFMOW/IR/S-047/Pt. I, dated 27th April 1993.
(ii) DLW'sDONo. MP/06001/COFMOW, dated 29th March 1993.

In order to minimize delays, in supply, installation and commissioning of Machinery & Plant, an expert committee was appointed by the Board to study the purchase conditions and objectively examine these with a view to identify, analyze and suggest measures which contribute to delays in supply, installation and commissioning of sanctioned Machinery & Plant.

The findings and recommendations of the Committee have been approved by the Board and are being circulated for guidance and compliance in all future procurement cases of Machinery & Plant. Paras 8 & 9 form the summary of recommendations and observations.

The receipt may please be acknowledged.

(S.K Tripathi)
Director Mech. Engg. (P) II
Railway Board

DA: Copy of Recommendations (6 pages)

RAILWAYS IN ORDER TO MINIMISE DELAYS IN INSTALLATION AND COMMISSIONING, ETC.

IINTRODUCTION

A committee was appointed to objectively examine, and analyse the problems which contribute to the delays in installation and commissioning of M & P procured by COFMOW and other agencies for Railway users like Sheds, Workshops, Depots, Hospitals, etc., and give their recommendations as follows: —

Mode of Transportation—Transit Time

PRESENT SYSTEM

The present mode of transportation of all M & P is Rail barring exceptional cases when it is by road that too with the personal approval of COS/CMM who has to clearly record the specific nature of the exceptional circumstances as per Board's recent letter No. 89/RS (G)/363/5, dated 9th February 1995. Transit time taken by rail for operational and policy constraints like discouraging/restricting piecemeal wagon movement, can not be reduced below a certain level. It also involves handling of consignment at the premises of the firm and at originating/terminating rail heads. This handling apart from being wasteful also increases the risk of damages. After receipt of the consignment a message is sent to the firm for joint inspection. Delays occur in responding to the joint inspection call. In case of damages to the consignment taking place enroute a lot of time and effort is further wasted to assess the damages to consignment. If any deficiencies are noted, making good of the same also takes time. All this causes inordinate delays.

RECOMMENDED SYSTEM

To eliminate problems mentioned above, it would be in Railways' interest to resort to the movement of M & P by road to be arranged by supplier and 90 % payment being made on receipt of material in good condition by the consignee at site instead of proof of despatch by the supplier. Movement by Rail will be only as an exception where there are difficulties in movement by road on account of the consignment being bulky or very heavy. Joint inspection should also be laid down on arrival of the consignment by road at consignee's premises.

The following advantages stand to accrue to the Railways:

(a) Early availability of the asset.

(b) Since the firm would be interested in getting the bulk payment, tne movement by road and joint inspection will be done with the utmost urgency by the firm and the delay on firm's account to respond to the call will get minimised.

(c) Consignee will receive material in good condition instead of waiting for replacement of damaged parts, missing parts and replacement of wrong consignments even after making the bulk payment.

(d) Reduction in unproductive activity of handling packages at a number of places.

2. Foundation

PRESENT SYSTEM

As per the present system, the supplier is required to furnish foundation drawings and related diagrams within four weeks of the receipt of advance acceptance of tender to nable all preparations to be made for commissioning of the machine on receipt. In number of cases foundation drawing is not submitted by supplier in time which results in delays in making foundation.

This ultimately results in delay in commissioning of the machine. In the present system no penalty is levied for delay in submission of foundation drawings by the suppliers.

RECOMMENDED SYSTEM

The present system of installation being done by Railways will continue to be followed. There will be a penalty of 1/4 per cent of the cost of the machine per week on the supplier for delay in supply of foundation drawings subject to the maximum penalty of 2 per- cent. It should also be stipulated in the contract that further delay may result in cancellation of the contract.

Penalty for delay in submission of foundation drawings by the firm will result in sub-mission of these drawings by the firm in time. With this, any delay in making the foundation by the consignee on account of non-receipt of foundation drawings etc. are likely to be minimised.

3. Procurement, installation and commissioning of machines on turn-key basis

In order to ensure speedy installation and commissioning of procured machines, COS/ COFMOW may resort to procurement of machines on turnkey basis wherever possible. This should, however, be linked to the request of the indentor of machine.

4. Commissioning Time

It has been experienced that considerable time is taken by the Firm for commissioning activity.

Presently a penalty of 1% of the value of the contract per month subject to a maximum of 5% is being imposed on the defaulting firm after the free period on account of late commissioning of the machine. This penalty is not considered adequate and proposed to be enhanced to 2% of the value of contract per month after the normal free period given to the firm for commissioning of the machine is over subject to a maximum of 8%. After this penal period of 4 months the PG bond should also be en-cashed by the Railways/COFMOW in addition to with holding of 10% payment of the machine and this money could be utilised by Railway for financing the subsequent commissioning of the machine making some alternative arrangements. The bad performance of the firm should be kept in view at the time of considering future orders.

The committee is also of the view that commissioning of the machine should not be seen in isolation as an act of supplier alone. It is a combined exercise where the cooperation and facilities provided by the consignee play an important role and lack of such facilities could also lead to delay in commissioning. In order to obviate such happenings, it should be made mandatory on the part of consignee to draw and jointly sign a report along with firm's representative every time when the firm's representative visits the premises of the consignee in order to inspect, commission or attend the machine supplied by him. A clause already exists in the purchase conditions of the COFMOW where the balance 10% payment can be reieased to the firm against the bank guarantee if it is established that the delay in commissioning of ihe machine occurred on consignee's account.

5. PG Bond from SSI Units

PG Bond is not taken from small scale firms for the items they are registered with NSIC alongwith some other previleges given to them in terms of Railway Board's letter No. 88 RS (G)/164/20-CA III dated 20.04.89. However, WG is to be furnished by even SSI units registered with NSIC. For orders placed on such firms 10% balance payment should also be made against BG in cases where consignee delays the commissioning, However, the BG should be kept valid by the firm upto 12 months after the commissioning of the machine to serve as a WG bond. In cases where the firm defaults and delays the commissioning, it is to be blacklisted and not considered for future orders. This also tantamounts to that future orders not being given to the new Firm unless it successfui.ly complies with the previous orders placed on it.

6. Warranty Clause

The Present system links the release of WG Bond with the date of receipt of the machine amongst others. In this system the WG bond is released after 12 months of the commissioning of the machine or 24 months from the date of receipt of the machine whichever is earlier. The release of WG bond should only be linked with the commissioning of the machine while issue of PTC should become the basis for release of balance 10% payment. The WG should commence after successful trial by the firm in the consignee's premises. WG bond should only be released on satisfactory performance of the machine for 12 months after commissioning of the machine. The period should, however, be extended by the number of days the machines remain defective on account of the firm or the defects in the machine,

7. For developmental M & P

For special purpose machines being procured for the first time or for other developmental/trial orders, the payment term should be different than are for standard and regular Suppliers/Manufacturers, it is recommended that in this case 80% payment should be made on completions of the performance trials at the works of the supplier and receipt of the machine at consignee's end in good condition, 10 percent on successful commissioning at Railway's works and balance 10% on successful completion of the warranty period. Further stringent conditions may be laid down by COFMOW based on the individual cases, if considered necessary. The repeat order for similar type of M & P should only be considered on the firm after successful commissioning and complet trials to the satisfaction of consignee and COFMOW.

For such M & P where the above payment conditions are applied by COFMOW, and consignee is a Production Unit, a representative of PU can also be included as an inspecting authority along with the third party inspection mainly to avoid disputes at a iater stage when the machine reaches the consignee as such disputes may cause delays in acceptance and commissioning of the supplied M & P.

8. Summing up, the recommendations of the committee are

8.1. The transport of M & P from the supplier's premises to the consignee at site will be arranged by the supplier. The contract should be placed with the condition ' free delivery ' at site. Mode of transport should be left to the contractor. (90 per cent payment should be made to the contractor after receipt of the material in good condition by the consignee.

8.2. A penalty of 1/4 per cent of the cost of the machine per week subject to maximum 2 per cent will be levied against the supplier for delay in supply of the foundation drawings.

8.3. A penalty of 2 per cent of the contract value per month will be levied against the supplier subject to a maximum of 8 per cent for delay in commissioning of the machine after the permitted free period. After the penal period of 4 months the machine will be commissioned by Railways making alternative arrangements. PG bond will also be en-cashed alongwith the withholding of 10 per cent of the balance payment. This money could be utilised for financing the commissioning of the machine by the Railways. The bad performance of the Firm should be kept in view at the time of considering future orders.

8.4. The WG bond will only be released after satisfactory performance of the machine for a period of 12 months from the date of commissioning of machine. Issue of PTC will be the basis for the release of 10 per cent balance payment.

8.5 For special purpose, machines being procured for the first time and for developmental/trial orders, 80 per cent payment should be made to the firm on completion of the performance trial at the firm's premises and receipt of the machine at consignee's end in good condition. 10 per cent successful commissioning at railways premises and balance 10 per cent on successful completion of the warranty period. Further stringent conditions may be laid down by COFMOW based on the individual cases, if considered necessary. The repeat order for similar type of M & P should only be considered on the Firm after successful completion of trials to the satisfaction of consignee and COFMOW.

When the above conditions are being applied for procurement of a M & P for Production Unit, a representative of the concerned Production Unit can also be included as a joint inspecting authority along with the mandatory third party inspecting official.

8.6. Above recommendations should uniformly apply for procurement of M & P by COFMOW and other procuring agencies.

9. Other observations

9.1. During the discussion, the committee also found that the present practice of ordering spares for the machines after six months is counter productive. This system should be discontinued and spares as required ordered along with the machine to avoid delays and the losses of small packages in transit.

9.2. The suppliers should be permitted to work in more than one shift for commissioning the machine, if he makes such a request. This will reduce commissioning time of the machine by the supplier.

9.3. The material should be unloaded at the place nearest to the site where the machine is to be commissioned so that minimum shifting of the heavy machine is involved at the time of commissioning.

9.4. f more than one machine is required to be commissioned by the same supplier, COFMOW should ensure before placing the purchase order that the supplier has capacity and capability of mustering more than one team of service engineers for commissioning and attending to warranty complaints arising from different locations.

ANNEXURE—III/2-12

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No, 87/RS (G)/753/1

New Delhi,
Dated 9th May 1997.

The General Managers,
All India Railways & Production Units,
Metro Railway, Calcutta,
Rilway Electrification, Allahabad.

Sub. : **Delegation of Powers of Acceptance of 100 per cent Advance Payment to D. R. Ms.**

Ref . : COS/S. C. Railway's letter No. S/26/P/4 Vol. Ill dated 15th February 1995

In partial modification of Board's letter of even number dated 29th February 1988, Ministry of Railways have decided to enhance powers of acceptance of 100 per cent Advance Payment delegated to D. R. Ms. from Rs. 5,000/- to Rs. 10,000/- for purchase spares for Machinery & Plant items of proprietary nature. It should however, be ensured that sufficient

safeguards like, Bank Guarantee, is provided so that the interest of the Government is protected in the event of failure of supplies, defective supplies ind short receipts, etc.

This issues with the concurrence of the Finance Directorate of this Ministry.

Sd/-
(Ashok Kumar)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE—III/2-13

Ministry of Railways, (Railway Board)

No. 2005/RS(G)/779/1 Dated.20.07.2005

The General Managers/ All Rlys/ PUs

Sub : **Terms and conditions to be incorporated in tender & purchase orders for release of payment through ECS / EFT.**

It has been decided by Board to include following terms and conditions in the tender and / or purchase orders for release of payment through ECS / EFT.

S NO	Item	Condition
1.	Tender	i) Tenderer to give consent in a mandate form for receipt of payment through ECS / EFT. ii) Tenderer to provide the details of Bank A/C in line with RBI guidelines for the same. These details will include Bank Name, branch Name & address, Account type, Bank A/c NO. and Bank & Branch Code as appearing on MICR cheque issued by bank iii) Tenderer to attach certificate from their bank certifying the correctness of all above mentioned information (As mentioned in Para (ii) above) iv) In case of non-payment through ECS / EFT or where ECS / EFT facility is not available, payment will be released through cheque
2.	Purchase order	The purchase order should contain the following details: (a) Account no.(Type) (b) Bank name & Code (c) Branch Name & address (d) Whether payment is through ECS / EFT or cheque.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(Trilok Kothari)
Director, Rly Stores (IC),
Rly Bd.

ANNEXURE—III/2-14

Ministry of Railways, (Railway Board)

No. 2005/RS(G)/779/1 Dated.25.08.2005

The General Managers/ All Rlys/ PUs

CORRIGENDUM

Sub : **Terms and conditions to be incorporated in tender & purchase orders for release of payment through EFT.**

In partial modification to Board's letter of even number dated 20.07.2005, the term 'ECS / EFT' wherever appearing may be read as 'EFT' only.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(Trilok Kothari)
Director, Rly Stores (IC),
Rly Bd.

ANNEXURE—III/2-15

Government of India
Ministry of Railways
(Railway Board)

RBS NO.23/2006

No. 2005/RS(G)779/1 New Delhi, dated: 2.11.2006

The General Managers/All Rlys/PUs,

Sub : Recommendations of the Task Force on Tendering Procedures- regd. Advances to the suppliers.

Ref : Board's letter No. 79/RS(G)/753/1 dt. 21-04-1979.

A Task Force consisting of three Executive Directors – EDRS(G), EDF(S) & EDTK(M) was constituted by Board to examine the pros and cons of the various issues related to tendering procedures. One of the recommendations of the Task Force is as under:-

'Since loans from the banks/ financial institutions are easily available and the interest rates have also reduced, giving advances in supply contracts should be totally stopped'.

This recommendation of the Task Force has been considered in consultation with the Finance Directorate of Board's office. Board has accepted the above recommendation. In supercession of earlier instructions issued vide Board's letter No. 79/RS(G)/753/1 dt. 21-04-1979, it is advised that in supply contracts, no advance need to be given to the contractors by Railways.

This issues with the concurrence of Finance Directorate of Ministry of Railways. Please acknowledge the receipt.

Sd/-
(Aruna Jain)
Dy. Dir. Rly.Stores (G)-II
Railway Board

ANNEXURE—III/2-16

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS **RBS No: 05/2007**
(RAILWAY BOARD)

No.2006/RS(G)/779/12 New Delhi, dt.22.03.2007

Sub : Payment due to Price Variation Clause & imposition of Liquidated Damages in contracts with staggered delivery schedule.

A reference was received from Eastern Railway requiring clarification about the admissibility of the PVC claims in contracts with staggered delivery schedule but the contract not being specifically severable. Further, there are instances when the firms default in making proportionate supply of the material as stipulated and actually make delivery at the fag end of delivery period as per Purchase Order and claim the PVC upto the date of the actual supply of the material resulting in adverse financial repercussion for the purchaser.

The matter has been examined in Board's office and this to clarify that in contracts which have staggered delivery schedule but can not be made severable i.e. without having fixed schedule for the intermittent supplies, the PVC claims be restricted for that particular quantity of supply, required to be completed in that period, as indicated in the delivery schedule, irrespective of whether the supply has been made subsequently within the over all delivery schedule of the contracts.

It is further advised that the contracts, against which intermittent supply is required, should normally be made severable to avoid such a situation. However, where definite time schedule for the intermittent supplies can not be given for any reason, following 'Clause' should be incorporated in the contract:

Penalty for Delays in supplies during delivery period : "In case of failure on the part of supplier to arrange supplies as per the delivery schedule / installments fixed in advance, save force majeure conditions or delays attributable to Purchaser, the Purchaser reserves the right to levy Liquidated Damages which shall be levied as per Para 702 (a) of IRS Condition of Contract for the delayed quantity which have remained unsupplied for that period."

Similar provisions need also be made in Contracts placed against global tenders.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director, Railway Stores (IC),
Railway Board.

ANNEXURE—III/2-17

GOVERNMENT OF INDIA **RBS No: 07/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2005/RS(G)/779/1 New Delhi, Dated: 16.05.2007.

COS / All Rlys & PUs

Sub : Fraudulent encashment of cheques.

Attention is invited to Board's letters of even no. dated 20.07.2005 & 25.08.2005, laying down terms & conditions, to be incorporated in tenders & purchase orders for release of payment through EFT only, i.e. to provide the necessary details of the Bank A/C by the tenderers, duly certified by the concerned Bank, and the same to be re-iterated in the purchase orders. Recently, in terms of Board's letter no: 2007/ACII/25/2 dated 23.02.2007 (copy enclosed), necessary guidelines have been issued by the Board to avoid fraudulent encashment of cheques *i.e.* to obtain the current A/c No., Name of Bank and Bank's specific Code No. of the suppliers at the time of calling of tenders by the contracts signing/executing authorities so that after finalizing of the contract it becomes a Part of the contract documents'. It may, therefore, be advised that in line with the earlier instructions issued in this regard vide Board's letters dated 20.07.05 & 25.08.05 as referred above, these instructions must be followed in all Supply Contracts and tender conditions may also be modified suitably, in order to incorporate these guidelines.

Compliance of these instructions may please be sent to Board's office at the earliest.

Please acknowledge the receipt.

DA: As above

Sd/-
(Aruna Jain)
DDRS(G)-II, Railway Board

GOVERNMENT OF INDIA **RBA No: 8/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2007/ACII/25/2 New Delhi, Dated: 23.02.2007.

COS / All Rlys & PUs

Sub : Fraudulent encashment of cheques.

A case has been brought to the notice of Board's office wherein a number of cheques issued by various Railways and sent through Registered Post to one of the suppliers have not reached him and some of the lost cheques have been en-cashed by opening current account in a bank fraudulently. The Railways concerned have been advised to investigate and take needful remedial measures. Since the issue is serious and involves pecuniary loss, it demands immediate attention to preclude similar instances on your Railway also. It is therefore requested that action may be taken to switch over to EFT/NEFT payments at the earliest. In areas where EFT/NEFT scheme is not in operation by the banks, the current a/c no., name of the bank and the bank specific code no. of the suppliers and contractors should be obtained from the contract signing/executing authorities and incorporated invariably in the cheques

issued in their favour, which should be a/c payee only. It is also mandatory to obtain the bank a/c no., name of the bank and the bank specific code no. at the time of calling of tenders by the contract signing / executing authorities so that after finalization of the contract it becomes a part of the contract document. Kindly take necessary action accordingly and send action taken report for Board's information at the earliest.

Sd/-
(Shivaji Rakshit)
Executive Director, Accounts,
Railway Board.

Copy to
FA&CAOs of all Zonal Railways / PUs

ANNEXURE III/3-01

Copy of letter No. 55/645/4/RE (G) dated 28 th March 1957 from Director, Railway Equipment, Railway Board, New Delhi addressed to the C. A. O. /I. C. F.

Sub : **Price Variation in Stores Contract for imported Stores**

As per Ministry of Works, Housing and Supply, New Delhi Office Memorandum No. Pur-19/ Recom. 65/1/ 55 dated 28th July 1955 circulated to the Railways vide Board's letter No. 55/645/4/RE dated 15th October 1955 for contracts of imported stores, the Purchase Officers within their normal powers of purchase are permitted to admit " **escape**" on.

(i). F. O. B. Cost in the case of proprietary articles.
(ii). Cost of raw materials like non-ferrous metals, which are susceptible to sharp price fluctuation in the cases of stores involving substantial use of such materials (a list of such stores should be prepared and reviewed periodically by the Director General Supplies and Disposals in association with the Ministry of Finance.

2. It has been brought to the notice of the Railway Board, that, in some cases, the firms also insist on price variations on account of statutory changes in exchange rate and import duties and changes in rates of sea-freight, marine insurance and war risk insurance in additional to normal variation in F. O. B. cost.

3. The Ministry of Works, Housing and Supply have authorised the Purchase Officers under the Directorate General of Supplies and Disposals to accept variation clauses ii the following cases after obtaining financial concurrence for the same. With a view to bring in line the purchase procedure on Railways with that followed by the Director General of Supplies and Disposals, the Board have decided that the General Managers may in consultation with their Financial Adviser and Chief Accounts Officers accept price variation clauses in such cases of Stores Contract in addition to the variations in F. O. B. Cost referred to in para 1.

(i). Variation in exchange rate as per **Annexure " A "**
(ii). Statutory changes in Import duties.
(iii). Special price adjustment clauses of B. E. A. M. A. in case of orders placed on members of the British Electrical and Allied Manufacturers' Association, **Annexure ' B '**.

4. Variation in sea freight:– As regards acceptance of variation in sea freight on account of the present situation arisen out of blockade of Suez, the Purchase Officers under Director General of Supplies and Disposals have been authorised to accept in consultation with Finance, this variation for a period of six months upto the 31st May 1957. The General Manager, in consultation with the Financial Adviser & Chief Accounts Officer, may therefore accept variation in sea freight if insisted upon by the firm in the tender for the period upto May 1957, after which the Railways may apprise the Board of the position then obtaining for further consideration if necessary.

5. Marine Insurance Rates :–As regards variation in marine Insurance rates, no escape on Marine Insurances normally allowed by the Director General of Supplies and Disposals. But whenever it is absolutely unavoidable, the firm should be asked to specify the element of insurance charges in their quotation and they should be required to furnish documentary evidence in support of the payment actually made by them.

6. War Risk Insurance :– In regard to escape on War Risk Insurance this is not being allowed by the Director General of Supplies & Disposals. The Board have, therefore decided if insisted upon by the firm in the tender such cases may be referred to the Board.

7. It is, however, pointed out that ordinarily, efforts should be made to ensure a ' firm price' quotation and only in cases where purchases cannot be otherwise made, such escapes should be allowed.

8. The above powers as delegated to the General Manager may be exercised by the Controller of Stores for purchases upto Rs. 30,000 in each case in consultation with the Finance.

9. This supersedes all orders issued in connection with price variation clause, prior to issue of Board's letter No. 55/645/4/RE dated 15th October 1955. These orders as contained in paras 3, 5 and 6 above will for the present remain in force upto 31st March 1958. The position will however be reviewed towards December 1957 and further instructions issued accordingly.

ANNEXURE A

Sub : **Placing of orders for imported Stores--Allowance of price variations due to exchange fluctuations**

The general policy is not to accept, as far as possible the condition regarding adjustment of prices due to exchange fluctuation except in cases where firms insist on it. The following three clauses provide for price variation on account of exchange fluctuation and are in use by the D. G. S. & D., New Delhi and -

VARIATION IN EXCHANGE RATE

Rupee-Sterling

The prices quoted are based on a rate of exchange of Re. 1 equal to 1s-6d and no adjustment will be made provided the rate of exchange ruling at the time of payment is made does not vary beyond the limits of 1s 5-13/16d and 1s 6-3/16d. In the event of greater variation price quoted are subject to adjustment (up or down) in accordance with the Calcutta Exchange

Bank Association -T. T. rate of exchange ruling on the date the payment is made by the firms to their principals. It may, however, be noted the exchange variations, if any will apply only to that portion of the F. O. R. price which is required to be remitted to your Principals in sterling.

Rupees - Dollar / Rupees - Swiss Francs

The prices quoted are based on a rate of exchange of $ 100/Swiss Franc according to Calcutta Exchange Bank Association -T. T. rate approved by the Reserve Bank of India, ruling on ……..In the event of variation in the above rate on the date at which payment is made by the firms to their principals, price quoted are subject to adjustment (up or down). It may, however, be noted that the exchange variations, if any will apply only to that portion of the F. O. R. price which is required to be remitted to your Principals in Dollars / Swiss Francs.

Note - (i). The terms "**Date, the payment is made by the firms to their Principals** " occurring in the above clauses will mean the date on which remittance is effected through a bank.

(ii). To facilitate scrutiny of claims arising out of the above clauses, it will be necessary to know the C. I. F. Components of the F. O. R. prices quoted by firms where it is proposed to allow exchange variation on the basis of the above clauses, firms should be asked to indicate (if they have not already done so in their tenders) the C. I. F. components of the F. O. R. prices quoted by them before introducing the clauses in the A/Ts.

Pound Sterling / D.M.

The prices are based on the exchange rate of 1 Pound-Sterling/D.M. 11.76 and here will be upward or downward adjustments in the price according to the variation in the above par value on the date each payment made. For this purpose the day-to-day fluctuations in the Bank remittance rates will he ignored.

It may, however, be noted that £ / D. M. and £/Re.---exchange variation if any, will apply only to that portion of F. O. R. which is required to be remitted to your principals in D. M.

ANNEXURE B

CONDITION APPLICABLE TO B. E. A. M. A. GROUP OF FIRMS--ANNEXURE 'B'

Contract Price Adjustment Clause Variation of Cost Price.

"At the time of a contract is placed, the firm will, at the request of the D. G. S. & D., advise the F. O. B. Price (which will be the F. O. B selling price of the Principal) along with the F. O. R. Costs. The D.G. S. & D.'s knowledge of the make up of costs would enable the Purchase Officer concerned to check whether F. O. B. price given is reasonable in relation to the delivered price.

If between the date of tender and the completion of the work any variations (either by rise or fall) occur in the manufacture, costs of labour and raw materials, then the contract price shall be adjusted in accordance with the B. E. A. M. A. formula. Details of calculation showing

how the percentage increase/decrease is arrived at, will be submitted by the firm to the D. G. S. & D., soon after the completion of the contract."

The basis for calculating changes in the cost of labour and material will be as follows : -

(i). Labour: - *Formula for calculating variations in the respect of changes in rates of pay* -

If, by the end of first three fifths of the delivery period, any variation, accepted notionally by the Engineering and Allied Employers Notional Federation, has occurred in the rate of pay of male adult labour ruling at the date of tender or other specified date, the F. O. B. Price shall be adjusted at the rate of 0.4 percent of the F. O. B. Price per 1.0 percent variation.

For each variation in the rate of pay of adult male labour, accepted as above, occurring during the last two-fifths of the delivery period the F.O.B. price shall be adjusted at the rate of 0.4 per cent of the F. O. B. price per 1.0 percent. Variation multiplied by that fraction of the last two fifths of the delivery period, which is unexpired at the date of such variation, each variation being calculated as a percentage of the rate of pay ruling at the date of tender or other specified date.

(ii) Materials: *Formula for calculating variations in respect of changes in Costs of Materials*: -

The F.O.B. Price shall be adjusted at the rate of 0.45 per cent of the F. O. B. Price per 2.0 Percent, difference between the index figure for materials used in Electrical Engineering Industry (or Mechanical Engineering Industry when such indices are appropriate to the Store) last published in the Board of Trade Journal before the date of tender or other specified date and that index figure last published before the end of the first three-fifths of the delivery period, this difference being expressed as a percentage of the former index figure.

For the purpose of these calculations-

(i). The delivery period of the contract shall be deemed to be that period between the date of order and the date when ready for despatch from manufacturers' works to Port of Shipment.

(ii) The words "**rates of pay** " shall be deemed to include basic wage rates, bonuses, allowances and other forms of remuneration.

(iii). The rate of pay for adult male labour shall be deemed to be 141 Shillings per week of 47 hours based, for the present, on rates of pay in 1952. B. E. A. M. A. firms should however base their prices on rates of pay current at the time of tendering. They can indicate the prevailing rates in the tender itself failing which they should on request indicate the rate for purposes of incorporation in the A/T before the contract is concluded.

ANNEXURE III/3-02

Copy of letter No. 67/RS (G)/145/3 dated 25th August 1967 from Dy. Director, Railway Stores, Railway Board, New Delhi addressed to General Managers, All Indian Railways

Sub : **Acceptance of Sea Freight Variation clause**

Ref. : Board's letter No. 57/145/RS (G) dated 14th July 1958.

Instances are not infrequent where Tenderers do insist on the inclusion of Sea Freight variation clause in, their Contracts for the supply of various stores. In order to facilitate expeditious finalisation of such cases; the Board have decided to delegate powers to the General Managers to accept such clauses, in consultation with their FA&CAOs wherever the firms, whose offers are otherwise competitive, insist on the inclusion thereof, subject to the condition that these powers should not be re-delegated to any subordinate authorities.

Please acknowledge receipt.

(This also disposes of the General Manager, Railway Electrification, Calcutta's letter No. RE/S/P/15 dated 15th January 1967)

ANNEXURE III/3-03

Copy of letter No. 69/RS (G)/145/3 dated 21st April 1969 from Dy. Director, Railway Stores (G), Railway Board, New Delhi addressed to General Managers, All Indian Railways

Sub: **Verification of claims against Material Price Escalation Clause of contracts entered into with the various firms.**

It has been brought to the notice of the Railway Board by the ADAI (Railways) that against the contracts entered into by the Zonal Railways, which provide for material price escalation clause, the claims on account of increase in the price of materials are being admitted without any verification on the basis of the certificates given by the auditors of the firms who are Chartered Accountants and that the Contractors were not disclosing the stock of material available with them at the time of submission of tenders or at any later stage.

2. In order that a Proper verification of the claims is made against the " **material price escalation clause** " (as is done in respect of contracts entered into by the Railway Board) it is desired that all claims made against " **material price escalation clause** " be verified by the FA&CAOs of the concerned Railway with reference to firm's records rather than relay on the certificates issued by firm's auditors. To achieve this end, a suitable clause providing for the Tenderers to produce complete records, whenever called for, for examination / verification of their claims under escalation, may be incorporated in the tender enquiry and have that clause incorporated in the contract.

3. Please acknowledge the receipt.

ANNEXURE III/3-04

Copy of letter No. 69/RS (G) *145 dated 5th June 1969 received from Shri P. R. Bhagwat, Dy. Director, Railway Stores, Railway Board, addressed to General Manager, Integral Coach Factory, Perambur, Madras.*

Sub : Acceptance of variation in Railway Freight

Reference your letter No. ICF/2168/SIFI/196 dated 29th, April/3rd May 1969 on the subject indicated above. Board approve of the action taken by your Administration as referred to in- para (1) thereof. -

Copy of General Manager (S)/1. C. F. letter No. 2168/S/F1/196 dated 29th April/3rd May 1969 addressed to the Secretary Railway Stores, Railway Board

Sub : Acceptance of variation in Railway Freight

Recently this Administration has come across certain cases in which, the Tenderers while quoting against tenders: issued for supply of atom insist on incorporating price variation clause on account of variation in Railway freight, Since the powers to accept variation in Railway freight have not been delegated to the Purchase Officers, General Manger's approval was obtained in certain cases in consultation with Finance in terms of Para 419-S treating the freight variation as coming under the " **unusual conditions** " contemplated therein.

In this connection reference is invited to Board's letter No. 67/RS (G)/145/3 dated 25th August 1967 in term of which General Managers have been delegated with powers to accept Sea freight variation clause in respect of imported stores. Since no such delegation has been made in respect of Railway freight variation clause, Board's confirmation for the action taken by this Administration as stated in para 1 above is requested.

This issues with the concurrence of F. A. & C. A. O of this Administration.

ANNEXURE III/3-05

Copy of letter No. 69/RS (G)/145 dated 8th February 1972 from Dy. Director, Railway Stores, Railway Board, New Delhi addressed to General Manager, All Zonal Railways and I.C.F.

Sub : **Verification of claims against Material Price Escalation Clause of Contracts entered into with the various firms.**

Reference this office circular of even number dated 21st April 1969 on the subject indicated above, recently some of the Railways have brought to the notice of the Board the difficulties being experienced by them in implementing the provisions contained therein particularly when the firms, whose offers are otherwise found acceptable, are reluctant to accept the stipulation in regard to production of their records for verification of escalation claims by the FA&CAOs. The matter has therefore, been examined in consultation with A. D. A. I. (Railways) and it has been decided that in such an eventuality the following procedure may be followed in future.

2. As is the practice, the quotations may be invited on "**firm**" price basis. Where the firms. whose offers are found acceptable insist on a Material Escalation Clause, they may be asked to also accept the stipulations regard to the production of their records for verification of claims under escalation by the F. A. & C. A. O. where the firms refuse to accept the above stipulation, the cases may be examined on merits in terms of **Para 419-S** and **420-S** and decision taken in the matter in the best interests of Government.

Please acknowledge receipt.

ANNEXURE III/3-06

Copy of letter No.70/RS (G)/779/46 dated 18th May 1976/ 7th June 1976 received from Deputy Director, Railway Stores (G), Railway Board, New Delhi addressed to General Manager, all Indian Railways.

Sub : **Wages Escalation clause in Stores Contracts for indigenous stores**

In supersession of Board's letter No. 57/145/RS(G)(b) dated 4th October 1960, it has been decided that " **Wages escalation clause**" may be accepted in consultation with your F A & CAO, subject to the following important conditions :--

I. Wage escalation clause may be accepted only for supply of indigenous stores in very special cases and only if the Tenderers insist on the same.

II. The base month and the date should be indicated by the Tenderers along with the wage structure, at that time, per month, of the permanent worker which shall comprise of the following items-

(i) Basic wage.

(ii) Dearness Allowance.

(iii) Employer's contribution to Provident Fund.

(iv) Employer's contribution to employee's State Insurance Schemes; and

(v) Employer's contribution and payments in any other schemes which may be instituted by the government in respect of above and made during the base month and specifically approved for inclusion in the wages escalation.

III. The wages escalation, when the wage structure of the minimum rated direct worker varies from that of the base month in respect of the above referred items, is applicable for a month of full normal working day and working hours as per standing order of the factory. The date from which escalation applicable after the date of wage increase should be predetermined.

***Pro-rata* adjustment of variations in Wage Structure is to be made if the effective payable days in a month falls below the normal working days.**

IV. The wages escalation should be applicable only as a result of direct governmental action, adjudication or legislation either Central or State. The expression "**direct governmental action**" shall not include a settlement which

has not been arrived at in the course of conciliation proceedings and the expression "**adjudication**" shall include only that arbitration award in respect of which notification under sub-section 3A of Section 10A of the Industrial Dispute Act. 1947 is issued.

V. The expression "**direct worker**" shall cover only those permanent and temporary persons employed by the Contractor (excluding casual/ contract labour).

VI. The number of direct workers in each category on base date would form the base for the calculation.

VII. The increments in any time scale would not be taken into account.

VIII. If deliveries are not made according to the schedule and are delayed owing to any circumstances whatsoever, and a wage increase is awarded meanwhile, such increase will not be admitted normally unless specifically agreed to at the time of extension.

IX. The Contractor should furnish the total man-hours involved in the manufacture of the items and the Escalation on this man-hour duly certified by the Chartered Accountants should be furnished. This shall be subjected to further scrutiny if considered necessary, of the Contractor's books by the Chief Costs Accounts Officer of the Ministry of Finance.

X. There should he a price de-escalation clause to cover such contingency, if any.

XI. For all contracts, over the value of Rs. 5 lakhs or in case of contracts where different wages escalation clause is proposed to be accepted, Board's prior approval should be obtained.

2. Other things being equal, preference should be given to the Tenderer whose wages escalation is likely, to be less.

3. The **Wage escalation clause**, as now adopted by the Railway Ministry in their contracts for wagons for 1974-75 and 1975-76 R. S. P. is enclosed for your information and guidance.

Kindly acknowledge the receipt of this letter.

Enclosure: As above.

NEW CLAUSE BEING ADOPTED IN THE WAGON CONTRACTS

1.1 Wage Escalation clause:

(i) For every one Rupee or part thereof exceeding 50 paisa per month of full normal working duration by which the wage structure of the minimum rated direct worker varies from that of the base month, as a result of direct Governmental action, adjudication or legislation either Central or State the basic price excluding escalator claims, shall be adjusted by the escalator factor as may be determined by the Chief Cost Accounts Officer based on the actual man-hours for direct

workers as hereinafter defined subject to ceiling of man-hours as specified in this contract. Such adjustments shall be applied to the basic conversion prices of only those wagons which have been tendered for inspection after 6 weeks after the variation accrues, provided however, that in case the amount of variation for higher paid direct worker was less than that for the minimum rated worker, the weighted average variation would form the basis for the adjustment. This clause shall apply to the first and all subsequent variations. For the purpose of this clause, the expression "**direct Governmental action**" shall not include settlement which has not been arrived at in the course of conciliation proceedings and the expression "**adjudication**" shall include only that arbitration award in respect of which a notification under Sub-section (13.A) of Section 10-A of the Industries Disputes Act, 1947 has been issued. The expression "**direct worker**" shall cover only those of "**Permanent**" and Temporary persons (excluding casual / contract labour) who are employed at the works of the contractor in altering the construction, conformation and composition of the item assembled / manufactured within the works of the contractor. The factor for wages escalation as well as the variation in wages, will be arrived at on the basis of data available separately for the specific activity as contracted for.

(ii). The number of direct workers in each category on the base date would form the basis of Calculation.

(iii). The increments in any time scale would not be taken into account.

(iv). The base month and date will be 1st September 1975 and the wage structure at that time per month of permanent worker shall comprise the following items: -

(1). Basic wage

(2) Dearness Allowance

(3) Employer's contribution to Provident Fund

(4) Employees contribution to Employee State Insurance Schemes

(5) Employer's contribution and payments to any other schemes which may be instituted by Government above those made during the base month and specifically approved for inclusion in wages escalation.

(v). The monthly wages or direct workers on daily rates of pay shall be computed by treating the month as consisting of the normal monthly working days and working hours as per standing orders of the factory. *Pro-rata* adjustment of variation in wage structure is to be made if the effective payable days in a month fails below the normal working days.

(vi). If the deliveries are not made according to the schedule and are delayed owing to any circumstances whatsoever, and a wage increase is awarded meanwhile. Such increase will not be admitted, unless specifically agreed to at the time of granting extension in the delivery schedule.

1. Price De-escalation:

(i) If any element of wages or a part thereof which would ordinarily be admissible to a minimum rated permanent worker in terms of clause 1. 1 is not paid or is not fully paid on the base date even though that element had actually been paid during any of the twelve months preceding the base date, the basic prices of the

wages on the base date shall be de-escalated by an amount calculated on the basis of the difference between the maximum amount paid during the last preceding 12 months and the wages paid on the base date.

(ii) The variations if any, in terms of clause 1.1 will be admitted only after book examination by the Government Chief Cost Accounts Officer or any other Officer nominated by him.

(iii) You shall indicate the numbers of wagons tendered on each day for inspection.

1.1.2. The decision of the Chief Cost Accounts Officer, under this clause shall be final and not a subject matter of Legal dispute or arbitration.

ANNEXURE III/3-07

Copy of letter No. 77/LS/66/DGS&D's O.O. 5 dated 3rd September 1977 from Railway Liaison Officer, New Delhi to Controller of Stores I. C. F. and copy to RS (G), RS (P), RS (Sig.), Railway Electrification (S), Traffic Dte., Railway Board, New Delhi along with a copy of the above office Order.

Sub : **Provision in the contract in respect of Price Variation**

A copy of D. G. S. & D.'s Office Order No. 94 dated 11th August 1977 on the above subject is enclosed for information.

DA: As above.

(N. Ramaswami)
Railway Liaison Officer

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS
(Co-ordination Section 2)

OFFICE ORDER No. 94 ***Dated 11th August 1977***

Sub : **Provision in the contract in respect of Price Variation**

Ref : Office Order No. 15 dated 1st January 1976

Price variation clauses on various accounts which are at present being incorporated in the Tender Enquiries and the resultant contract with a view to allowing variation in the contract prices appear in Office Order 15 dated 1st December 1976.

With a view to evolving effective price variation clauses, which would protect the Government interest and yet meet the legitimate demands of the Trade and Industry, the various price variation clauses were examined by a Committee under the Chairmanship of Director General (S. & D.). Members from the Department of Defence Supplies, Chief Cost Accounts Officer, Railway Board and Ministry of Finance were represented in the Committee. During the deliberations of the Committee, consultations were held with the Trade and Industry. The report submitted by the Committee has been examined by the Government and the following revised clauses have been accepted -

(1). Wage Escalation Clause: enclosed as **Annexure I**

(2). Steel price variation clause: enclosed as **Annexure II.**

(3). Metal variation clause for insulated cables and wires: enclosed as **Annexure III.**

(4). Metal variation clause for A. C. S. R. Conductors: enclosed as **Annexure IV**.

Now, that there has been stabilization of prices, it is not considered necessary that price variation should be allowed as a matter of course. The issue was also discussed in Secretary's Staff Meeting held on 7th June 1977. It has been decided that the various price variation clauses prescribed vide Office Order No. 15 dated 1st January 1976 including those clauses which have been now modified should be treated as guidelines which should be kept in view by Purchase Officers at the time of consideration of tender, the Purchase Officers may decide on merits of each case the need for incorporation of the price variation clauses and allow variations where it is considered absolutely unavoidable, in consultation with Finance.

All Purchase Officers are requested to note the above decision for strict compliance.

(**P. R. AHIR**)
Dy. Director (C.S.-I)

STANDARD DISTRIBUTION

ANNEXURE I

WAGE ESCALATION CLAUSE

1. For every one Rupee or part thereof exceeding 50 paise per month of full normal working duration by which the wage structure *of* the minimum rated direct worker varies from that of the base month, as a result of direct governmental action, adjudication or legislation either Central or State, the basic price excluding escalation claims, shall be adjusted by…… percent (here insert the agreed escalator factor) or as may be determined by the Chief Cost Accounts officer based on the actual man-months for direct workers as hereinafter defined subject to the ceiling of ……..man months as quoted by you initially. Such adjustments shall be applied to the basic prices of only those stores which have been tendered for inspection after…..... days (here insert the agreed time lag factor) after the variation accrues provided however, that in case the amount of variation for the high paid direct worker was less than that for the minimum rated worker , the weighted average variation would form the basis for the adjustment . This clause shall apply to the first and all subsequent variations. For the Purpose of this clause the expression "**direct governmental action**" shall include any bipartite settlement has been arrived at in the course of conciliation proceedings and the expression " **adjudication**" shall include that arbitration award in respect of which a notification under Section 10-A of the Industrial Disputes Act 1974 has been issued. The expression " **direct worker** " shall cover only those *of* " **Permanent**" and " **temporary** " persons (excluding casuals) who are employed the works of the Contractor in altering the construction, conformation and composition of the items assembled/manufactured within the works of the Contractor. The factor for wages escalation as well as the variation in wages will be arrived at on the basis of data available separately for the specific activity as Contracted for and only in the event of non-availability of data for that specific activity, wilt the data for the works as a whole be adopted.

2. The number of direct workers in each category on the base date would form the basis of calculation.

(a). If an award was given during the currency of the contract the impact of variation due to the same would be applicable only to the rest of the contract delivery period after the date of effect of the award.

(b). In major contracts for construction / fabrication of one unit in which the delivery period is scheduled to be a period longer than 30 days from the date of placing the order, the impact of variation in wages, occurring on any date after Placement of the order, will be applied only on that portion of the contract which bears the same proportions as the remaining contract period bears to the initial total contract period.

3. The increment in any time scale of pay would not be taken into account.

4. The base year, month and date will be…. (to be indicated) and the wage structure at that time per month of permanent direct worker shall comprise the following items:-

(1) Basic wages.

(2) Dearness allowance.

(3) Employer's contribution to Provident Fund.

(4) Employer's contribution to Employee's State Insurance Scheme.

(5). Employer's contribution and payment to any other Schemes which may be instituted by Government above those made during the base month and specifically approved for inclusion in wage escalation.

(6). Employer's bonus where it is limited to the variation in the rate of statutory minimum bonus under the Bonus Act.

5. The monthly wages of direct workers on daily rates of pay shall be computed by treating the month as consisting of the normal monthly working days and working hours as per standing orders of the factory *pro rata* adjustment of variation in wage structure is to be made if the effective payable days in a month falls below the normal working days.

6. If deliveries are not made according to the Schedule and are delayed owing to any circumstances whatsoever and a wage increase is awarded mean while, such increase will not be admitted, unless specifically agreed to at the time of granting extension in the delivery schedule.

7. The variation, if any in terms of Clause I, will be admitted only after Book examination of the relevant period by the Government Chief Cost Accounts Officer or any other officer nominated by Government.

8. You shall indicate the quantity (Tonnage/Nos.) tendered on each day for inspection along with the description and number of components in the offering memo.

Note- It should be noted that-

(i) no escalation claims shall be entertained for Amounts less than Rs. 100/-.

(ii) claims shall be preferred not oftener than once in 6 months.

(iii) the ceiling of Rs. 100 will apply to the entire contract and not to the unit price.

ANNEXURE II

I. STEEL PRICE VARIATION CLAUSE

(Where raw material assistance is required by the supplier)

1. Clause to be incorporated in the Invitation Tender and Contract-

Tenderers desiring variation on price of steel / pig iron should specify in their tenders the Joint Plant committee price of steel/pig iron on which their rates have been based the difference (up or down) in the joint committee Price of steel / pig iron on which the quotation is based and that prevailing on the date on which the steers pig iron is despatched to the contractor against essentiality certificates will be adjusted between the Purchaser and the contracts, on the basis of the palaces notified in the joint Plant Committee price circulars. Provided of the contractor is authorised to rise steel obtained from the Producers' Stock Yards or the Billet Re-rollers with the prior approval of the purchaser, the adjustment in price will be allowed between the Joint Plant Committee, price on which the quotation in based and the prevailing on the said date of Despatch to the contractor from the written the quotation is based and that prevailing on the on the basis of the prices fixed for supply ex-producers stock yard and the billet re rollers committee respectively.

2. The tenderers may, if they so desire, specify the estimated wastage taken into account in arriving at the quantity of steel required for fabrication of the stores on order. The essentiality certificate would be issued by the purchase for full quantity of steel including the element of wastage to the extent considered reasonable by the Purchaser. in the event of the tenderisers desiring to claim price variation on the wastage element the Government will also be entitled to claim the successful tenderisers full credit for the value of the scrap retained by him according to the I. & S. C's/J. P. C. price circulars current on the date supply'.

3. The successful tendered shall Produce in support of their claim for variation, a certificate from their Internal Auditor (accompanied by duly attested copies of the vouchers or by the Photostat copies thereof) certifying that the steel/pig iron has actually been purchased at the rates claimed and the certificate should contain the following information: -

(a) Date of Despatch of steel/pig iron from the source of supply with the particulars of the essentiality certificate issued by the purchaser.

(b) Price of steel ruling on the date as at (a) above with due particulars of the relevant price circulars notifying J. P. C .producers stockyard/ B.R.C price.

(c) The particulars of the purchase order placed on the J. P. C. Stockyard/Re-rollers.

Note- It should be noted that-

(i) No escalation claims less than Rs 100 shall be entertained.

(ii) No claim oftener than once in 6 months shall be preferred.

(iii) The ceiling of Rs. 100 will apply to the entire contract and not to the unit price.

II. STEEL PRICE VARIATION CLAUSE

(Where no raw material assistance is required by the supplier and where delivery is not linked to the receipt of Raw Material)

1. Clause to be incorporated in the Invitation to Tender and Contract-

Tenderers desiring variation on price of steel/pig iron may quote their prices based on the Joint Plant Committee price of Rs …… per tonne ruling on the date of quotation.

2. In the event of variation in the Joint Plant Committee price on which the quotation is based adjustment in the contract price will be regulated with reference to the date of tendering for inspection of stores and will be applicable only to the stores tendered for inspection after…… (here insert the agreed time lag factor) from the date of variation in the price of steel/pig iron are made effective. The price variation will be applicable only on the finished weight.

Note - The above clause also covers cases where assistance is rendered for raw material on other than manufacturing basis

N.B. In the case of imported steel the price quoted by any canalising agency apart from Hindustan Steel would be taken into account for the purpose of price variation.

ANNEXURE III

METAL VARIATION CLAUSE FOR INSULATED CABLES/WIRES

In case variation in prices is desired the price variation will be allowed in the manner indicated below--

Prices quoted will be treated as base on the following Prices of Copper, Lead and Aluminium

Copper	Rs. X per M. T, Classed X.
Lead	Rs. Y per M. T Classed Y.
Aluminium	Rs. Z per M. T., Classed Z.

(X, Y and Z rates to be shown in the tender enquiry shall be the, latest MMTC or other concerned canalising agency rate & for Copper and lead and primary manufacturer rates for aluminium available.)

For any lot supplied, price adjustment will be made on the basis of actual price variation as certified by your auditor subject to the ceiling on the basis of the effective sale price ex-godown fixed by MMTC / STC or any other concerned canalising agency in the case of copper and the prices of the primary manufacturer's in the case of aluminium for the quarter Preceding to the quarter in which the said lot was offered for inspection as indicated in the inspections note. For determining the quantum of escalation per Km. of cable, the of cable, the theoretical net weight in kg of metal per km of cable should be indicated.

For every rise or fall of Rs *10* Km. per M.T. in the basic price of copper/lead /aluminium the amount of adjustment in price per Km. of cable will be…….. Price. No adjustment in contract price will be made if the variation up or down the aforesaid basic rate of metal (s) is less than Rs. 10/- per M.T.

Note -It should be noted that-,

(i). No escalation claim less than Rs 100/- shall be entertained.

(ii). No claim oftener than once in 6 months shall be preferred.

(iii). Rs. 10/- per M.T. apply separately to copper /lead and not collectively.

(iv). The ceiling of Rs 100 will apply to entire contract and not unit

ANNEXURE IV

METAL VARIATION CLAUSE FOR A. C. S. R. CONDUCTORS

In case variation in price is desired, price variation in regard to aluminium and steel wire will be allowed on the following basis

1. Aluminium - Contract without any assistance for release of aluminium or with assistance for release of aluminium or with assistance on replenishment basis-- (A) Price quoted will be treated as being based on the current ex-works price of Rs……. per M. T. (here indicate the rate fixed -by the Government for Aluminium Ingots E. C. Grade) inclusive of Excise Duty. In the event of any variation in this rate, price adjustment will be allowed on the following basis

(a). For any lot of A. C. S. R. conductors supplied, the price adjustment, it shall be on the basis of the rate of Aluminium Ingots as fixed by Government and ruling 30 days prior to the date on which the said lot was offered for inspection as indicated in the Inspection Note.

(b). The successful tenders shall produce in support of their claim for variation, a certificate from their Internal Auditor accompanied by duty attested copies of vouchers or by the Photostat copies thereof, certifying that aluminium has actually been purchased at the rates claimed and the certificate should cognate the following information: -

(i). Date of Despatch of aluminium from the source of supply with the particulars of essentiality certificate issued by the purchaser,

(ii). Price of aluminium on the date as at (a) above with 'the particulars of the relevant price notification by the department of Mines under the Aluminium price control order.

(iii). The particulars of the purchase orders placed.

ANNEXURE III/3-08

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTPALAYA)
(RAILWAY BOARD)

No. 74/RS (G)/379/1 New Delhi~110001, dated 25th June 1979

The General Managers,
All Indian Railways/Production Units and

Sub : **Effect of increase in prices in firm price contracts**

Reference is invited to Board's letter of even number dated 31st October 1974 wherein instructions were issued that Railway Administration should not agree and negotiate any

revision of prices in the case, of fixed price contracts and where circumstances warrant consideration of increase in price in those contracts, the cases should be referred to the Board with complete justification and comments of the F. A. & C. A. O.

A number of Railway Administrations have represented that in view of the recent increase in price of steel and non-ferrous materials supply contracts are getting frustrated as a number of firms have demanded revision of price in fixed price contracts and if each case is to referred to the Board, purchases may not be done properly and a number of difficulties would arises in maintenance. Ministry of Railways wish to clarify that problem of revision of price, in fixed price contracts in the context of sudden increase after oil crisis in 1973 was discussed at the highest level by the Government of India and it was decided that revision of prices in fixed price contracts could not be agreed to. However, in view of the difficulties expressed, the following course of action was prescribed for dealing with such cases: -

(i) In fixed price contracts where the delivery dates have expired on the crucial date on which the price increase had taken place, no revision of prices should be agreed to. The only concession that could be given in such cases will be foregoing levy of liquidated damages provided supplies are completed in reasonable time.

(ii) Fresh parallel contracts at current market rates for additional quantities could he placed and deliveries re-scheduled against the old and new contracts in such-a-way as to extend suitable relief to the suppliers to minimise the loss.

(iii) In other cases where the loss suffered by the supplier was substantial after taking into account the possible mark up or cushion that has been provided by the supplier towards profits and price increase during the currency of contract in the rates, *ex-gratia* payments to cover their losses to some extent could be worked out in consultation with the Financial Adviser based on documentary proof produced by the suppliers.

Ministry of Railways have now decided that where such *ex-gratia* amount payable falls within 5 percent of the total value of contract, General Managers may sanction such *ex-gratia* payments in consultation with their Financial Advisers. Payment of *ex-gratia* beyond5 percent of the total value of the contract will require approval of the Railway Board. In order to avoid small claims in low value contracts, *ex-gratia* amounts less than Rs. 500 should not be normally allowed. These powers should not be delegated to any lower authority.

In order to obviate these problems in future, Ministry of Railways desire that in all high value contracts for supply of stores where the raw material content like steel, non-ferrous etc. are substantial, a predetermined price variation clause with an upper ceiling for the total variation during the currency of contract may be prescribed in consultation with Legal and Financial Advisers for incorporation in the 'Tender Enquiry itself so, as to obtain competitive rates and avoid such situation in future.

This matter is further under discussion with Ministry of Supply and any additional guideline decided upon by Government of India will be indicated to you in due course.

This issues with the concurrence of Finance Directorate.

Sd/-

(S. B. J. RAJAIAH)
Director, Railway Stores
Railway Board.

ANNEXURE III/3-09

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 70/RS (G) 779/46. Dated 13th March 1981

The General Manager(S),
All Indian Railways/P. Units, etc., etc.

Sub : **Acceptance of price variation clause in Stores Contract for high value items**

Railways have expressed difficulties in accepting different price variation clauses stipulated by various suppliers. The matter has been considered by the Ministry of Railways and in order to obviate-the difficulties faced by the Railways it has been decided that the price variation clause may be accepted keeping the following guidance in view

(1). There should be no price variation formula in contracts with delivery period of less than 6 months.

(2). For material intensive components, where normally firms insist on only material variation clause, it may be provided. However in such cases, the quantum of material input viz., controlled item /items with price notification only like J. P. C. / S. A I. L; price for steel, M. M. T. C. price for non-ferrous items etc, should be computed and the price variation per unit of product should be computed and the price variation per unit of product should be specified in relation to variation in price for in put for each convenient slab, say, Rs. 100/- per tonne or Rs. 1,000/- per tonne.

(3). For labour intensive contracts like fabrication contracts, with major portion of raw materials supplied by the Railways, wage variation clause alone may be provided. However, such wage variation clause should be linked with the published indices like the relevant consumer price index for industrial workers for specifying the quantum of variation in the price of the product for each say, 4 point rise or fall in indices. In this connection the instructions contained in Board's letter No. 70/RS (G)/779/46 dated 7th June 1976 may also be kept in view. Ordinarily attempts should be made to persuade the supplier not to claim wage variation clause.

3.1. For other items, composite standard formula (such as that published by I. E. M. A.) covering important items and wages can be provided. But in cases where such a standard formula may not readily apply, as appropriate price variation clause may be provided broadly on the following lines -

(i) The fixed element may have a weight of 15 to 20 per cent.

(ii) Variation in material cost may be allowed a weight of 40 to 60 per cent.

(iii) The weight for wage variation may be 20 to 45 per cent, also keeping in view the guidelines given in para 3 above.

(iv) The total weight of the three elements should be 100 per cent.

3.2. The Weightages can be worked out by obtaining broad price break up from the Supplier and analysing it thereafter.

(R. Krishnamurthy)

Jt. Director, Railway Stores (I.C.)
Railway Board

ANNEXURE III/3-10

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(**RAILWAY BOARD**)

No, 70/RS (G)/779/46. New Delhi, dated 11th January 1982

The General Manager,
All Indian Railways, I. C. F., etc.

Sub : Guidelines for acceptance of price Variation Clause in Stores Contracts for High value Items

Please refer to Ministry of Railways letter of even number dated 13th March 1981 containing the guidelines on the above noted subject. The subject has been reviewed by the Ministry of Railways in light of experience gained by some Railways in operation of this clause and it has been decided that-

(1) Price Variation Clause may be accepted in Stores Contracts irrespective of delivery period but a specific provision indicating the period after which the effect of changes in the parameters included in the Price Variation Clause, may be made to work out the revised prices. The time lag between the date of change in the parameters and the date of their becoming effective for operation of price variation clause should take into account the likely inputs at old prices being used for manufacture and supply of the contracted items.

(2) As regards definition of high value for incorporating a price variation Clause, generally contract above Rs. 2 lakhs in value may be considered as high value contracts. However, wherever the Railway Administration consider it necessary to incorporate price variation clause even in respect of contracts below this limit, they may do so after taking proper care to safeguard the Railway's interest.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Sd/-
(Shivendra Kumar)
Jt. Director Stores (I. C.)
Railway Board

ANNEXURE III/3-11

Copy of letter No. 82/RS(G)/777/2 dated 27th January 1983 addressed to General Managers, All Indian Railways.

Sub: **Book Examination Clause -Special conditions of Contract**

Inclusion of " **Book Examination Clause** " in the Stores contract has been under consideration of the Board. The matter has been examined and it has been decided that in all

the tenders valued 75 thousand Rupees and above the following " **Book Examination Clause** " may be included in the Special Condition of Contract: -

Book Examination Clause- The Government reserves the right for " **Book Examination** " as follows-

The Contractor shall, wherever required, produce cause to be produced for examination by any Government Officer authorised to in that behalf any cost or other account book of account, vouchers, receipts, letter, memorandum paper and writing or any copy of or extract from any such documents and also furnish information and returns verified in such manner as may be required in anywise relating to execution of this contract or relevant for verifying or ascertaining the cost of execution of this contract (the decision of such Government Officer on the question of relevancy of any documents, information or return. being final and binding on the parties). The obligations imposed by this clause is without prejudice to the obligations of the contract under any statute rules, or orders binding on the Contractor.

The Contractor shall, if that authorised Government Officer so requires, (whether before or after the prices have been finally fixed) afford facilities to the Government Officer concerned to visit the contractor's works for the Purpose of examining the processes of manufacture and estimating or ascertaining the cost of production of the articles. If any portion of the work be carried out by a sub-contractor or any subsidiary or allied firm or company the authorised Government Officer shall have power to secure the books etc. of such sub-contractor any subsidiary or allied firm or company and such books etc. shall be open to his Inspection.

2. This issues with the concurrence of the Finance Directorate of Ministry of Railways.

3. Please acknowledge the receipt.

Sd/-
Dy. Director, Railway Stores (G),
Railway Board.

ANNEXURE III/3-12

Copy of letter No. 82/RS (G)/777/2 dated 18th March 1983 addressed to General Managers, All Indian Railways.

Sub : **Book Examination Clause -Special conditions of Contract**

Book Examination Clause for inclusion in Stores contracts as circulated under this office letter of even number dated 27th January 1983, has been reviewed by the Ministry of Railways in the light of the clause as contained in D. G. S. & D's Office Order No. 107 dated 20th December, 1982 and it has been decided to substitute the existing clause with the above said D. G. S. & D's clause enclosed herewith.

2. This issues with the concurrence of Finance Directorate of the Ministry of Railways.

3. Receipt of this letter may be acknowledged.

Dy. Director, Railway Stores (G),
Railway Board.

BOOK EXAMINATION CLAUSE

(i). The Contractor shall whenever called upon and requiring to produce or cause to be produced for examination by any Government Officer duly authorised in that behalf any cost or other account book of account, voucher, receipt, letter, memorandum, paper or writing or any copy of or extract from any such document and also, furnish information anywise relating to such transaction and produce before the duly authorised Government Officer returns verified in such manner as may be required relating in any way to the execution of this contract or relevant for verifying or ascertaining the cost of execution of this contract (the decision of such Government Officer on the question of relevancy of any document, information or return being final and binding on the parties).

The obligation imposed by this clause is without prejudice to the obligation of the Contractor under any statute, rules or orders shall be binding on the Contractor.

(ii). The Contractor shall, if the authorised Government Officer so requires (whether before or after the prices have been finally fixed), afford facilities to the Government Officer concerned to visit the Contractors works for the purpose of examining the processes of manufacture and estimating or ascertaining the cost of Production of the articles. If any portion of the work be entrusted or carried out by a sub-contractor or any of its subsidiary or allied firm or company, the authorised Government Officer shall have the power to examine all the relevant book of such sub-contractor or any subsidiary or allied firm or company shall be open to his inspection as mentioned in clause (i).

(iii). If on such examination, it is established that the contracted price is in excess of the actual cost plus reasonable margin of profit, the purchaser shall have the right to reduce the price and determine the amount to a reasonable level.

(iv). Where a contract provided for book examination clause the Contractor or its agency bound to allow examination of its books within a period of 60 days from the date the notice is received by the Contractor , or its agencies calling for the production of documents as under clause (i) above. In the event of Contractor's or his agencies failure to do so, the contract price would be reduced and determined according to the best judgement of the purchaser which would be final and binding on the Contractor and his agencies.

ANNEXURE III/3-13

Copy of Board's letter no. 86/RS (G)/779/16 dated 4th December 1986 addressed to General Managers, All Indian Railways Production Units etc.

Sub : **Rate Contract-Fall Clause**

The Ministry of Railways have decided that Fall clause may be included in the Indian Railway Standard conditions of contract and this should be numbered 3000 as in Annexure attached.

This issues with concurrence of the Finance Directorate of this Ministry.

(**JOGINDER SINGH**)
Dy. Director, Railway Stores (G), Railway Board.

ANNEXURE I

Fall Clause (Revised)

(File No. 86/ RS (G)/ 779/ 16)-

(i) The price charged for the Stores supplied under the Contract by the Contractor shall in no event exceed the lowest price which the Contractor sells the Stores or offer to sell Stores of identical description, to any person / organisation including the purchaser or any department of the Central Government or any Railway office or any Railway Undertaking, as the case may be during the period till performance of all supply orders placed during the currency of the contract is completed. The lower price will be applicable to supplies made after the date of coming into force of such reduction or sale or offer to sell at a reduced rate.

(ii) If at any time, during the said period the Contractors reduces the sale price, sells or offer to sell such Stores to any persons/organisation including the purchaser or any Department of Central Government or any Railway or any Railway Undertaking as the case may be at a price lower than the price chargeable under the contract, he shall forthwith notify such reduction or sale or offer of sale to the purchaser, and the price payable under the Contract for the Stores supplied after the date of coming into force or such reduction or sale or offer of sale shall stand correspondingly reduced.

The above stipulation will however, not apply to

(a). Exports by the Contractor.

(b). Sale of goods as original equipment at price lower than the price charged for normal replacement.

(c). Sale of goods such as Drugs which have expiry dates.

(iii). The Contractor shall furnish the following certificate to the concerned FA&CAO along with each bills for payment of supplies made against the Rate Contract.

I/We certify that there has been no reduction in sale price of the Stores of description identical to the Stores supplied to the Government under the contract herein and such Stores have not been offered/sold by me/ us to any person /organisation including the purchaser or any department of Central Government or any Railway office or any Railway Undertaking as the case may be upto the date of bill/ the date of completion of supplies against all supply orders placed during the currency of the contract at a price lower than the price charged to the Government under the contract for quantity of Stores Categories under sub clauses (a), (b) and (c) of Sub para (ii) above, details of which are as follows:-

Note-" The Contractor will inform the F. A. & C. A. O. concerned and the C. O. S. as soon as supplies against all supply orders placed against the contract are completed ".

ANNEXURE III/3-14

GOVERNMENT OF INDIA
DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS
(CO-ORDINATION SECTION)

Office Order No. 99 Dated 10th November 1988

Sub : **Rate Contract-Amendment to the Fall clause of Stores by holders of old Rate Contract at reduced rates during the currency period of the new Rate Contract awarded at higher rates.**

Ref: Office order No. 82 dated 17th September 1984 and office order No. 12.dated 1st January 1985.

A rate contract is normally valid for a year and permits placement of supply orders till the last day of its validity. As a result, supplies against this Rate Contract continue to be made when the subsequent rate contract is also in operation which may be at different rates. If the Rate Contract holding firm makes supplies against the old Rate Contract at rates lower than those of the subsequent new Rate contract, the Fall Clause, as it stands new comes into operation The supplier understandably feels aggrieved if the he were asked under the provisions of the Fall clause to supply the Stores, at the reduced price even against the new Rate Contract though it has been concluded at higher price. The Rate Contract holding firms complain that the Fall Clause is biased in favour of the purchaser.

The above issue was discussed in the senior officer's meeting held in the Department of supply on 3rd November 1987 where in it was decided to suitably am end the existing provisions of the fall clause so as to exclude from its scope the supplies with subsequent rate contracts entered into with D. G. S. & D.

Accordingly, with the approval of the Department of Supply and Ministry of Law it has been decided to add the following as Para (ii)(d) to the existing Fall Clause.

Para (ii) (d) “Sale of goods at lower price on or after the date of completion of sale/ placement of order of goods by the Authority concerned under the existing or previous rate contracts as also under any previous contract entered into with the Central or State Government Department including their undertaking (excluding joint sector companies and/or private parties) and bodies."

All the purchase officers are requested to incorporate the above a ended provisions of the Fall Clause in all future Tender enquiries issued for Rate Contract and the resultant Contract, pending incorporation of the amendment in the Fall Clause as per clause 2 of D. G. S. & D.239

Sd/-
(**S. L KAPOOR**)
Dy. Director (CDN)

ANNEXURE III/3-15

Copy of Boards letter no. 86/RS (G)/779/16 dated 21st December 1988 addressed to General Managers, All Indian Railways and others.

Sub : **Rate Contracts- Fall Clause.**

In modification of the instructions issued vide Board's letter of even no dated 4th December 1986, it has been decided that fall clause shall be applicable only to rate contracts and shall not be applicable to fixed quantity contracts including running contracts. In view of the above, the fall clause may be deleted from the Indian Railways Standard Conditions of Contract. For the purpose of making it applicable to the rate contracts, the same may be included in the special conditions of the contract.

This issues with the concurrence of the Finance Directorate of this Ministry.

Sd/-
(**R.S. LAHAN**)
Dy. Director, Railway Stores (G)
Railway Board.

ANNEXURE - III/3-16

MINISTRY OF RAILWAYS , (RAILWAY BOARD)

No. 87/RS (G)/779/9 New Delhi. Dated 17th November 1992.

The General Managers (Stores),
All Indian Railways and Production Units,

Sub. : **Acceptance of Price Variation Clause in Stores Contracts for Steel Stems.**

Instructions were issued vide Board's letter No. 70/RS(G)/779/46 dated 13th March 1981 and 11th January 1982 permitting incorporation of a Price Variation Clause in respect of material cost based on the ruling SAiL/JPC prices in Stores Contracts for steel items. In view of the de-control of steel prices, the JPC pricing system has been abolished and the rates are now being fixed by various producers themselves for their range of products for steel items. Some of the Railways/Production Units have represented that in the absence of JPC pricing, difficulty is being experienced by them in deciding an alternative basis for determining the price variation for material cost and hence have sought necessary guidelines on the subject.

2. The matter has been examined and, keeping in view the fact that with the decontrol of steel prices, there may not be uniformity in the price structure of various main producers for the full range of items, it has been decided that a price variation, clause may be incorporated using the wholesale price index as published by the Economic Adviser to the Government of India in the Department of Industrial Development, Ministry of Industry which is also reproduced in the Indian Trade Journal.

3. (a) The Price Variation Clause (PVC) may be based on an appropriate sub-group in the wholesale price index (WPI) from among (a) Iron & Steel (b)

Foundries for casting and Forging & Structural ; (c) Pipes, wire drawings and others (d) Ferro alloys. The indices of the sub-group nearer to the input for the product being purchased may be adopted to the P. V. Clause as the WPI suitably aggregates the prices of ali the manufacturers.

(b) A clause on the lines indicated below may be included in the tenders/ contracts carrying Price Variation Clause:

" Tenderers desiring variation in price arising from change in steel/pig iron prices may quote their rates on the understanding that the base rate will be adjusted for variation in the WPI sub-group index relating to .....(to be specified from out of (a) to (d) above) as existing 2 months prior to the month of inspection over that which was prevailing one month prior to the month of tender opening. Admission of any claim in this regard will be subject to the supplier furnishing all the supporting details".

4. All other terms and conditions mentioned in the Board's letters mentioned above will continue to apply.

5. This issues with the concurrence of the Finance Directorate

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(R. S. Lahan)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE - III/3-17

MINISTRY OF RAILWAYS , (RAILWAY BOARD)

NO. 87/RS (G)/779/9 New Delhi,
Dated 22nd August 1995.

The General Managers.
All Indian Railways & Production Units.

Sub. : **Acceptance of Price Variation Clause in Stores Contracts for Steel and Non-ferrous items**

Ref. : Board's letter No. 70/RS(G)/779/46 dated 13th March 1981 and 11th January 1982 and 1987/RS/(G)/779/9 dated 17th November 1992 a.nd 12th December 1994.

Instructions were issued vide Board's letter No. 70/RS (G)/779/46 dated 13th March 1981 and 11th January 1982, permitting incorporation of Price Variation Clause in respect of material cost based on the ruling JPC prices in Stores Contracts for Steel and MMTC price for Non-ferrous items, etc.

Subsequently, in view of the decontrol of steel prices and abolition of JPC pricing system, difficulty was being faced by some Railways/P. Us., in deciding an alternative basis for determining the Price Variation for material cost. Therefore, keeping in view the fact that, there

may not be uniformity in the price structure of various Steel producers for the full range of items, Board decided *vide* its letter dated 17th November 1992, to incorporate Price Variation Clause using the whole sale price index as published by the Economic Adviser to the Govt. of India, in the Department of Indl. Development, Ministry of Industry, thus modifying Para-2 of its letter dated 13th March 1981.

Now, of late, when most of the Railways again represented that the tenderers are not quoting the price variation clause on the basis of WPI and instead are quoting the Price Variation Clause based on the ruling prices of SAIL, Board *vide* its letter dated 12th December 1994, thereby amending its Para-3(a) of its letter dated 17th November 1992 decided that the price variation Clause may be incorporated based on the ruling prices of SAIL, initially for a period for one year.

Such similar difficulty is now being faced in the absence of MMTC not issuing price circulars in respect of non-ferrous items due to decannahsation, thus necessitating the need for an alternative basis for determining the Price Variation for material cost in the contracts of non-ferrous items. To obviate this difficulty it has been decided that Price Variation Clause may be incorporated in contracts pertaining to non-ferrous items based on the prices of HCL, HZL/MMTC.

All other terms & conditions mentioned in Board's above referred letters will continue to apply.

This issues with the concurrence of Finance Dte of Board's Office.

(Shiv Dan Sing)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE - III/3-18

MINISTRY OF RAILWAYS , (RAILWAY BOARD)

No. 87/RS (G)/779/9 New Delhi, Dated 13th May 1996.

The General Managers,
All Indian Railways & Production Units.

Sub. : **Acceptance of Price Variation Clause in Stores Contracts for Steel and Non-ferrous items.**

Instructions were issued vide Board letter No. 87/RS(G)/779/9 dated 12th December 1994 for incorporation of material cost in Stores Contracts for Steel items based on the ruling price of SAIL initially for a period of one year in place of the PVC based on the WPI (Wholesale Price Index), as published by the Economic Adviser in the Department of Industrial Development.

Board has now decided to continue with the existing instructions, that the PVC should be based on the ruling price of SAIL, for a further period of one year i.e. upto 31st December 1996.

All other terms and conditions mentioned in Board's earlier letters on the subject will continue to apply.

This issue with the concurrence of Finance Directorate of Board's office.

(Ashok Kumar)
Dy. Director Railway Stores (G)
Railway Board.

ANNEXURE—III/3-19

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 87/RS (G)/779/9 New Delhi, Dated 1st May 1997.

The General Managers,.
All Indian Railways & Production Units.

Sub. : **Acceptance of Price Variation Clause in Stores Contracts for Steel and Non-ferrous items**

Instructions were issued vide Board's letter No. 87/RS(G)/779/9 dated 13th May 1996 and 22nd August 1995 permitting incorporation of Price Variation clause in respect of material cost based on the ruling price of SAIL for Steel items and ruling prices of HCL, HZL/MMTC for not –ferrous items. The validity of these instructions expired on 31st December 1996 in respect of Steel items and 21st August 1996 in respect of non-ferrous items.

Board has now decided to continue with the existing instructions on a permanent basis i.e. the Price Variation Clause in respect of Steel Items should be based on the ruling price of SAIL and for non-ferrous items it should be based on the ruling price of HCL / HZL /MMTC.

This issue with the concurrence of Finance Directorate of Board office.

(Ashok Kumar)
Dy. Director Railway Stores (G), Rly Bd.

ANNEXURE—III/3-20

Government of India
Ministry of Railways/Railway Board/New Delhi

No. 2008/RS(G)/779/8 Dated: 02-06-2008

The Controller of Stores, All Indian Railways & Production Units.

Subject : **Fall Clause.**

In the 66th Periodical Conference of Controllers of Stores held on 10th & 11th December, 2007, one of the Railways raised the issue of applicability of Fall Clause in Stores Tenders. In this regard it is stated that:

1.0 Vide letter No. 86/RS(G)/779/16 dated 04-12-1986, Railways were advised the standard text of Fall Clause included in the IRS Conditions of Contract as Clause 3000.

2.0 Vide letter No. 861RS(G)/779/16 dated 21-12-1988, Railways were advised that:

(a) Fall Clause shall be applicable only to Rate Contracts and shall not be applicable to Fixed Quantity Contracts including Running Contracts.

(b) Fall Clause to be deleted from the IRS Conditions of Contract.

(c) For the purpose of making it applicable to Rate Contracts, the same to be included in the Special Conditions of contract.

3.0 However, there can be instances where the purchaser, as a matter of abundant precaution, decides to stipulate Fall Clause in the purchase orders for purchases of such stores as are usually dealt with by centralized procurement agencies. Similar actions may also be taken by purchaser in case of certain very high value tenders in a situation where other Railways also deal with tender cases for such materials, concurrently.

Therefore, it is advised that the concerned officers should apply their mind adequately, while deciding to stipulate Fall Clause in Fixed Quantity Purchase Orders/Running Contracts. The same should be done with the consent of the tenderers, by making Fall clause a tender condition and having such a condition pre-facto accepted by the tenderer.

The text of the Fall Clause to be followed in the tender/contracts is also enclosed herewith.

DA: As above

Sd/-
(Aruna Jain)
DDRS(G)-II

Text of Fall Clause

1. “The price charged for the stores supplied under the Contract by the contractor shall in no event exceed the lowest price at which the contractor sells the stores or offer to sell stores of identical description to any persons/organizations including the purchaser or any Department of Central Government or any Railway Office or any Railway undertaking, as the case may be, during currency of the contract. The lower price will be applicable to supplies made after the date of coming into force of such reduction or sale or offer to sell at a reduced rate.”

2. “If at any time during the said period the contractor reduces the sale price, sells or offers to sell such stores to any persons, organizations including the purchaser or any Department of Central Government or any Railway Office or any Railway Undertaking as the case may be at a price lower than the price chargeable under the contract, they shall forthwith notify such reduction or sale or offer of sale to the purchaser and the price payable under the contract for the stores supplied after the date of coming into force of such reduction or sale or offer of sale, shall stand correspondingly reduced.”

3. The Contractor shall furnish the following certificate to the concerned Accounts Officer along with each bill for payment of supplies made against the contract.

“I/We certify that there has been no reduction in sale price of the stores of description identical to the stores supplied to the Government under the contract herein and such stores have not been offered / sold by me/us to any person / organization including the purchaser or any Department of Central Government or any Railway Office or any Railway Undertaking as the case may be, up to the date of bill, at a price lower than the price charged to the Government under the contract.”

ANNEXURE III/4-01

Copy of Board's letter No. 56/363/13/RS (G) dated 1st May 1959 from Director, Railway Stores, Railway Board, New Delhi addressed to General Managers, All Indian Railways

Sub: **Procedure for purchase of Railway Stores from Small Scale Industries**

The Government of India have had under consideration the procedures to be prescribed for the purpose of assisting Small Scale Industries to participate more fully in Government purchases, consistent with the requirements of quality and timely supplies. To achieve the objective that that the potential capacity for the existing as well as newly formed Small Scale enterprises is utilized and supported to the fullest extent, the following decisions have been taken-

2. (a) Items of Railway purchases may be divided into the following four groups

Group I Items which can be purchased only from large scale units

Group II Items which can be purchased only from large scale units but where it is possible for the large units to sub-contract ancillaries and components to Small Scale Units.

Group III Items which can be procured from the large scale units as well as from Small Scale Units.

Group IV Items which may be entirely reserved for procurement from Small Scale Units.

(b) Items falling within Groups I and II shall continue to be procured as hitherto.

(c) In regard to items falling under Group III a suitable and reasonable price preferential upto a maximum of 15 per cent shall be given to the Small Scale Industrial Units (as recognized by the National Small Industries Corporation) over the Large Scale Industrial Units, the actual quantum being decided in each case strictly on merits in consultation with Finance.

(d). As regards items failing under Group IV these shall be exclusively reserved for procurement from Small Scale Units, as recognised by the National Small Industries Corporation. While the open tender system will not be abrogated in principle in actual practice most of the purchases of items in this group (*vide* Annexure "B" enclosed as referred to in para 3 below) are not likely to exceed the limit below which open tenders are not ordinarily invited.

3. List of items failing under Groups I and II as drawn up by the D. G. S. & D. in respect of Railway stores normally purchased by them is enclosed for guidance. (**Annexure " A")** Each Railway may draw up its lists of items normally purchased under its own powers of purchase and falling under Groups I and II (as defined under para 2 above) in consultation with the Regional Liaison Officer of the National Small Industries Corporation.

The items at present falling under Group IV are listed in **Annexure 'B'** enclosed. This is subject to revision from time-to-time.

There will be no positive list for Group III item, but items not covered by Groups I, II and IV as referred to above may be deemed to fall under Group III. Each Railway shall prepare a

list of items normally purchased by them and falling under this Group in consultation with the Regional Liaison Officer of the National Small Industries Corporation.

4. The considerations in paragraphs 2 (b), (c) and (d) will not be affected by the mode of purchase which may be adopted in any particular case, namely open tender, limited tender etc. according to the general principles governing invitations of tenders. Subject to this, the Small Scale Units (as recognized by the National Small Industries Corporation and taken on Railways list of approved Suppliers) shall be treated like any other firm borne on Railways list of approved suppliers and will be treated on par with them in respect of direct purchases made by Railways.

5. The question of implementing the above decisions has also been under discussion with the National Small Industries Corporation, New Delhi and the broad working procedure formulated as a result of these discussions is set forth in **Annexure ' C '** enclosed which is for the general guidance of Railways to be amplified if necessary in regard to procedural details according to local conditions.

6. The value of items purchased from Small Scale Units should continue to be maintained in the same manner as laid down in Railway Board's letter No. 53/443/12/RE dated 23rd January 1954 when purchases from Cottage and Small Scale Industries were originally envisaged and should be reflected in the Annual Reports of the Railways. From 1st April 1959, however, the list of items sent with the aforesaid letter shall be treated as cancelled and the information shall be compiled on the basis of the actual purchases made from Small Scale Industrial Units as recognized by the Small Scale Industries Corporation.

7. Receipt of this letter, the directives in which will come into force with immediate effect, may please be acknowledged.

ANNEXURE III/4-02

Copy of letter No. 56/796/RS (G) dated 18th February, 1960 from Deputy Director, Railway Stores, Railway Board, New Delhi to C. A. O. / I.C. F.

Sub : **Purchase of Stores at higher cost for earlier delivery**

The Board have now under consideration the cases where higher prices are accepted in consideration of earlier delivery by passing the lowest acceptable offer and have decided as under-

In cases where it is decided to accept a higher price than the lowest tender in the interest at earlier delivery, the following clause should be inserted in the relevant purchase order-

" You have been awarded this contract notwithstanding that a lower quotation was submitted to a price of…….. because of your having offered earlier delivery dates. It is accordingly agreed that in the event of your failure to deliver any of the material by the agreed delivery date, the price of such material (as well as the price of any earlier delivered material supplied under the contract which may be unable to put to its intended use in the absence of the undelivered material) shall automatically be reduced to the price of the said lower quotation without derogation from all other rights and remedies that we may have against you for breath

of contract. Such price reduction shall in no way be deemed to confer any right on your part to any extension of the agreed delivery date. The provisions hereof shall not apply to any delays in delivery which are excusable under Clause. … of the conditions of contract ".

This condition may be incorporated in all invitations to tender, advertised or limited and as and when it is proposed to include the above clause in the purchase order, specific acceptance of it from the suppliers should be obtained prior to placing the contract.

A suitable clause will be incorporated in the IRS Standard Conditions of Contract, which are under revision.

ANNEXURE III/4-03

Copy of letter No. 56/796/RS (G) dated 23rd February 1961 from Deputy Director, Railway Stores, Railway Board, New Delhi added to General Managers, All Indian Railways and the Chief Administrative Officer, ICF, Madras.

Sub : **Purchase of Stores at higher cost for earlier delivery**

In modification of the instructions contained in Board's letter No. 56/796/RS (G) dated 18th February 1960, the following instructions are issued for your information and guidance.

2. The following clause should be invariably included in all tenders to enable a higher quotation being accepted for earlier delivery in preference to a lower quotation: -

Clause ' A '—

" *Special Condition*- It should be noted that if a contract is placed on a higher tenderer as a result of this invitation to tender, in preference to the lowest acceptable offer, in consideration of offer of earlier delivery, the contractor will be liable to pay to the Government the difference between the contract rate and that of the lowest acceptable tenderer on the basis of final price, f. o. r. destination including all elements of freight Sales tax, Local taxes, duties and other incidentals in case of failure to complete supplies in terms of such contract within the date of delivery specified in the tender and incorporated in the contract. This is in addition and without prejudice to other rights under the terms of contract ".

In the acceptance of tender the following clause should be incorporated after obtaining the specific acceptance of the tenderer wherever necessary.

Clause ' B '—

" Special Condition- It should be noted that on the assurance of the earlier delivery at the rate of Rs…….F. O. R……..offered by you this contract has been placed on you in preference to the lowest acceptable offer of ……. at the rate of Rs. …..F.O.R…… In case of failure to complete supplies against this contract in terms hereof within the date of delivery specified herein, you would be liable to pay to Government the difference between the contract rate and that of the lowest acceptable tenderer on the basis of final price f. o. r. destination including all elements of Freight, Sales tax, Local taxes, Duties and other incidentals. This is in addition and without prejudice to the rights of the Government to recover all other losses and damages resulting from delayed supplies including the right of cancellation and repurchase at your risk and expense ".

3. The Clause ' A' may be incorporated in all invitations to tenders, " **advertised**" or " **limited** ", and if in response to the same the firm whose tender is accepted, do not raise any objection, it is to be considered that they have accepted and Clause ' B ' may be included in the acceptance of tender. If, however, their acceptance is conditional or they wish to know the extent of their liability, the full facts must be made known to them and their specific acceptance obtained before placing the order. In the event of firms not agreeing to accept the clause, their quotations may be considered on merits.

ANNEXURE III/4-04

Copy of letter No. 61/ RS (D)/167/3 dated 4th May 1961 from Joint Director, Railway Stores (Dev.), Railway Board, New Delhi, addressed to the Secretary, Regional Railway Equipment Advisory Committee, Bombay (C.O. S., Central Railway, Bombay V.T.).

Sub : **Minutes of the meeting held in the Office of Deputy C. O. S., Central Railway, Bombay on 4th February 1961 to discuss the procedure for purchase of Railway Stores from Small Scale Industries**

Reference is invited to your letter No. G/3597-A of 27th March 1961 under cover of which a copy of the above minutes was forwarded to this office. With regard to para 1 of the above minutes the position is elucidated as under-

In regard to price preference the Board's orders are as follows

(a). The indigenous products over imported stores -The Purchasing Officers are authorised to decide the question of price preference on the merits of each case within the general limit of '15 per cant only those cases where the value of the likely order exceeds Rs. 5.000 being decided in consultation with their F. A. & C. A. O. (Board's letter No. 55/645/5/RS(G) dated 18th May 1956.

(b). To products of recognized Small Scale Units over the Products of large industries.- "..... a suitable and reasonable price preferential upto a maximum of 15 per cent shall be given to the Small Scale Industrial Units (as recognized by the National Small Industries Corporation) over the large scale industrial units, the actual quantum being decided in each case, strictly on merits in consultation with Finance. (Board's letter No. 56/363/13/RS (G) dated 1 st May 1959).

It would thus be observed that the above two orders are almost identical except that in the former case consultation with Finance is not necessary upto the value of Rs. 5,000/-. The question as to how the merit should be ascertained or what should be the exact quantum of preference depends entirely on the nature of the items. Briefly stating, the quantum of preference will depend entirely on the degree of encouragement required to be given to the Small Scale Units, which in turn will depend on the nature of the item.

In the circumstances stated above the Central and Western Railways should feel no difficulty in deciding each individual case on its merits.

ANNEXURE III/4-05

Copy of letter No .60/768/4/RS (G) *dated 4th August 1962 received from Dy. Director, Railway* Stores, Railway Board, addressed to Chief Administrative Officer, Integral Coach Factory, Perambur,, Madras.

Sub : **Method of determining price preference for indigenous stores over Imported Stores whether available ex-stock or otherwise**

Ref : Board's letter No. 60/768/4/RS (G) dated 14th February 1961.

A question has been raised at to whether for Purpose of determining the Price preference to be allowed to indigenous products over the imported goods, the C. I. F. Price of imported goods plus the element of Customs Duty or the sale price in India which would include element of should be taken into account.

The matter has been considered in detail in consultation with the Ministry of Works, Housing and Supply and it has been decided that the comparison of prices of indigenous products and imported products should be made on the basis of the FOR port of entry respectively. In other words, the element of freight FOR ex. "**Works**" or Port of entry to destination station is not to be taken into for the purpose of determining the quantum of price preference.

ANNEXURE III/4-06

Copy of Board's O. M. No. 69/RS (G)779/24 dated 24th January 1972 addressed to Bureau of Public Enterprises, New Delhi.

Sub : **Pricing policies of Public Enterprises**

1. Bureau of Public Enterprises may kindly refer to their O. M. No. BPE/1 (52)/Adv.(F)/71 dated 19th June 1971 on the above mentioned subject. In this connection, the following points may kindly be clarified: -

(a). In B.P.E's O. M. No. BPE/46/Adv-F/68/25 dated 27th December 1968 in para 2 thereof it was indicated that so far as the Public Enterprises which produce goods and services in competition with other domestic producers, the normal Market forces will operate and the products will be governed, by and large, by the competitive prices prevailing in the market. It may please be confirmed that the directive-contained in B.P.E's Office Memorandum dated 19th June 1971 referred to above supersede the earlier directive of 27th December 1968, in so far as products of Public Sector Enterprises produced in competition with other domestic producers are concerned.

(b). In so far as Public Enterprises which operate under monopolistic or semi-monopolistic conditions are concerned, it may please be confirmed that the provision as contained in para 3 of B.P.E's' & Office Memorandum dated 27th December 1968 continue to apply i.e. the prices have to be negotiated-within the landed cost of comparable imported goods which should ordinarily be regarded as the absolute ceiling except in exceptional circumstances as mentioned there in, when the Public-Enterprises concerned has to have a price higher than the

landed cost, it will refer to its administrative Ministry for examination in depth in consultation with the Ministry of Finance, B. P. E., etc.

(c). It may, please be clarified as to what type of undertakings should be treated as public Enterprises for the purpose of the above mentioned instructions clarifying whether they include enterprises such as: -

(i). Enterprises which have part Central Government and part State Government investments.

(ii). State Government undertakings.

(iii). Enterprises which have part Central Government and part Private investment.

(iv). Enterprises which have part State Government and part Private investment,

(v). Enterprises which have no State Government or Central Government investments but may be only Government managed.

(vi). Whether firms like Braithwaite Co./Calcutta, Gresham & Craven Ltd/Calcutta, Jessop & Co., Westinghouse Saxelby Farmer/Calcutta come within the definition of Public Sector Enterprises envisaged by the B. P. E.

2. It is requested that an up-to-date list of Central Government and State Government undertakings indicating as to which ones are of a monopolistic or a semi-monopolistic nature, may please be sent so as to serve as guidance to purchase organisations.

3. Urgent reply is requested.

ANNEXURE III/4-07

Copy of O. M. No. BPE/1(52)/Adv. Fin./71 dated 8th February 1972 from Ministry of Finance, ,Bureau of Public Enterprises, Finance Division addressed to Ministry of Railways, NewDelhi.

Sub : **Pricing policies of Public Enterprises.**

The undersigned is directed to refer to the Ministry of Railways O. M. No. 69/RS (G)/779/24 dated 24th January 1972 on the subject cited above. The position in respect of the various points raised in the above Office Memorandum is as under-

(i). Para 1 (a)-

It is confirm that the guidelines contained in B. P. E's Office Memorandum dated 19th June 1971 supersede the earlier guidelines of 27th December 1968 in so far as products of Public Sector Enterprises produced in competition with other domestic producers are concerned.

Para 1(b)-

The position is confirmed.

Para 1(c)-

In this connection it may be stated that the instructions are primarily applicable to Central Government Companies which means any company in which not less than 51 per cent of the paid-up share capital is held by the Central Government.

As regards Para 2, it may be stated that it is not possible to furnish an up-to-date list of Central Government undertakings indicating as to which ones are of a monopolistic or semi-monopolistic nature as the same undertakings in many cases would be producing goods of competitive, semi-monopolistic as well as monopolistic nature.

ANNEXURE III/4-08

Copy of letter No. 83 LS/66/1 dated 21st January 1984 from Railway Liaison officer, Ministry of Railway, Railway Board New Delhi, addressed to Shri R Raman, Controller of Stores South Eastern Railway , Calcutta and C.O.S., All Indian Railways except South Eastern Railways for information.

Sub : **Purchase and price preference to Public Sector Enterprises in competition with Private Sector Undertakings.**

Ref : Your D. O. No. CON/COS/ Genl/ Misc. dated 29th December 1983.

In terms of Office Memo No. GL -008/80/23.1/80-BPE/MM dated 15th October 1980 issued by the Ministry of Finance (Bureau of Public Enterprises) Public Sector Enterprises are to be accorded a price preference upto a limit of 10 percent. The instructions on the subject also provide for negotiations with the Public Sector Unit, to bring the Public Sector Undertaking within the recommended extent of price preference and if the efforts do not yield any fruitful outcome cases have to be submitted to the Cabinet Committee on Economic Affairs for a decision it has further been decided by the Ministry of Finance (Bureau of Public Enterprises) *vide* their O. M. No. GL-008/80/23.1/80-BPE/MM dated 20th April 1983 to extend the purchase and price preference applicable to Central Government Public Sector Enterprises to State Government Public Sector Enterprises.

Further, when Central Government Public Sector Undertakings quote in competition with the State Government Public Sector Undertakings the former would be entitled to a price preference upto 10% over the offers of the letter.

Small Scale Units are also entitled for price preference upto the limit of 15% (percent). Where a Small Scale Unit and a Public Sector Undertaking quote in competition for the same Stores, the SSI Unit is allowed a price preference upto 5% over the Public Sector Undertaking.

I am enclosing a copy of each Office Memo dated 15th October 1980, 17th June 1981 and 20th April 1983 issued by the Ministry of Finance, Bureau of Public Enterprises, on the above subject along with an extract of Para 16.10 of DGS&D Order No. 7 dated 1st January 1982 on the same subject.

Copy of letter No. GL. 008/80/23-1/80, BPE/MM dated 15th October 1980 from Shri P. K. Basu. Director General, Bureau of Public Enterprises and Addl. Secretary to Government of India (Ministry of Finance), New Delhi.

OFFICE MEMORANDUM

Sub : **Purchase/Price preference for products of Public Enterprises in competition with Private Sector Undertakings in the matter of purchase by Government Department etc.**

A reference is invited to the O. M. No. BPE. GL /023/78/MM dated 13th July 1978 and GL/016/BPE/MM dated 15th June 1977 both on the subject of purchase and price preference. Government have reconsidered the present policy and have decided that the following considerations shall be kept in view in purchase henceforth by Public Sector Undertakings and Government Departments: –

(a) Investments in the Public Sector are made on overall grounds of Public policy. Public Enterprises have to be made viable and the capacities created should be utilized to the fullest extent. Ministries, Government Departments and Public Sector Undertakings should therefore, invariably purchase their requirements from Public Enterprises wherever such Undertakings are able to meet the demand. Quality requirements and reasonable delivery schedules should of course be enforced.

(b) Subject to negotiations for an agreement on price, price preference not exceeding 10 per cent will be admissible to public Sector Undertakings.

(c). In exceptional circumstance where a Public Sector Undertaking required a price preference of more than 10 per cent the purchasing Ministry or Departments and the concerned Undertakings should endeavour to reach an agreement by negotiation.

(d) Where negotiations in regard to (c) above do not succeed the cases should be submitted to the Cabinet Committee Economic Affairs for a decision.

(e) Price preference upto 10 per cent cannot be taken for granted. Every effort should be made to bring down cost and achieve competitiveness.

Sd/-
(**P. K. BASU**)
Director General

ANNEXURE III/4-09

Copy of letter No 85/RS (G) 363/2 dated 12th October l987 received from Dy. Director, Railway Stores, Railway Board, addressed *to General Manager, I.C.F. and others.*
.

Sub : **Implementation of purchase policy In respect of small Village and Cottage Industries, sector**

Ref: - Boards letters : (i) 66/ RS (G) 363/ II dated 28th January 1976
(ii) 66/RS/ (G) 363/II dated 25th August 1976.
(iii) 78/RS/(G) 363/2 dated 25th February 1978.
(iv) F (X) 1-79/17/1 dated 26th March 1979.

Instructions have been issued to the Railways from time to time that various benefits like supply of Tenders free of cost, exemption from payment of earnest money/security deposit upto a specified monetary limit, 15 percent price preference over the prices of large units etc.,

should be given to the S, S. I. Units registered with N.S.I. as per Governments policy. However, it has been brought to the notice of this Ministry by the office of the Development Commissioner, Ministry of Industry, that some of the Railway are still not extending these facilities to the S.S.I. Units which results in their getting debarred from participation in bids to supply good quality machinery and other products to the Railways at reasonable prices. In this connection a copy of Ministry of Industries letter No. SSI/(P)-3-11/84 dated 3lst March 1984 is sent herewith for guidance at the same time emphasising that the S. S. I. Units should invariably be extended the facilities for which they are eligible.

ANNEXURE I

Copy of Ministry of Industry, Department of Industrial Development letter No. SSI/(P)-3(II)/84 dated 31st May 1984 addressed to All Chief Secretaries, State Union Territory Governments and others.

Sub : **Implementation of purchase policy in respect of small, Village and Cottage Industries Sector by Public Sector Undertaking in the Administrative Charge of the Department of Industrial Development.**

I am directed to state that the Government of India has been extending various facilities to Small Scale Units in the matter of Government Purchase Programme. Some of the facilities that have been extended to Small Scale Industries are mentioned below.

1. Earnest Money/ Security Deposit need not be taken from the Small Scale Units registered with the Public Enterprises concerned or with National Small Industries Corporation Limited.
2. Tender sets may be given free of cost to Small Scale Units registered with Public Enterprises concerned or with N. S. I. C. in respect of items needed.

The items reserved for exclusive purchase from the Small Scale Sector are mentioned in Group IV, Group V and Group VI Under Group IV, there are 404 items which are exclusively to be purchased from the Small Scale Sector. Similarly, there are 12 and 25 items in Group V and VI- respectively which are reserved to the extent of 75 percent and 50 percent of the requirements. In respect of other items produced in the Small Scale Sector, the decision of the Government implies that price preference would be extended up to 15 percent if the products of Small Scale Industries are otherwise acceptable in term of quality and Specifications.

This Ministry has been receiving complaints from the Associations and Organisations of Small Scale Units as well as individual units regarding non implementation of the Governments decision by the various Central and State Undertakings and also by State Government Bodies. No doubt Government Policy lays down that wherever over-riding Security and technical consideration necessitate, purchases could be made from outside small, Village and Cottage Industries. It is hoped that cases of deviation from Government Policy would occur only after careful consideration of the factors involved and be fully supported by grounds to the satisfaction of the Administrative Ministry under whose, charge the Public Enterprise falls.

Complaints are also received from the Small Scale Sector regarding procedures pertaining to earnest money and tender documents. It is once again reiterated that the Small Scale Units registered under single point registration scheme of the N. S. I. C. are entitled to

exemption from payment of earnest money, free for Tender document and security deposits for performance upto specified limits of volumes. You are, therefore requested to ensure that this facility is extended to Small Scale Units registered by N. S. I. C and fully observed by your purchase Department Similarly, in spite of instructions issued from time-to-time, payment to Small Scale Units by public Undertakings are not made promptly and complaints are being received frequently by the Government in this connection. It is desired that Public Undertakings should so arrange payments in respect of Government purchase by them from the small, Village and Cottage Industries as to ensure that no payment remains pending beyond a limit of 90 days.

I am therefore, to request you to issue suitable instructions to the Government Departments and State Public Sector Undertakings and other bodies.

ANNEXURE III/4-10

Copy of Board's letter No. 88/RS(G)/164/20-CA-III dated 20th April 1989 addressed to General Managers,(Stores), All Indian Railways and others.

Sub : **Government's purchase and price preference policy Grant of benefits to the Small Scale Sector.**

It has been brought to the notice of this office by several S. S. I. Units and the Federation of Small and Medium Industries, that despite instructions issued by Ministry of Railways (Railway Board) from time-to-time, the facilities applicable to S. S. I. Units are not being extended to these units by various Zonal Railways/ Production Units.

Ministry of Industry, vide their letter No.1(5)-89. Mktg. dated 13th March 1989 (copy enclosed) have reiterated that the instructions of the Government of India, providing certain facilities to Small Scale Industrial Units in order to assist them in marketing their products, be followed.

It is, therefore, again requested that the instructions issued by Railway Board from time-to-time regarding the facilities applicable to the Small Scale Industrial Units be adhered to strictly.

ANNEXURE

Copy of Shri M. K. Gupta , Director (Marketing), Ministry of Industry office of the Development Commissioner (Small Scale Industries) New Delhi File No 1 (5)/89-Mktg.dated 13th March 1989 addressed to Secretary, All Ministries, State Government/UTs, the Director (CDN, D. G. S. & S. New Delhi and All Industry Associations.

Sub : **Governments purchase and price preference policy grant of benefits to Small- Scale sector**

Government of India provides certain benefits to the Small Scale Units with a view to assist them in marketing their products. The Small Scale Units registered with the National Small Industries Corporation under the Single Point Registration Scheme or with the Public Enterprise concerned are provided the following facilities.

(1). Issue of Tender sets free of cost.

(2). Exemption from payment of earnest money.

(3). Waiver of Security Deposit up to the monetary limit for which the unit is registered.

(4). Price preference upto 15 percent over the quotations of the large-scale units.

Instructions of the Government on the above lines have been reiterated from time-to-time so as to ensure that the desired marketing support is provided to the Small Scale Units vide Circular No. SSI/(P)-3 (ii)/84 dated 31st May 1984 addressed to Chief Secretaries of all the State/UT Government by the Department of Industrial Development.

It has been brought to the notice of this office by various Small Scale Units and their Associations that the above mentioned guidelines are not being adhered to there by not extending the facilities. It is, therefore, requested that the Departments under you, may be advised suitably to extend the aforesaid benefits to the Small Scale Units.

ANNEXURE III/4-11

Copy of Board's letter No. 80/RS(G)/779/63/Pt. III dated 26th May 1989 addressed to General Managers, All Indian Railways and others

Sub **: Price preference for Public Sector Undertakings and S. S. I. Units.**

The price preference to Public Sector Undertakings is presently governed by the P. P. E. O.M No. GL 008/80/23.1/80/BPE/ MM dated 15th October 1980 circulated vide Railway Board's letter No. 80/RS (G)/ 779/63 dated 5th November 1980 and subsequent clarifications furnished from time-to-time by the Railway Board.

2. A question as to whether the above price preference policy as well as one of giving price preference upto 15 percent to S. S. I. ought to be discontinued in light of a Supreme Court Judgement was raised during the last General Manager's Conference. The position has since been checked up and it is confirmed that the procedure referred to in Para 1 continues to be valid. Similarly, the existing instructions regarding price preference to Small Scale Industries also continue to be valid. However, to meet the legal requirements it has been decided that the following clause should be incorporated in special conditions of Tender in all Tenders dealing with the procurement of Stores by Railways.

"The purchaser reserves the option to give a purchase price preference to the offers from. Public Sector Units and/ or from Small Scale/ Cottage Industries Units, over those from other firms in accordance with the policies of the Government from time-to-time. The price preference above can not however, be taken for granted and every endeavour need be made by them to bring down cost and achieve competitiveness."

3. This issues with the concurrence of the Finance Directorate and in consultation with the Legal Adviser of the Ministry of Railways (Railway Board).

ANNEXURE III/4-12

Copy of Board's letter No. 89/RS (G)/363/25 dated 16th November 1989 addressed to General Managers, All Indian Railways/Production Units etc

Sub : **Review of Stores Purchase Policy of the Government of India -Purchase/ Price Preference to small scale Industries /K.V.I.C./Public Sector Undertakings/Women's Development Corporation etc.**

Ref : Board's letters: (i) 66/ RS (G)/363 (II) dated 28th January 1976
(ii) 66/ RS (G)/363/(II) dated 25th August 1976
(iii) 78/ RS (G)/ 363/ 2 dated 25th February 1978
(iv) F (X) 1-79/17/1 dated 26th March 1979
(v) 85/ RS (G)/ 363/ 2 dated 12th October 1987
(vi) 80/ RS (G)/779/63 dated 5th November 1980

A copy of Department of Supply's letter No P-III-I (12)/84 dated 28th July 1989, circulated by D. G.S. & *D. vide the*ir Office Order No. 76 dated 22nd August 1989 on the above noted subject is sent herewith for guidance and compliance.

(R .S. LAHAN)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE 1

Copy of O.M. No. PIII-10(4)/8 dated 28th July 1989 from Director, Ministry of Commerce Department of Supply, New Delhi 11 , addressed to A11 Ministries Departments.

Sub : **Review of Stores Purchase Policy of the Government of India**

The undersigned is directed to say hat the essential features of the Stores Purchase Policy of the Government of India are contained in Chapter 8 of the General Financial Rules, 1963. In brief Purchases are to be made in the most economical manner for definite requirements, indigenously produced goods being preferred over the imported goods and amongst indigenously produced goods, preference being given to those produced by the cottage and the small Scale Industrial Units. This policy has been amplified/ modified from time-to- time and the existing, purchase/ price preference allowed to certain sectors are briefly given below.

2.1 Preferential treatment is shown to the Small Scale Units in the following manner -

(a). The supplies to be procured from large and Small Scale Industries are categorised into 6 Groups *viz*

(i). Group I items which can solely be purchased from large Scale Units (128 items)

(ii). Group II items which can be purchased solely from large Scale Units but where it is possible for the large Scale Units to Sub-contract accessories and components to SSI Units (159 items).

(iii). Group III items which can be purchased both from the large Scale and the Small Scale Industrial Units.

(iv). Group-IV items which are to be entirely reserved for procurement from Small Scale Industries (409 items).

(v). Group V items, which are to be purchased from Small Scale Industries to the extent of 75 percent of the requirements (13 items): and

(vi). Group-VI items which are to be purchased from Small Scale Industries to the extent of 50 percent of the requirements (26 items).

(b). A standing review Committee has been set up under the Chairmanship of Secretary (Supply) with D. C. (SSI) as the Member Secretary for considering inclusion of various items in different lists aforementioned.

(c). The Small Scale Units are entitled to a price preference of upto 15 per cent on merits when competing with large Scale Units in respect of Group I, II and III items.

2.2 All requirements of hand-woven and hand spun Khadi are required to be exclusively purchased from Khadi & Village Industries Commission on single Tender at prices fixed by the Commission Otherwise, the K. V.I. C. units are treated at par with Small Scale Sector Units and are allowed price preference upto 15 percent of the price quoted by large scale Units.

2.3 All requirements of handloom textile, items are to be procured from handloom units notified by the Development Commission for Handloom, Ministry of Textiles through the nodal Agency of the Association of Corporation and Apex Societies of Handloom (A.C.A.S.H) on single Tender at prices fixed by the Ministry of Textiles with the stipulation that to the extent of their availability with. K.V.I.C. those items would be procured from K. V. I. C. The purchase of handloom goods by Central Government Ministries/Department/Agencies from private sources is not permitted, (Ministry of Textile 0.M. No. 4/2/88-DCH/M & E dated 29th April 1988).

2.4 Public Sector Undertakings when competing with large Scale Units are entitled to a price preference of upto 10 percent over the price quoted by the large Scale Units with the stipulations that in cases where the prices quoted by the P. S. Us. are higher by more than 10 percent than those of large Scale Units, with the P. S. Us. to persuade them to bring down their prices with in 10 percent of the prices of large Scale Units. Only in the event the negotiations do not succeed, the higher offers should be ignored and such cases should be reported to the Cabinet Committee on Economic Affairs (Bureau of Public Enterprises O. M. No. GL-008/8023-1/80-BPE/MM dated the 15th December 1980).

3. The purchase policy of the Government with regard to the above-mentioned aspects has been reviewed with a view to streamlining it and to making the concessions more effective. In the first place, taking note of the concern expressed by the Prime Minister for uplift of Women workers especially those belonging to the economically weaker sections, it has been decided to provide marketing support through Government purchase to organised groups of women artisans and skilled workers. To begin with, it has been decided that the industrial units under the State Women's Development Corporations and the Organisations of Women workers identified by the Department of Women and Child be treated at par with K V. I. C. for the purpose of purchase/ price preference. It has been further decided.

(a). The existing classification of Stores in to six Groups as indicated in Para 2.1 will be dispensed with. The items of Stores other than Textile items reserved for purchase from Handloom Sector required by the Central Government Departments could hence forward be Categorised under 2 broad heads, namely,

(i). those reserved for exclusive purchases from K.V.I.C./Women's Development Corporations/Small Scale Sector Units and

(ii) others not so reserved. The first Category would comprise items in respect of which the demand can be fully met by the K.V.I.C./Women's Development Corporations, Small Scale Sector Units or any combination of these Sectors and such items of Stores would be reserved for exclusive purchase from them.

(b). 409 Items presently reserved for exclusive purchase from the Small Scale Sector would continue to be so reserved for K.V.I.C./Women's Development Corporations/Small Scale Sector Units. The list would be reviewed by the Standing Review Committee (referred to in para 2.1 (b) above) as early as possible and updated by making additions or alterations as may be required and each item identified for reservation would be described in terms clear cut Specifications. Thereafter the list would be reviewed periodically as and when necessitated.

(c). Other things being equal, where K V. I. C. and/or Women's Development Corporations are in a position to meet the requirements, purchase would be made from K. V. I. C. or Women's Development Corporations or both, taking into consideration any preference of the purchaser. For this purpose, Women's Development Corporations or the State Women's Development Corporations or organisations recommended by the Department of Women and Child Development from time to time would be entitled to this preference.

(d). All items of hand spun and hand-woven Khadi would continue to be reserved for exclusive purchase from K. V .I. C. All items of handloom Textiles would continue to be reserved for exclusive purchase from K.V.I.C. and to extent K.V.I.C. cannot supply these would be required to be purchased through A.C.A.S.H.

(e). In respect of un-reserved items of Stores purchases will be made by open Tender or limited Tender (for urgent requirements),as the case may be. Where a large Scale Private Sector Unit is not competing, the purchase preference would be in favour of K.V.I.C./Women's Development

Corporation etc., Small Sector Units and Public Sector Units in that order. To the extent KVIC, cannot supply these would be required to be purchased through A. C. A. S.H. In respect of unreserved items of Stores purchases will be made by open Tender or limited Tender (for urgent requirements), as the case may be. Where a large Scale Private Sector Unit is not competing, the purchase preference would be in favour of K. V. I. C/Women's Development Corporation etc., Small Sector Units and Public Sector Units in that order. To the extent the requirements can be met by K.V. I. C. or Women's Development Corporation etc. or both purchases may be made from them, taking into consideration any preference indicated by the purchaser. Where a large Scale Private Sector Unit is also competing, Public Sector Units would

have a price preference of up to 10 percent and K V. I.C./Women Development Corporation etc., Small Scale Units up to 15 percent over the lowest acceptable offer from the large Private Sector Units, in such a case it would be ensured that before utilising the capacity of the Public Sector Units or large Scale Private Sector Units all offers from K. V. I. C. Women's Development Corporation etc., and. Small Scale Units within the Ceiling of price inclusive of price "preference indicated above have been utilised. These guide lines should be observed meticulously since Government has not decided on any price preference in favour of Public Sector Units over the K .V. I. C., Women Development Corporations etc. and S. S. I. units. In effect the K V. I. C., Women's Development Corporations etc., Small Scale units will have a 5 percent price preference over the Public Sector Units.

(f) The price preference unto 10 percent available to the Public Sector Undertakings *vis-à-vis large* Scale Private Units would be continued. However, mandatory negotiation with the Pubic Sector undertakings quoting prices higher by more than 10 percent as compared to the offers from the large Scale Private Sector would be confined only to those cases where difference in prices does not exceed 20 percent. Where the difference exceeds 20 Percent, the offer of the PSU would be straightaway ignored and the matter reported to the Administrative Ministry concerned With the Public Sector undertaking.

(g) A PSU would not be entitled to any price preference when it quotes as an agent of an Indian or Foreign Manufacturer, Supplier. However, where a P. S. U. is selling goods or services of another P.S.U it would be allowed the benefit of price preference.

All the Ministries/Department of the Government of India may please note the above decisions for guidance and compliance. These may also please be brought to the notice of the officers/Organisations under their Administrative control.

Sd/-
(**G. P. KALRA**)
Director

ANNEXURE - III/4-13

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 85/RS (G)/363/2/ New Delh Dated 28th October 1991

The General Managers, (S)
All Indian Railways & Production Units.

Sub : **Government's Purchase and Price Preference Policy-Grant of benefits to the Small Scale Sector.**

The Secretary, Ministry of Commerce (Deptt. of Supply) in a communication addressed to the Chairman, Railway Board has advised that they have been receiving complaints from various associations and PromotionaS Bodies of the Small Scale Industries that the SSI Units are not being treated as approved suppliers by many a Central Govt. Departments/

Organisations and Purchase Agencies in the matter of their purchases inspite of the fact that these units are registered with the NSIC under Single Point Registration Scheme'. As a result these SS1 Units do not get opportunit participate in the purchase programme conducted by these Departments/Organisation and face considerable difficulties in marketing their products.

It has also been pointed out by the Secretary, Ministry of Commerce (Department of Supply) that they are receiving representations from SSI Units registered with NSIC under '**Single Point Registration Scheme'** of the Government that the benefits, as lentioned below applicable to these Units are not being given to them by certain departments/organisations and has stressed the need to advise all concerned to make, sure that the benefits applicable to these Units are made available to them as per the Government's policy :

(a) Issue of tender sets free of cost for the items for which they are registered with the concerned Railway/Production Unit.

(b) Exemption from payment of earnest money.

(c) Waiver of security deposit upto the monetary limit for which the Unit is registered.

(d) The price preference upto 15 percent over the quotation of large-scale units on merits.

It is, therefore, reiterated that the instructions issued from time to time by the Railway Board regarding the facilities applicable to the Small Scale Units be followed strictly.

Please acknowledge receipt.

Sd/-
(R.S. Lahan)
Dy. Controller of stores
Railway Board

ANNEXURE - III/4-14

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 95/RS (G)/768/1 New Delhi, Dated 17 th August 1995.

The General Manager (Stores),
All Indian Railways and Production Units.

MTP Railway, Calcutta,
Wheel & Axle Plant, Bangalore.

The CAO/MTP, Railway,
Bombay, Delhi & Madras.

Sub *:* **Price Preference for indigenous products/ex-stock imported stores overImported stores subject to import assistance.**

Ref. : Board's letter No. 78/RS(G)/768 dated 26th March 1979 and No. 78/RS(G)/768 16th May 1983.

Ministry of Railways have reviewed the existing instructions communicated *vide* above referred letters on price preference permissible in respect of indigenous products/ imported stores and price preference for ex-stock imported stores over imported stores subject to import assistance in the light of amendment to Rule 102 of the General Financial Rules 1963 communicated *vide* Ministry of Finance's O. M. No. F.23 (2)-E. II (A)/92 dated 24th June, 1992, which reads as under:—

In Rule 102 after sub-rule (2), the following sub-rule (3) may be added, *viz*:—" 102(3)— Notwithstanding anything contained in sub-rule (1), Appendix 8 and Annexure to this Chapter, the purchase preference given by the Directorate General of Supplies and Disposal (DOS & D) to domestic suppliers over the duty paid price of imports shall henceforth stand abolished".

In view of above, it has been decided that in supersession to all the previous instructions the purchase preference given to domestic suppliers over the duty paid price of import shall henceforth stands withdrawn.

This issues with the approval of Finance Directorate of the Ministry of Railways.

Sd/-
(Shiv Dan Singh)
Dy. Director, Railway Stores (G),
Railway Board.

ANNEXURE - III/4-15

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

No. 85/RS (G)/363/2 New Delhi, Dated 16th November 1998.

The General Managers (Stores)

All Railways & Production Units.
Railway Electrification, Allahabad.
Metro Railway, Calcutta.
OSDs, ECR, ECoR, NWR, NCR. SWR. WCR,

The General Manager (Const.)
N. F. Railway/Guwahati,
Southern Railway/Chennai.
Chief Administrative Officer (MTP)
Mumbai/Chennai/Delhi.

Sub. : **Government's Purchase and Price Preference Policy Grant of benefits to the Small Scale Sector.**

Ref. : (i) Rly. Bd. Letters No. 56/363/13 RS(G) dated 1st May 1959
(ii) 88/RS(G) 164/20-CA III dated 20th April 1989
(iii) 80/RS(G)/779/63/Pt. III dated 26th May 1989
(iv) Ministry of Industry letter No. I(S)-89 Mktg dated 13th March 1989.

Federation of Association of Small Industries of India, New Delhi has represented that the SSI Units registered with NSIC under " **Single Point Registration** "scheme are not being given following facilities by some of the Railways/P. Units.

(a) Issue of tender sets free of cost.

(b) Exemption from payment of earnest money.

(c) Waiver of security deposit upto the monetary limit for which the Unit is registered.

(d) The price preference upto 15 percent on merits over the quotation of large scale units.

In this connection instructions have been issued from time-to-time regarding preferences to be allowed to Small Scale Units. Copies of the Board's instructions referred above are enclosed for ready reference.

It is requested that the instructions issued from time-to-time by Railway Board regarding facilities applicable to SSI units are appropriately implemented.

Sd/-
(V. K. Jain)
Director, Railway Stores (1C),
Railway Board.

GOVERNMENT OF INDIA
MINISTRY OF INDUSTRY
OFFICE OF THE DEVELOPMENT COMMISSIONER
(SMALL SCALE INDUSTRIES)

Nirman Bhavan, New Delhi,

FILE No. 1(5)/89-MKTG Dated 13th March 1989.

To

1. The Secretary, All Ministries/State Govt./UTs.
2. The Director (CDN) DCS&D New Delhi

Sub : **Governments Purchases & Price Preference Policy - Grant of benefits to Small Scale Sector.**

Sir,

Government of India provides certain benefits to the small scale units with a view to assist them in marketing their products. The small scale units registered with the National Small Industries Corporation under the Single Point Registration Scheme or with the Public Enterprise concerned are provided the following facilities : —

1. Issue of tender sets free of cost.
2. Exemption from payment of earnest money.
3. Waiver of security deposit upto the monetary limit for which the unit is registered.
4. Price preference upto 15 per cent over the quotations of the large scale units.

Instructions of the Government on the above lines have been reiterated from time-to-time so as to ensure that the desired marketing support is provided to the small scale units,

vide circular No. SSI(P)-3(ii)/84 dated 31st May 1984 addressed to the Chief Secretaries of all the State/UT Governments by the Department of Industrial Development.

It has been brought to the notice of this office by various small-scale units and their associations that the above mentioned guidelines are not being adhered to, thereby not extending the facilities. It is, therefore, requested that the Departments under you may be advised suitably to extend the aforesaid benefits to the Small Scale Units.

Yours faithfully,
Sd/-
(M. L. Gupta)
Director (Marketing)

ANNEXURE - III/4-16

Government Of India
Ministry Of Railways
(Railway Board)

No. 98/RS(G)/779/10(CS) Dt.30.05.2000

Sub : **Purchase Preference to Public Sector Enterprises in competition with Private Sector Enterprises.**

In exercise of the powers conferred under Article 309 of the Constitution, the President is pleased to direct that the Indian Railways (Stores) Code, Volume – I (Revised Edition, 1990) be amended as per Advance Correction Slip No.11 enclosed herewith.

Encl: As above.

Sd/-
(V.K. Jain)
Director, Rly. Stores(IC)
Railway Board

ADVANCE CORRECTION SLIP TO THE INDIAN RAILWAY STORES CODE, VOLUME – I (REVISED EDITION) 1990.

ACS No.11.

Substitute the Para 304 (A) with the following: -

Price Preference to products of Small Scale Industries: For this purpose, Railway purchases for the items of stores other than textile items reserved for purchase from Handloom Sector, may be categorized under 2 broad heads: -

(i) Those reserved for exclusive purchase from KVIC/Women's Development Corporations/Small Scale Sector Units.

(a) At present 409 items are reserved for exclusive purchase from KVIC/Women's Development Corporations/Small Scale Sector Units.

(b) Items falling under this category shall be subject to revision from time to time by Railway Board, as per guidelines issued by Department of Supply, Government of India.

(ii) Others not so reserved.

(Authority: Railway Board's letter No.89/RS(G)/363/5 dated.16.11.1989)

ANNEXURE - III/4-17

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.95/RS(G)/363/1 New Delhi, dt.11.09.2000

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Government purchase & Price Preference Policy – Grant of Benefits to Small-Scale Units.**

Ref : Board's letter No.88/RS(G)/164/20-CA-iii dt.20-4-1989.

Government of India has been extending various facilities as given below to the small scale units registered with the NSIC, under is Single Point Registration Scheme, in order to help them in marketing their products.

1. Issue of Tender sets free of cost.
2. Exemption from payment of Earnest Money
3. Waiver of Security Deposit to the Monetary Limit for which the unit is registered.
4. Price Preference upto 15% over the quotation of large-scale units.

Ministry of Small Scale Industries & Agro and Rural Industries have brought to the notice of this Ministry that the above facilities are not being extended to Small Scale Industries (SSI) by Government Departments/Subordinate bodies. Board *vide* letter quoted above have already issued instruction to Railways/Production Units for implementation of the extant policy in this regard.

Railways/Production Units are once again requested that the above instructions may be followed scrupulously and the facilities mentioned at (i) to (iv) above be extended to SSI Units registered with NSIC, under its Single Point Registration Scheme.

Receipt of this letter may please be acknowledged.

Sd/-
(V.K. Jain)
Director, Rly.Stores(G)
Railway Board.

ANNEXURE - III/4-18

Ministry of Railways, (Railway Board)

No.98/RS(G)/363/1/PEs New Delhi, dated 26.09.2000

The General Manager (Stores)
All Indian Railways & Production Units.

Sub : **Purchase Preference for products and services of Central Public Sector Enterprises.**

Enclosed please find a copy of Department of Public Enterprise's OM No.DPE/13(3)/2000-Fin-GL30 dt.14.9.2000 on the above subject for information and

necessary action. Government have decided to extent the policy of Purchase Preference for products and services of Central Public Sector Undertakings for two more years *i.e,* upto 31.3.2002 with the existing parameters except that the minimum value of purchase as specified in the scheme may be Rs.1 crore instead of Rs.5 crores as specified in the DPE's OM dt.31.10.97.

Receipt of this letter may please be acknowledged. Hindi Version will follow.

.(V.K. Jain)
Director, Rly. Stores(IC),
Railway Board

DPE/13(3)/2000-Fin-GL30
GOVERNMENT OF INDIA
MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES
DEPARTMENT OF PUBLIC ENTERPRISES

PUBLIC ENTERPRISES BHAVAN
BLOCK N,14, CGO COMPLEX, LODI ROAD
NEW DELHI, the September 14, 2000

OFFICE MEMORANDUM

Sub : **Purchase preference for products and services of central public sector enterprises**.

Reference is invited to the Department of Public Enterprises' OM No.DPE/13(19)/91-Fin. Dated 31.10.97 and 10.2.98 regarding the policy of purchase preference for products and services of central PSEs.

2. Keeping in view, the requests from various Ministries, PSEs and the various relevant factors, Government have decided to extend the policy of purchase preference for products and services of central public sector undertakings for two more years *i.e,* upto 31.3.2002 with the existing parameters except that the minimum value of purchase as specified in the scheme may be Rs. One crore instead of Rs.5 crore as specified in DPE OM dated 31.10.97. The provisions relating to purchase preference should be specified in the "Notice inviting Tender" (NIT) in each case. It has also been decided that the public enterprises which avail benefit of the purchase preference should be subjected to adequate penalties for cost over-runs etc.,

(Dr. Anish Madan)
Joint Adviser

ANNEXURE - III/4-19

MINISTRY OF RAILWAYS, RAILWAY BOARD

No.95/RS(G)/363/1 New Delhi, dated 7-3-2001

The General Managers, All Indian Railways & PUs.

Sub : **Government Price Preference Policy – Grant of benefits to SSIs.**

Ref : i) Board's letter No.95/RS(G)/363/1 dt.11.9.2000

Price Preference to Small Scale Industries, registered with NSIC under its Single Point Registration Scheme, is given as per extant policy of the government. Latest instructions in this regard have been issued vide Board's letter quoted above. However, clarification has been sought regarding its applicability to Public Sector Enterprises and Private Sectors.

It is clarified that the price preference of 15% is given to SSIs over the quotation of large scale unit, irrespective of it being a PSE or a non-PSE.

It may be ensured that Price Preference and Purchase Preference clause may invariably be incorporated in the tender document/notice inviting tender in order to ensure transparency and to avoid disputes with the competing bidders at a later stage.

This issues with concurrence of Finance Dte, of Ministry of Railways.

Please acknowledge receipt.

(P.S. Meena)
Dy. Director, Rly. Stores(G)
Railway Board.

ANNEXURE - III/4-20

MINISTRY OF RAILWAYS, RAILWAY BOARD

No.95/RS(G)/363/1 New Delhi, dated 13.7.2001

The General Managers, All Indian Railways & PUs.

Sub : **Promoting Sale of coir products.**

Enclosed please find a copy of letter No.6(18)/98-Coir dated 31.1.2001 from the Director, Govt. of India, Ministry of Small Scale Industries and Agro & Rural Industries (Coir Section), Udyog Bhawan, New Delhi on the above subject. The copies of earlier letters dt.13.3.96 and 21.4.99 mentioned in the above letter are also enclosed herewith. These office Memorandums were cautious in not preferring any Public Sector Enterprise of a particular State over others in the purchase of coir goods by departments and Public Sector Undertakings. In the meanwhile, the Government departments and PSUs have also prescribed their own purchase procedures for greater transparency, healthy competition and to procure quality goods.

You are also requested to use more of eco-friendly coir products in preference to other products particularly the eco-offensive synthetic goods.

Encl: As above.

(P.S. Meena)
Dy. Director, Rly Stores(G),
Railway Board

No.6(18)/98-Coir

Government of India
Ministry of Small Scale Industries
And Agro & Rural Industries (Coir Section)

Udyog Bhavan, New Delhi
the 31st January 2001

To
The Secretary
All Ministries/Deptts of the Govt. of India

Sub : **Promoting sale of Coir Products.**

I am directed to say that through this Ministry's letters No.F.5(3)/96-Coir dated 13th March, 1996 and No.F.6(18)/98-Coir dated 21st April 1999 the Central and State Government offices and Public Sector Undertakings were advised to purchase coir products from the Coir Board Showrooms and Sales Depots without inviting quotations.

As a result of the development of the Coir Industry in the non-traditional areas several State Public sector Undertakings and Cooperative Federations in the coir industry have come up in the market with their products besides those of Kerala. Therefore, the said Office Memorandum was cautious in not preferring any Public Sector enterprise of a particular State over otherwise in the purchase of coir goods by departments and Public Sector undertakings. In the meanwhile the Government departments and PSUs have also prescribed their own purchase procedures for greater transparency, healthy competition and to procure quality goods.

You are also requested to use more of eco-friendly coir products in preference to other products particularly the eco-offensive synthetic goods.

Sd/-
(Sat Paul)
Director

Copy of letter No.6/18/98/Coir dated 21st April 1999 from Shri Beni Ram, Under Secretary, Ministry of Industry, Department of Small Scale Industries and Agro and Rural Industries, Udyog Bhavan, NewDelhi

Sub: **Promoting Sale of coir products.**

I am directed to say that vide this Department's O.M. No.5(3)/96-Coir dated 13.3.96 (copy enclosed) all Ministries/Departments of government of India, State/UT Governments were requested to make purchase of Coir products from the showrooms and Sales Deports of Coir Board without inviting tenders/quotations to encourage use of Coir and Coir products in the larger interest of promoting this eco-friendly industry which provides employment to the larger number of poor persons. Coir Board has brought to the notice of this Department that there was a huge accumulated stock of coir products on account of poor sale of these products in the domestic market. This is adversely affecting the employment in the Coir Sector.

2. Therefore, you are requested that all concerned may be advised to make purchase of Coir Products from the Coir Board showrooms and Sales depots without inviting tenders/quotations to encourage the use of Coir products.

3. The Department may please be intimated about the action taken in this regard.

Copy of letter No.5(3)/96-Coir dated 13th March 1996 from Shri Bachchan Kujur, Under Secretary, Ministry of Industry, Department of Small Scale Industries and Agro and Rural Industries, Udyog Bhavan, New Delhi

OFFICE MEMORANDUM

Sub: **Promoting sale of Coir products.**

Coir Board is a statutory body under the Ministry of Industry. The Development of domestic market for Coir products is one of the important statutory functions of the Coir Board as envisaged in Coir Industry Act, 1953.

With a view to popularizing Coir products in the indigenous market and also to build up a stable market, Coir Board has so far established 30 showrooms and sales depots in various cities of India, as marketing of Coir products and quick conversion of the stock into cash have a direct impact on the living conditions of half a million poor and rural coir workers engaged in this labour oriented agro based cottage industry. These showrooms and sales depots function as sales outlets for the coir products besides creating a product image.

The products being sold through Coir Board showrooms and sales Depots come from about 70 consignors including co-operative societies and small manufacturers (most of them are not in a position to set up their own outlets) and are also subjected to pre-consignment quality inspection under Coir Mark Scheme. Coir Board does not ad any profit margin on the sale of coir products and the products are sold at realistic prices. Hence supporting and encouraging the sales of Coir products through the Board's showrooms and sales depots held the consignors and other small scale manufacturers to facilitate the development of the Coir Industry which contributes to the economic growth in general.

It is therefore requested that all concerned offices/organizations/Institutions under your administrative control may be instructed to make purchases of Coir products from the Coir Board's showroom and Sales Depots without inviting tenders/quotations to encourage the usage of Coir and Coir products and in the larger interest of promoting this eco-friendly industry.

This Department may also be intimated the action taken in this regard.

ANNEXURE - III/4-21

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.95/RS(G)/363/1 New Delhi, dt.31.8.2001

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Government Price / Purchase Preference Policy – Grant of Benefits to SSIs/PSEs..**

Ref : Board's letter of even number dt.26.5.89.

Board had issued instructions to Rlys./PUs to invariably incorporate a clause on price/purchase preference in the tender document/notice inviting tender. It appears that this clause has not been incorporated in the tender document by the Railways/PUs. The following clause may be incorporated in the Notice inviting tenders and Tender document:-

"The purchaser reserves the option to give a purchase/price preference to the offers from Public Sector Units and/ or from small Scale/Cottage Industries Units, over those from other firms, in accordance with the policies of the Govt. from time to time. The price preference above cannot however, be taken for granted and every endeavour need be made by them to bring down cost and achieve competitiveness.". "Government have decided to extend the policy of purchase preference for products and services of central public sector undertakings for two more years *i.e,* upto 31.3.2002 with the existing parameters except that the minimum value of purchase as specified in the scheme may be Rs.one crore instead of Rs.5 crore as specified in DPE OM dated 31.10.97. The provisions relating to purchase preference should be specified in the "Notice Inviting Tender" (NIT) in each case. It has also been decided that the public enterprises which avail benefit of the purchase preference should be subjected to adequate penalties for cost over-runs etc.,"

This letter may be acknowledged and compliance reported to Board.

This issues with the concurrence of Finance Dte., of Ministry of Railways.

Hindi version will follow.

Sd/-
(P.S. Meena)
Dy.Director, Rly.Stores (G)
Railway Board.

ANNEXURE - III/4-22

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No.92/RS(G)/363/1 PEs New Delhi, dt.26.8.03

The General Manager(Stores), All Indian Railways & Production Units

Sub : **Implementation of Purchase Preference Policy.**

In reference to Board's letter of even number dated 20.5.02, a copy of Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprise's OM No.DPE/13/(1)/2002-Fin dated 14th June 2002 is forwarded for information and necessary action.

Railways/Production Units are requested that the above instruction may be followed scrupulously.

DA: As above.

(P.S. Meena)
Dy. Director,
Railway Stores(G),
Railway Board

MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES
DEPARTMENT OF PUBLIC ENTERPRISES

PUBLIC ENTERPRISES BHAVAN
BLOCK NO.14, CGO COMPLEX,
LODI ROAD, NEW DELHI, June 14 2002,

OFFICE MEMORANDUM

Purchase preference for products and services of central public sector enterprises

Government have decided to extend the existing purchase preference policy for products and services of central public sector enterprises (CPSEs) for two more years from 1.4.2002 to 31.3.2004. Under the policy, if the price quoted by the public sector enterprise is within 10% of the lowest price in a tender, other things being equal, purchase preference may be granted to the CPSE concerned at the lowest valid price bid. The policy has the following provisions:

(i). The 10% purchase preference would be extended to tenders/NIT of rupees five crores and above.

(ii). CPSEs registered under the Companies Act, 1956 and statutory CPSEs will be eligible for purchase preference as before. Joint venture companies where holding of Government and/or CPSEs is 51%or more and joint ventures which are subsidiaries of CPSE s with CPSEs holding 51% equity or more will also be eligible for purchase preference.

(iii) A minimum value addition of 20% by the CPSEs/Joint Venture Units by way of manufacture and/or services would be on a prerequisite for availing purchase preference.

Ministries/Departments/CPSEs and autonomous bodies under Central Government will continue to grant purchase preference to CPSEs.

(iv) Purchase preference will also be available to only those privatized CPSEs where specific Government approval has been accorded for the specific periods from the date of disinvestment.

(v) Respective Ministries/Departments/autonomous bodies/CPSEs will be responsible for implementing the Purchase Preference Policy.

(vi) As per the existing policy the provisions relating to purchase preference should be specified in the Notice inviting Tender (NIT) for rupees give cores and above. For any deviation including exclusion of the purchase preference clause from the NIT, it will be obligatory for the concerned Ministry/Department/CPSEs/ autonomous bodies to obtain prior exemption from the Cabinet in consultation with the Department of Public Enterprises.

(viii) Other provisions of the purchase preference policy remain unaltered.

(Dr. Anish Madan),
Joint Adviser

ANNEXURE - III/4-23

GOVERNMENT OF INDIA **RBS No.24/04**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.92/RS(G)/363/1PEs New Delhi, dt.24.11.2004

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Extension of Purchase Preference Policy for products and services of Central Public Sector Enterprises (CPSEs) beyond 31.3.2004.**

Ref : Board's letter of even No. dated 20.5.02.

Please find enclosed herewith a copy of Ministry of Heavy Industries & Public Enterprises, Department of Public Enterprise's O.M No.DPE/13(12)/2003-Fin. Dated 26.10.2004 on the decision of Government of India to extend the policy of purchase preference for products and services of Central Public Sector Enterprises for one more year w.e.f.1.4.2004 to 31.3.2005 for strict compliance.

Please acknowledge the receipt.

Sd/-
(P.S. Meena)
Dy. Director, Railway Stores (G)
Railway Board

DA: as above.

No.DPE/13(12)/2003-Fin

GOVERNMENT OF INDIA
MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES

14, CGO COMPLEX,
LODI ROAD, NEW DELHI
Dated the 26th October, 2004

OFFICE MEMORANDUM

Sub : **Extension of Purchase preference for products and services of central public sector enterprises beyond 31.3.2004.**

The undersigned is directed to refer to DPE's O.M. No.13(1)/2002 dated 14th June, 2002 extending thereby the Purchase Preference Policy for a period of two more years upto 31.3.2004. The Government have reviewed the matter further and decided to extend the Purchase Preference policy for a period of one more year *w.e.f.* 1.4.2004 to 31.3.2005. Accordingly, other things being equal, purchase preference will be granted to the Central Public Sector Enterprises (CPSEs) at lowest valid price bid (L1) if the price quoted by a CPSE is within 10% of the L 1 price. The salient features of the policy are as under:-

i) The 10% purchase preference would be extended to tenders/NIT of rupees five crores and above.

ii) CPSEs registered under the Companies Act, 1956 and statutory CPSEs will be eligible for purchase preference as before. Joint venture companies where holding of Government and/or CPSEs is 51%or more and joint ventures which

are subsidiaries of CPSEs with CPSEs holding 51% equity or more will also be eligible for purchase preference.

iii) A minimum value addition of 20% by the CPSEs/Joint Venture Units by way of manufacture and/or services would be on a prerequisite for availing purchase preference.

iv) Ministries/Departments/CPSEs and autonomous bodies under Central Government will continue to grant purchase preference to CPSEs.

v) Respective Ministries/Departments/autonomous bodies/CPSEs will be responsible for implementing the Purchase Preference Policy.

vi) As per the extant policy the provisions relating to purchase preference should be specified in the Notice inviting Tender (NIT) for rupees give cores and above. For any deviation including exclusion of the purchase preference clause from the NIT, it will be obligatory for the concerned Ministry/Department/CPSEs/ autonomous bodies to obtain prior exemption from the Cabinet in consultation with the Department of Public Enterprises.

vii) Other provisions of the purchase preference policy remain unaltered.

2. The cases which were under consideration from 1.4.2004 till the date of issue of this O.M. would stand covered under this policy, except those which have already been decided otherwise.

3. All the Ministries/Departments are requested to immediately bring the contents of this O.M. to the notice of all the concerned officers, Central Public Sector Enterprises (CPSES). Autonomous Bodies and other organizations under their administrative control for strictly following the Purchase Preference Policy in letter and spirit.

(R.L. Meena),
Joint Director

ANNEXURE - III/4-24

Government of India
Ministry of Railways
(Railway Board)

No. 92/RS(G)/363/1 PEs Dated.28.07.2005

The General Managers/ All Rlys/ PUs

Sub : Extension of Purchase Preference Policy for products and services of Central Public Sector Enterprises beyond 31.03.2005.

Ministry of Heavy Industries and Public Enterprises vide their OM no: DPE.13(12)/2003-Fin Vol. II dated 18.07.2005 have communicated the decision of Government of India to extend the Purchase Preference Policy for products and services of Central Public Sector Enterprises upto 31.03.2008 subject to certain conditions as indicated in the said OM. A copy of the said OM dated 18.07.2005 is enclosed herewith for strict compliance.

Please acknowledge receipt. Sd-

DA : As above

(Trilok Kothari)
Director, Railway Stores (IC),
Railway Board

No. DPE.13(12)/2003-Fin.Vol.II

GOVERNMENT OF INDIA
MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
DEPARTMENT OF PUBLIC ENTERPRISES

Dt. 18th July 2005

OFFICE MEMORANDUM

Sub: **Extension of Purchase Preference Policy (PPP) for products and services of Central Public Sector Enterprises (CPSEs) beyond 31.03.2005.**

The undersigned is directed to refer to DPE's O.M. of even no. dated 26.10.2004 extending thereby the Purchase Preference Policy (PPP) for products and services of Central Public Sector Enterprises (CPSEs) upto 31.03.2005. The Government has considered the matter further and it has decided to extend the Purchase Preference Policy for a further period of three years *i.e* upto 31.03.2008 with certain modifications / conditions. Accordingly, other things being equal, purchase preference will be granted to the CPSEs at the lowest valid price bid (L1) if the price quoted by the CPSE is within 10% of the L1 price. The salient features of the modified Purchase Preference Policy are as under:

(i) PPP will continue for a further period of three years, with clear stipulation that it will be terminated with effect from 31.03.2008.

(ii). PPP support will be extended to the contracts of the value of RS.5 crore and above but not exceeding Rs.100 crore.

If civil works are included as part of the contract for supply of goods and / or if the contract is a turnkey contract, such contracts would also be covered by the PPP, subject to the condition that the total value of the contract does not exceed Rs.100 crore.

(iii). PPP will apply only to CPSEs and their subsidiaries (*i.e* where PSE owns 51% or above shareholding), but not to a joint venture owned by a PSE and a private sector partner.

(iv). A minimum value addition of 20% by the CPSEs / Subsidiary companies by way of manufacturing and / or services would be a prerequisite for availing of purchase preference.

(v) The provisions relating to purchase preference should be specified in the Notice Inviting Tenders (NIT) for Rs.5 crore and above but not exceeding Rs.100 crore.

(vi). PSEs should be subject to the same qualification process as any other bidder. If the PSE does not meet the minimum qualifications, it should be subject to disqualification. However, in suitable cases, the purchasers, clients may relax the condition of " net worth" from the list of minimum qualifications.

(vii). If the PSE, which has had the benefit of the Purchase Preference Policy, fails to perform, it should also be subject to payment of liquidated damages or any other penalty included in the contract.

(viii). Each Ministry shall make a list of CPSEs that would require PPP support and if there is no possibility of making a positive list, they may attempt a negative list of CPSEs which may not require PPP support.

(ix). Ministry of Power is granted exemption from the PPP, subject to the condition that they will place certain orders upon BHEL on a negotiated basis price benchmarked through competitively bid projects every year. Ministry of Power and Department of Heavy Industry will work out, at the beginning of the year, the number and value of the orders to be placed upon BHEL during the financial year.

2. All Ministries / departments/ CPSEs / Autonomous Bodies except Ministry of Power will continue to grant purchase preference to CPSEs / Subsidiary companies.

3. Respective Ministries / departments/ CPSEs / Autonomous Bodies will be responsible for implementing the purchase Preference Policy in letter and in spirit. For any deviation including exclusion of the purchase preference clause from NIT, it will be obligatory on the concerned Ministry / department / CPSE / Autonomous Body to obtain prior exemption from the Cabinet in consultation with the Department of Public Enterprises.

4. The cases which were under consideration from 01.04.2005 till date of issue of this order would stand covered under the policy except those which have already been decided otherwise.

5. All the Ministries/ Departments are requested to immediately bring the contents of this O.M to the notice of all concerned officers in the Ministry / Department, CPSEs, Autonomous Bodies and other Organisation under their administrative control for strictly following the Purchase Preference Policy. As indicated in Para 1 (viii) administrative Ministries / Departments are also required to immediately make the list of CPSEs which may or may not require PPP support. A copy of such list prepared may also be sent to DPE for record.

Sd/-
(R.L.Meena)
Joint Director

TO

All secretaries of the Ministries / Departments in the Government of India
All Financial Advisers of the Ministries / Departments in the Government of India
Copy for information and necessary action to the Chief executives of all Central Public Sector Enterprises

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ANNEXURE - III/4-25

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBSNo.03/2008

No. 92/RS(G)/363/1 PEs Dated 24.01.2008.

The General Manager/All Rlys/PUs.

Sub : Purchase Preference Policy for Products and Services of Central Public Sector Enterprises.

Ref : (i). Judgment dated 18.05.2007 of the Hon'ble Supreme Court of India in the matter of M/s Caterpillar India Pvt. Ltd. v/s Western Coalfields Limited & Others.

(ii) Board's letter of even No. dated 28.7.2005.

(iii) Ministry of Heavy Industry & Public Enterprises OM No. DPE 13(12)/2003-Fin.Vol.II dated 18.7.2005.

Ministry of Heavy Industries and Public Enterprises vide their OM No. DPE.13(15)/2007-Fin dated 21.11.2007 (copy enclosed) have communicated the decision of Central Govt. of India based on the judgment of Hon'ble Supreme Court of India under reference above regarding Purchase Preference Policy for products and services of Central Public Sector Enterprises.

In the light of the Hon'ble Supreme Court's judgment under reference above, the Central Government reviewed the Purchase Preference Policy for Products and services of Central Public Sector Enterprises on 25.10.2007 and decided:

(a) To reiterate its earlier decision dated 30.06.2005 that the purchase preference policy will be terminated with effect from 31.03.2008, as circulated vide ref(ii) & ref (iii) dated 28.7.05 & 18.07.05, respectively,

(b) The preferential purchase policies framed for the specific sector by the concerned Ministries / Departments within relevant Act of Parliament or otherwise do not come within the purview of this decision.

In view of above, it is advised that there will not be purchase preference for products and services of CPSE w.e.f.31.03.2008 except for preferential purchase policies framed for specific sectors, separately.

Please acknowledge receipt.

DA: As above

Sd/-
(Aruna Jain)
DDRS(G)-II
Railway Board

No. DPE 13(15)/2007-Fin
Government of India
Ministry of Heavy Industries and Public Enterprises
Department of Public Enterprises

14, C.G.O.Complex, Lodi road,
New Delhi-110003
Dated the 21st November, 2007.

OFFICE MEMORANDUM

Sub : **Review of Purchase Preference Policy for Products and Services of Central Public Sector Enterprises (CPSEs) in view of the judgment of the Supreme Court of India in the matter of M/s Caterpillar India Pvt. Ltd. v/s Western Coalfields Limited and Ors dated 18.5.2007.**

The undersigned is directed to refer to this Department's O.M no. DPE.13 (12)/2003-Fin.Vol.II dated 18.7.20005 regarding extension of Purchase Preference Policy for products

and Services of CPSEs for a further period of three years beyond 31.3.2005 with certain modifications

2. The Supreme Court of India in its judgement in the transferred Civil Petitions of 2004 from the different High Courts in the matter of M/s Caterpillar India Pvt. Ltd. v/s Western Coalfields Limited and Ors. Observed that imposing a condition like purchase preference no option is left and a monopoly is being created. Any increase in the effectiveness of PSEs can not be done on a uniform basis without examination as to whether such protection is necessary for as particular PSE.. Further, it has to be examined on a case to case basis as to whether any differential treatment is called for. There may not be any competition left if 10% margin is allowed. It was also contented that the preference should be given PSE specific and the margin to be allowed should be examined rationally. Because of the substitution of the word 'may' by 'will' there is essentially a reversal of the policy. While giving its judgment, the Supreme Court also expressed its views which *inter-alia* includes the following:

(a) Industry-wise assessment to be done by the concerned Ministries and in case of cost effectiveness is achieved by any PSEs there may not be any need for extending preference to such PSEs. Such examination should be done on the line as to whether any preference is at all called for and the extent of margin of preference to be allowed, which would also ensure level playing field for others. Further, while splitting the tenders, the minimum quantity / amount should be so fixed as to ensure that it is rational and there is no element of uncertainty. In other words, there should not be any rigid / inflexible purchase preference policy without examination as to whether such protection is necessary for a particular PSE;

(b) Present practice of allowing uniform margin of 10% over the L-1 bidder, as purchase preference to CPSEs, has to be reviewed and margin should be fixed PSE specific by the concerned Ministry on a rational basis.

(c) The overall impact of such preference to be allowed on foreign direct investment has also to be assessed / considered.

The Supreme Court through its judgement dated 18.5.2007 *inter-alia* directed that the exercise as noted above shall be undertaken by the concerned Ministry of the Central Government within a period of 4 months from the date of the judgement.

3. In view of the above mentioned judgement of the Supreme Court of India, the Government again reviewed the Purchase Preference Policy for Products and services of Central Public Sector Enterprises on 25.10.2007 and decided to re-iterate its decision dated 30.6.2005 that the purchase preference policy will be terminated with effect from 31.3.2008. The Government also decided that preferential purchase policies framed for the specific sectors by the concerned Ministries / Departments within relevant Act of Parliament or otherwise do not come within the purview of this decision. The concerned Ministry / Department may independently evolve / review preferential policies for the sectors of their concern, as per their requirement .

4. All the administrative Ministries / departments are requested to take note of the above mentioned decision of the Government and also bring it to the notice of the CPSEs under their administrative control for information and necessary compliance.

Sd/-

(R.L.Meena), Joint Adviser
Telefax: 24362061

ANNEXURE IV

ANNEXURE IV/1-01

COPY of Board's letter No. 651749139/RS (G) dated 13th September 1966 addressed to the General Managers, All Indian Railways and L. C. F.

Sub : **Disputes/Claims pending with suppliers against Contracts for supply of steel.**

Attention is invited to Joint Director, Stores (Steel), Shri B. K. Rao' s D.O. letter No. 65/749/ RS (S) dated 24th April 1965 addressed to C. O. S., Eastern Railway and copy forwarded to you.

2. In view of the legal opinion recently received from the Ministry of Law, New Delhi (relevant extracts enclosed) the instructions contained in para 4. 5 and 4.6 referred to above stand modified to the following extant: -

"The purchase has the right to retain the agency commission payable to the sellers agents in India at least till after the guarantee contemplated in Cl. 5 of the General Conditions of Contract is successfully discharged".

3. In future, while allowing payment of Agency commission to the seller's agents, the latest view of the Ministry of Law should not be lost sight of.

ANNEXURE IV/1-02

*Copy of Board's letter No. 73/F (EX) 24/**DP/13,** Pt. II dated 4th December 1973 received from the Joint Director, Finance (L. & F.), Railway Board, New Delhi and addressed to General Managers, All Indian Railways including I. C. F.*

Sub : **Delegation of power to release " Free Foreign Exchange" during the half-year October 1973—March 1974**

It has been decided that the General Managers may continue to release foreign exchange from '' **Free Resources** " during the half-year October 1973-March 1974 not exceeding Rs. 5,000 in each individual case subject to the overall ceiling of Rs. 50.000 for the half-year for the import of essential and urgent requirements for the Railways. This is subject to the following conditions: --

(i) This delegation is personal to the General Managers and is to be exercised in consultation with the F.A.&C.A.Os personally. It will not be permissible to have the sanctions under this delegation initially issued by Deputy General Managers and countersigned subsequently by the General Managers, as obtain now in respect of some of the sanctions for purchases and works.

(ii) This delegation will not extend to any source of foreign exchange other than "Free Resources " and proposals if any relating to source other than " Free Resources" should continue to be referred to board as at present. In this connection, Your attention is also invited to Board's letter No. 71/F (EX.) 1 dated 31st May 1972 relating to imports from " Rupee Payment " countries.

(iii) The delegation is valid only up to 31st March 1974.

(iv) This delegation is in respect of items for maintenance, replacements and additions. Items banned for import such as office equipment e.g., calculating machines, accounting machines etc. should not be procured under this delegation.

(v) This delegation should be exercised only for procurement of those items which are not available indigenously or for which suitable Indian substitutes are not available, The position regarding indigenous availability should be checked in each case in accordance with the order issued by the D. G. T. D. and requisite indigenous clearance from the appropriate authority obtained.

(vi) This delegation should not be utilised for releasing foreign exchange for air lifting of the items irrespective of the amount involved. Such cases should be continued to be refereed to the Board in terms of Board's letter No. F (EX) 13(i) 1170 /67.68 dated 27th November 1971.

2. As the foreign exchange position continues to be very critical, utmost care should be exercised in sanctioning the foreign exchange expenditure, which should only be in respect of items, which are absolutely essential and inescapable.

3. A statement of sanctions issued, giving particulars of the items imported and the amount sanctioned against each item should be sent to the Board every month to reach by the 10th of the succeeding month. You should also furnish a summary statement as per *proforma* attached

4. Please acknowledge receipt.

SUMMARY STATEMENT

(Foreign Exchange releases given under delegated powers)

I. Allocation----

II. Releases--

(a) Releases during the month-----

(b) Total releases up to the end of the previous month

(c) Total to the end of the month under reporting.

III. Balance available (I-II)

The board have subsequently enhanced the limit from Rs. 5,000 to Rs. 10,000 in each individual case, subject to a ceiling limit of Rs. 1,00,000 per half-year vide their Wireless Message No. 77/F (EX)/24/2/DP/1 dated 26th April 1977 and 78/(Ex)/24/2/DP/Pt.I dated 18th April 1978.

ANNEXURE IV/1-03

Copy of letter No. 75/RS (G)/ 145 dated 14th July 1975 received from Deputy Director, Railway Stores (G) Railway Board, New Delhi addressed to the General Managers, All Indian Railways, and. I. C. F.

Sub : **Purchase of Imported Stores on F. O. B. /F. A. S. basis -- Rate of exchange for Conversion of agency commission into Indian Rupees---Revised Procedure**

A copy of D. G. S. & D. 's Office Order No. 83 dated 14th May 1975 on the above subject is sent herewith. Although the instructions contained therein are primarily applicable to the contracts placed by D. G. S. & D., Board have decided that the same will also apply to the contracts placed by the Railways in future.

Copy of D. G. S. & D's Office Order No. 83 dated 14th May 1975.

Sub : **Purchase of Imported Stores on F. O. B./F. A. S. basis-Rate of exchange for Conversion of agency commission into Indian Rupees-Revised Procedure**

Ref : (1) Office Order No. 101 dated 7th September 1964, (2) Office Order No. 112 Dated 28th September 1966 and (3) Office Order No. 22 dated 1st January 1973.

According to the existing instructions contained in the above cited office orders, a specific stipulation in T/E and the resultant contracts has to be made as follows: -

" Offers should be submitted on the basis of F. O. B. / F. A. S. port of shipment of your principles/Manufactures/Indian Port/F. O. R. basis. (C. I. F. to be omitted in case of tenders for supply of machine tools). In case of F.O.B./ F.A.S. offers, the prises to be quoted should be your Principles/ Manufacturer's net F.O.B. /F. A. S. prices exclusive of profit, commission etc. The Agency commission payable to you in terms of Agreement with your Principles/Manufacturers should be indicated in rupees as a separate item which would not be subject to variation in exchange rate ".

2. Inspite of the above stipulation in the T/E the tenders have been quoting gross F. O. B. / F. A. S. value *(i. e.,* inclusive of Agency Commission) in foreign currency indicating certain percentage of the gross F.O.B./ F. A. S. value as their agency commission thereby leaving it for the purchase officer to take out the element of agency commission from the gross F. O. B./F. A. S. value and convert the same into Indian Rupee by taking into account exchange rates ruling on the date of offers. Since the offers received would bear different dates different rates of exchange had to be taken into account for working out the agency commission. In some cases the tenders also ask for the exchange variation as per the rate of exchange ruling on the date the payment to their principles abroad was effected.

3. With a view to enforce uniformity in the procedure the above question was discussed in a meeting held on 5th February 1975 in the Department of Supply in which the representatives from the Ministry of Finance and State Bank of India were also present. It has been decided that for conversion of Agency Commission T. T. buying rate should apply in respect of future F. O. B. / F. A. S. contracts placed directly on the suppliers abroad or through their Agents in India, and the quantum of the agency commission payable should be worked out on the basis of T. T. buying rate ruling on the date of placement of contract.

4. Consequently the clause referred to under para 1 above, may be amended to read as under for the future T/Enquires and the resultant contracts placed on F. O. B. / F. A. S. basis.

CLAUSE TO BE STIPULATED UNDER THE SPECIAL CONDITIONS OF T/E

A. " Offers should be submitted on the basis of F. O. B./F. A. S. port of shipment of your principals/Manufactures /* C. I .F. Indian port /F.O.R. basis, The purchaser reserves the right to place the order on any such basis.

In case of F. O. B. /F. A. S. offers, the prices to be quoted should be your principals' / Manufacturer's net F. O. B. / F. A. S. prices exclusive of profit, commission etc. The Agency Commission payable to you in terms of the Agreement with your Principal's Manufacturer's should be indicated both in foreign currency as well as in Indian Rupee to be converted by applying T. T. Buying rate of Exchange ruling on the date of offer. The agency commission finally payable to you under the contract will, however, be converted in Indian Rupees at the T. T. buying rate of exchange ruling on the date of placement of the order and which shall not be subject to any further exchange variation. Your quotation on F. O. B. /F. A. S. basis should be supported by the Manufactures
Invoice".

(*Omit in the case of Machine Tools)

CLAUSE TO BE STIPULATED UNDER THE SPECIAL CONDITIONS OF

F. O. B. /F. A. S. CONTRACTS

B. " The prices stipulated under this contract are your principal's/manufacture's net F. O. B. /F. A. S. prices exclusive of profit, commission etc.

Your agency commission of ***……..has been converted into Indian Rupees the T. T. buying rate of exchange of Rs. 100/- ****……..ruling on the date of placement of this contract as quoted by the State Bank of India. The amount of commission so calculated will be paid in India in Indian Rupees as per the payment terms of this contract and will not be subject to any exchange variation ".

For Purchase Officers-

* * * To be indicated in foreign currency.

* * * * The T. T. Buying rate should be ascertained from the State Bank of India (Exchange Control Branch) and indicated are in the contract before the placement of the order. In exceptional case where it is not possible to do so, the same should be indicated in the contract by issue of necessary amendment letter.

ANNEXURE IV/1-04

Copy of letter No. 76/F (EX) 23/3 Vol. II dated 27th September 1976 received from Joint Director, Finance (L & F), Railway Board, New Delhi, addressed to the General Manager (Accounts), I. C. F., Madras 5600 038.

Sub: **Air Post Parcel**

Ref : Your F. A. & C. A. O.' s D. O. No. A SF/ FX/Vol. IV/ 169 dated 23rd July 1976 and D. O. letter No. 76/F/(EX)23/3 dated 20th August 1976 from the undersigned to Shri R. Sarangarajan).

Ministry of Finance have clarified that there is no difference between the stores to be imported by air or by air Post Parcel except that in the case of latter there is an element of packing and postage charges. In the circumstances they desire all such cases should be referred to them for concurrence.

ANNEXURE IV/1-05

Copy of letter No. 76/F (FX)/ 1 dated 21st December 1976 received from Joint Director, Finance (LF), Railway Board, New Delhi to the General Managers, All Indian Railways, C. L. W., D. L. W and I .C. F.

Sub : **Airlifting of imported materials**

The Ministry of Finance (DFA) have, *vide* their O. M. No. 6(5) FEBI/76 dated 6th December 1976 delegated to the Financial Commissioner (Railways) the powers to sanction airlifting of imported stores subject to certain conditions. In order to process proposals received from the Railways/Production Units quickly, it has been decided that all proposals for airlift of imported materials should in future be submitted in the *proforma* enclosed.

2. Particular attention is invited to the Notes in the *proforma*. It may be appreciated that, unless the proposals are complete in all respects, back references would become necessary and thus delay the issue of the sanction.

3. This supersedes all previous instructions on the subject.

PROFORMA FOR PROPOSALS FOR AIRLIFT OF IMPORTED MATERIALS

1. Railway/Production Unit …….

2. Description of the item /nomenclature……..

3. (a) Stock in hand……+ on order……..(unit of measurement) as on…….(date).
   (b) Period up to which quantity at (a) will suffice……..

4. Order for the material to be airlifted placed/expected to be placed on…… …(date) for ……..(quantity).

5. Indigenous clearance obtained on…….(date)/applied for on…….{date}

6 Foreign exchange released vide Board's letter No.-------- dated --------- /applied for vide letter No. …… dated ----------.

7. Category of proposals (please tick)

   { } (a) Material too delicate/sophisticated /small for sea transport.

   ( ) (b) Material has short shelf-life of --------- months, as against the expected transit time by sea transport of ---------- months.

(} (c) Air-freight is cheaper.

( ) (d) Material is urgently required for production/maintenance purposes.

8. In case of 7(c) and (d), detailed justification …….
Quantity proposed to be airlifted .. ……

10. Approximate weight ……

11. Airlift from ---------- to……

12. Air- freight charges ……

13. The proposal has been concurred in by the FA&CAO and approved by the General Manager, personally. The air lifting will be done through Air-India and payment made in India in rupees.

Signature----------

Designation----------

Note: -

(1) Wherever more than one alternative is indicated the item(s) not applicable should be scored out.

(2) Justification under item 7(c) should give details of the relative costs, taking recent actual expenditure into account.

(3). Justification under item 7(d) should indicate why the order could not be placed in time for the material to be obtained by sea transport. If any deficiencies in internal procedures have been noticed steps taken to rectify the same should also be indicated.

(4). The proposal should only be signed by officers of the J. A. grade and above.

(5). Exceptional cases, where airlifting through Air-India is not possible, should be accompanied by detailed justification, as the sanction of the Ministry of Finance (DFA) will have to be obtained.

ANNEXURE IV/1-06

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No 77/RSF/794 New Delhi, dated 28th September 1979

The General Manager/(Stores),
All Indian Railways, including C. L. W., D. L. W. and I.C.F.

Sub : **Cargo handling charges/Port Liner Term charges in respect of Shipments from U. K. and Continent**

A copy of O. M. No. 9 ASO-II(2)/78 dated 23rd February l979 received from the Ministry of Shipping and Transport (Transport Wing) New Delhi is enclosed herewith with its enclosures for your information, guidance and necessary action.

It should be ensured that a stipulation is invariably made in the Tender notices as well in the contracts to be placed on F. O. B. basis to the effect that Port Liner Term charges where applicable, will be to the Seller's account.

Please acknowledge receipt.

Dy. Director, Railway Stores (F)

ANNEXURE IV/1-07

Copy of D. O. No. 80/RSF/794 dated 12th September 1980 from Shri E. V. Viswanathan, Addl. Director, Railway Stores (F), Railway Board, New Delhi to Shri K. Yeeraraghavan, C.O.S. Wheel and Axle Plant, Bangalore-560 046.

My Dear Yeeraraghavan,

Sub : **Air-freighting of Railway Cargo**

Ref : Your D. O. Letter No. WAP/S/66 dated 14th August 1980.

With reference to your above letter the instructions of Ministry of Shipping and Transport are quite obligatory for use of the Transport Ministry only for arranging ocean transit of materials ordered abroad. In regard to air cargo, Railway Administrations are not obliged to use the Ministry of Transport agents. The instructions of Ministry of Finance are that only the air freighting is to be done through Air India flights. In so doing it Ministry are for the Railway Administrations to either use Air India Booking Office directly or use other booking agents who will engage Air India flights. In selecting the booking agency the Railway Administrations may keep the economy aspect in view and if they are able to engage the Air India flights through booking agents at less than the scheduled rates by way of freight etc. there can be no objection in arranging the booking through booking agents. However this matter can be decided by the Railway Administrations themselves keeping in view the Ministry of Finance's instructions of engaging only Air India flights while air-freighting the cargo.

Yours sincerely,
Sd/-
(E. V. Viswanathan)

ANNEXURE IV/1-08

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 77/RSF/794 New Delhi, dated 5th August 1982

The General Managers,
All Indian Railways including
Production Units & D. G. / R. D. S. O., Lucknow.

The General Managers,
Wheel & Axle Plant, Bangalore,
M.T. Projects (Railways), New Delhi/Bombay/ Madras/Calcutta.

Sub : **Government Departments/Public Sector Projects/Undertakings contracting on F. O. B./ F. A. S. Imports and C. & F. C. I. F. Exports-Shipping arrangements through the Ministry of Shipping & Transport --Procedure regarding.**

A copy of O. M. No. CW/25/ASO II(1)72 dated 5th June, 1982 received from Ministry of Shipping and Transport, New Delhi on the above noted subject is forwarded herewith for information and guidance compliance of instructions contained therein may please be ensured.

Receipt of the letter may please be acknowledged.

Sd/-
(A. K. MALHOTRA)
Addl. Director, Railway Stores (F),
Railway Board.

GOVERNMENT OF INDIA
MINISTRY OF SHIPPING AND TRANSPORT
(CHARTERING WING)

No. CW / 25-ASO. II (1)/72. New Delhi, dated 8th June 1982.

OFFICE MEMORANDUM

Sub : **Government Departments / Public Sector Projects / Undertaking Contracting on F. O. B. / F. A. S. Imports and C. & F./ C. I. F. Exports – Shipping arrangements through the Ministry of Shipping and Transport (Chartering Wing)--Procedure regarding.**

The undersigned is directed to say that as per Government of India's Agreement with the India-Pakistan-Bangladesh Conferences covering the trade from U.K. / Continent to India, shipments against F. O. B. / F. A. S. contracts are required to be arranged through the Government of India's Forwarding Agents. Previously there used to be inter-sea pooling arrangement amongst the member lines of the said conferences in accordance with which specified percentage of cargoes / freight earnings were shared by the Indian member lines but the same was abolished with effect from 1st April, 1981. After abolition of the pooling system each member lines is free to secure maximum cargo for their vessels without any limitation and consequently there has been stiff competition amongst the member lines to secure maximum cargo for their vessels individually. Moreover, each country may be anxious to allocate maximum cargo to their own national lines. With a view to ensure that shipment of cargoes from U.K./ Continent against C. & F. / C. I. F. / F. O. R. / Turnkey contracts is arranged by Conference Lines' vessels and Indian member lines vessels' are also utilised where ever available, it has already been suggested in this Ministry's Office Memorandum of oven number dated 4th December 1981 that the following additional clause may be stipulated in the C. & F. / C. I. F. /F. O. R. / Turnkey contracts for imports from U. K. /Continent : –

"The sellers should arrange shipment through the Government of India's Forwarding Agents M/s. Schenker & Co., 2000 Hamburg (Cable ' SCHENKERCO ' Hamburg) or obtain a certificate from them to the effect that shipment has been arranged in accordance with instructions of the Ministry of Shipping and Transport (TRANSCHART), New Delhi"

2. In this connection M/s. Schenker & Co., Hamburg, who are Government of India's Forwarding Agent for handling shipments from U. K./ Continent, have pointed out that even in

case of F. O. B. contracts, some of the suppliers are arranging shipment themselves directly instead of routing shipments through them, in violation of the prescribed procedure. As the Indian Shipping Industry along with the world shipping, has been passing through a prolonged recession and there has been no appreciable improvement in the world freight market so far it has become all the more necessary that all possible efforts are made to arrange shipment by Indian flag vessel to the maximum extent possible. It is therefore requested that the following procedure may be followed by all concerned scrupulously: ~

(i) As per general policy of Government, contracts for imports from abroad may be finalised on F.O.B. / F. A**.** S. basis and those for export from India on C. & F. / C.I.F. basis and prior concurrence obtained from the Ministry of Shipping & Transport (Chartering Wing) (TRANSCHART) before making any departure there from.

(ii) A set of specimen shipping clauses to be incorporated in the various types of contracts for imports and exports of general liner and bulk cargoes is enclosed for guidance. It may please be ensured that the prescribed shipping clause is incorporated in the contracts.

(iii) With a view to ensure compliance of the shipping clause incorporated in the contracts, the following stipulation may also be made in the letters of credit relating to imports from U. K. including Northern Ireland (also Eire), the Northern continent of Europe (West Germany, Holland, Belgium, France, Norway, Sweden, Denmark**,** Finland and from the French and Western Italian Ports of the continental sea board of Mediterranean an Adriatic ports: -

" L/C negotiable against production of complete set of clean Bill of Lading etc..... And certificate by M / s. Schenker & Co., G.M.B.H., Hamburg or their accredited local load port agents certifying that shipment has been arranged in accordance with the instruction of the Ministry of Shipping and Transport (Chartering Wing) (TRANSCHART), New Delhi ".

3. All possible efforts are made by 'TRANSCHART' to arrange shipment as per delivery schedule mentioned in the contracts. However, keeping in view the position explained above, the Projects / Undertakings etc. are requested to bear with some delay of about 15/20 days which may at times be caused to enable utilisation of space on Indian vessels.

4. It is requested that the above may kindly be brought to the notice of the entire Public Sector Undertakings Projects /Purchasing Selling Organisations under the administrative control of the Ministries / Departments concerned and they may be advised to follow the prescribed procedure for arranging shipments of their cargoes through Chartering Wing (TRANSCHART) of this Ministry and incorporate the prescribed shipping clause in the contracts and also make Necessary stipulation in the letters of credit as indicated above. They may also be advised to send two copies each of all the contracts, whether F. O. B. /F. A. S. or C. & F./ C. I. F/ F. O. R. / Turnkey in respect of both imports as well as exports along with cargo particulars in the prescribed *proforma* (copy enclosed) *in duplicate* to this Ministry as soon as the same are finalised, for taking further necessary action with regard to shipping arrangements.

A copy of the instructions issued may also be endorsed to this Ministry.

Sd/-
(**B. S. NARULA**)
Shipping Co-ordination Officer.
Telephone: 384250.

SPECIMEN SHIPPING CLAUSE FOR GENERAL LINER CARGOES -- IMPORTS FROM ABROAD TO INDIA

(A) **F. O. B. / F. A. S. Contracts** --- Shipping arrangements will be made by the Ministry of Shipping and Transport (Chartering Wing), New Delhi (Cable: TRANSCHART, New Delhi, Telex: VAHAN ND 2312, 2448 and 3104) through their respective Forwarding Agents Nominees as mentioned below to whom adequate notice about the readiness of each consignment should be given by the Sellers from time-to-time at least six weeks in advance of the required position for finalising the shipping arrangements.

Area	Forwarding Agents / Nominee
(a) U.K. including Northern Ireland (also Eire) , the North continent of Europe (West Germany, Holland, Belgium, France, Norway, Sweden, Finland and Denmark) and ports on the continent Sea-Board of the Mediterranean (i.e. French and Western Italian Ports) and also Adriatic Ports.	M/s. Schenker & Company; GMBH 2000 Hamburg-11, P. O. B. No. 110320 (Cable SCHENKER CO, Hamburg) Telex: 217004-307 SHD-212675 Telephone No. 040/361351.
(b). U. S. A. and Canada.	M/s. Tyson Shipping Co., Inc., One world Trade Centre-Suite No. 1933 New York. N Y10048, U.S.A. (Cable DYSONCO, New York Telex: DYSONCO 62212 Telephone No. (212) 775- 1100.
(c) Japan	The first Secretary (Commercial) Embassy of India, Tokyo, Japan (Cable : INDEMBASSY Tokyo) Telex : INDEMBASSY J.24850 Telephone No, 262-2391
(d) Australia, Algeria, Bulgaria, Romania, Czechoslovakia, Egypt, G. D. R.	The Shipping Corporation of India Ltd., “Shipping House” 245, Madame Cama Road Bombay-400 021 (Cable: SHIPINDIA, Bombay) Telex : 31 2209 SCIDIN Telephone No. 232666 232785
(e) U. S. S. R.	The Secretaries, Indo-Soviet Shipping Service C/o The Shipping Corporation of India Ltd., "Shipping House" 245 Madame Cama Road, Bombay-400 021 (Cable SHIPINDIA Bombay for SOVINDSHIP) Telex: 31 2209 SCID IN) Telephone No. 232666

(f) Poland	The Secretaries, Indo-Polish Shipping Service C/o. The Shipping Corporation of India Ltd., " Shipping House" 245 Madame Cama Road. Bombay-400 021 (Cable: SHIPINDIA, Bombay for INDOPOL) Telex 31 2209 SCID IN Telephone: 232666.
(g) Pakistan	The Mogul-Oline Ltd., 169 Bank Street, Fort, Bombay-400 023 (Cable : MOGUL Bombay) Telex: 011 4049(MOGUL), Telephone: 252785.
(h) Other areas not specifically mentioned above	The Shipping Co-ordination Officer, Ministry of Shipping and Transport (Chartering Wing) New Delhi (Cable: TRANSCHART, New Delhi), Telex: VAHAN ND 2312, 2448 and 3104.

The following additional provision should also be made in the contracts in respect of import from the under mentioned areas, respectively.

(i) Shipment from Australia, Algeria, Bulgaria, Romania, Czechoslovakia, Egypt and G.D.R.

A copy of the notice about the readiness of each consignment given by the Sellers to the Shipping Corporation of India Bombay, should also be endorsed to the Shipping Co-ordination Officer, Ministry of Shipping and Transport (Chartering Wing), New Delhi (Cable: TRANSCHART, New Delhi, Telex: VAHAN ND 2312, 2448 and 3104).

(ii) Shipments from U. S. S. R. - Shipment under this contract should be made in accordance with the Agreement between the Government of the Republic of India and the Government of the U. S. S. R. on Merchant Shipping, 1976 as amended up-to-date, by vessels of Indo-Soviet Shipping Service.

(iii) Shipments from Poland - Shipment under this contract would be made by the National Flag lines of the two parties and vessels of third Flag Conference Lines, in accordance with the agreement between the Government of the Republic of India and the Government of Polish People's Republic regarding Shipping Co-operation dated 27th June 1960 as amended up-to-date.

(iv) Shipments from Czechoslovakia –" Goods under this contract would be shipped by the National Flag Lines of the two parties and vessels of the Third Flag Conference Lines, in accordance with the agreement on co-operation in Shipping between India and Czechoslovakia signed on 3rd November 1978 and ratified on 29th December 1979 ", as amended up-to-date.

SPECIMEN SHIPPING CLAUSE FOR GENERAL LINER CARGOES - IMPORTS FROM ABROAD TO INDIA

(B). C. & F. / C. I. F / F. O. R. / Turnkey Contracts - (a) Shipments from Ports U.K. including Northern Ireland (also Eire) from the North continent of Europe (West Germany, Holland, Belgium, France, Norway, Sweden, Denmark, Finland and Ports of the continental sea board of the Mediterranean (i. e. French and Western Italian Ports), to Ports in India--The seller should arrange shipment of the goods by vessels belonging to the member lines of the India—Pakistan--Bangladesh Conferences. If the seller finds that the space on the Conference lines, vessels is not available for any specific shipment, he should take up with India--Pakistan--Bangladesh Conferences, Conformity House, East Grinstead, Sussex (U. K), for providing shipping space and also inform the Shipping Co-ordination Officer. Ministry of Shipping and Transport, New Delhi (Cable: TRANSCHART, New Delhi, Telex: VAHAN ND, 2312, 2448, 3104).

The sellers should arrange shipment through the Government of India's forwarding Agents, M/s. Schenker & Co., 2000 - Hamburg (Cable: SCHENKERCO Hamburg) or obtain a 'certificate from them to the effect that shipment has been arranged in accordance with instruction of the Ministry of Shipping and Transport (TRANSCHART), New Delhi.

(b) Shipments from (Rostock) G. D. R. - Goods under this contract would be shipped by the national shipping companies of the Contracting Parties operating bilateral shipping service and vessels under the flag of third countries in accordance with the Agreement between the Government of German Democratic Republic and the Government of the Republic of India in the Field of Merchant shipping signed on 9th January 1979, as amended up-to-date,

If the sellers find that the space on the Conference Lines vessels, is not available for any particular consignment he should take up with India-Pakistan-Bangladesh Conferences, Conformity House, East Grinstead. Sussex U.K., for providing shipping space and also inform the Shipping Co-ordination Officer, Ministry of Shipping and Transport (Chartering Wing), New Delhi (Cable: TRANSCHART, New Delhi, Telex: VAHAN ND. 2312, 2448, and 3104).

(c) Shipments from Adriatic Ports of Eastern Italy and Yugoslavia. - The seller should arrange shipment of the goods by vessels belonging to the following Indian member lines:–

(1) The Shipping Corporation of India Ltd.

(2) Scindia Steam Navigation Co. Ltd.

(3) India Steamship Co. Ltd.

2. The Bills of Lading should be drawn so as to show: --

Shippers The Government of India.

Consignee Government Department, Undertaking or Project concerned or Director of Supplies and Disposals Embarkation Commandant (as the case may be).

(The name and address of the Port Consignee and ultimate consignee should be indicated)

3. Two non-negotiable copies of the Bills of Lading indicating the freight amount and Discount, if any allowed should be forwarded to the Shipping Co-ordination Officer, Ministry of Shipping

and Transport (Chartering Wing), Parivahan Bhavan, New Delhi after the shipment of each consignment is effected.

For the purpose of ascertaining the availability of suitable Indian vessels and granting dispensation in the event of their non-availability the Seller should give adequate notice about the readiness of each consignment from time-to-time **at least six weeks In advance of the required position** to M/s. Schenker & Co., 2000 Hamburg (Cable: SCHENKERCO, Hamburg) and also endorse a copy there of to the Shipping Co-ordination Officer, Ministry of Shipping and Transport, New Delhi (Cable: TRANSCHART, New Delhi, Telex: VAHAN ND. 2312/2448/3104).

The Seller should arrange shipment through the Government of India's Forwarding Agents, M/s. Schenker & Co., Hamburg (Cable: SCHENKERCO. Hamburg) or obtain certificate from them to the effect that shipment has been arranged in accordance with the instructions of the Ministry of Shipping & Transport (TRANSCHART), New Delhi.

(d). Shipments from Poland and Czechoslovakia: --

1. (i) **Imports from Poland.-** Shipments under this contract would be made by the National flag lines of the two parties and vessels of third flag conference lines, in accordance with the agreement between the Government of the Republic of India and the Government of the Polish Peoples' Republic regarding Shipping Co-operation dated 27th June 1960 as amended up-to-date.

1. (ii) **Imports from Czechoslovakia.--** " Goods under this contract would be shipped by the National flag lines of the two Parties and vessels of the third flag conference lines, in accordance with the Agreement on co-operation in shipping between India and Czechoslovakia signed on 3rd November 1978 and ratified on 19th December 1979", as amended up to date.

2. Shipping arrangements should be made by the Sellers in consultation with the Resident Representative of the Indian Shipping Lines in Gdynia, C/o. Morska Ageneja Gdyni, Gdyni, Pulaskiegoul 8, P.O. Box. 246, Gdynia (Poland) Telex: MAG. PL 054301, Telephone: 207621), to whom details regarding contract number, nature of cargo, quantity, port of loading/discharging, name of Government consignee, expected date of readiness of each consignment etc., should be furnished at least six weeks in advance of the required position, with a copy thereof endorsed to the shipping Co-ordination Officer, Ministry of Shipping & Transport (Chartering Wing) New Delhi (Cable: TRANSCHART, New Delhi Telex VAHAN, ND. 2312,2448 AND 3104).

(e) **Shipments from U. S. S. R**. - Shipment under this contract should be made in accordance with the Agreement between the Government of the Republic of India and the Government of the U. S. S. R. on Merchant Shipping, 1976, as amended up-to-date, by vessels of Indo-Soviet shipping service.

(f) **Shipments from Japan**. - The shipment of goods should be made by Indian vessels to the maximum extent possible subject to a minimum of 50 per cent.

The Seller should arrange shipment of the goods in consultation with the Embassy of India in Japan, Tokyo to whom details regarding contract number, nature of cargo, quantity, port of loading/discharge, name of the Government consignee, expected date of readiness of each consignment etc should be furnished **at least six weeks in advance of the required position.**

Note.-The copies of such contracts are to be endorsed both to the Attaché (Commercial), Embassy of India in Japan, Tokyo and the Shipping Co-ordination Officer, Ministry of Shipping and Transport, New Delhi.

(g**) Shipments from Australia, Algeria, Bulgaria, Romania, Egypt.** -The seller shall arrange shipment of the goods by Indian flag vessels to the maximum extent possible subject to a minimum of 50 per cent for the purpose of ascertaining the availability of suitable Indian vessels, the seller shall give adequate notice of not less than six weeks about the readiness of each consignment to the Shipping corporation of India Ltd., Shipping House, 245, Madame Cama Road, Bombay - 400 021 (Cable: SHIPINDIA Bombay) and also endorse a copy thereof to the Shipping Co-ordination Officer, Ministry of Shipping and Transport, New Delhi (Cable : TRANSCHART, New Delhi, Telex : VAHAN ND-2312, 2448 3104).

(h) **Shipment from Pakistan** - The shipment of cargoes should be made by Indian vessels to the maximum extent possible subject to a minimum of 50 per cent.

Shipping arrangements should be made by the Sellers in consultation with M/s. Mogul Line Ltd., 16-Bank Street, Fort, Bombay 400 023 (Cable: MOGUL Bombay, Tel: 011 4049 Mogul), to whom details regarding contract number, nature of cargo, quantity, port of loading/discharging, name of the Government Consignee, expected date of readiness of each consignment etc., should be furnished **at least Six Weeks in advance of the required position**, with a copy thereof endorsed to the Shipping Co-ordination Officer, Ministry of Shipping & Transport (Chartering wing), New Delhi (Cable: TRANSCHART, New Delhi, Telex VAHAN ND-2312. 2448 & 3104).

(i) **Shipments from U. S. Atlantic & Gulf Ports**. -The seller should arrange shipment of the goods by vessel belonging to the member Lines of the India, Pakistan, Bangladesh, Ceylon and Burma Outward Freight Conference. If the seller finds that the space on the Conference Lines, vessels is not available for any specific shipment, he should take up with India-Pakistan-Bangladesh-Ceylon & Burma Outward Freight Conference, 19, Rector Street, New York, N. Y. 10006 U. S. A. for providing shipping space and also inform the Shipping Co-ordination Officer, Ministry of Shipping and Transport, New Delhi (Cable: TRANSCHART, New Delhi Telex: VAHAN, ND-2312, 2448 and 3104).

(j) **Shipment from St. Lawrence and Eastern Canadian Ports**. -The seller should arrange shipment of the goods by vessels belonging to the following shipping Lines: -

(1) The Shipping Corporation of India Ltd.

(2) The Scindia Steam Navigation Co. Ltd.

If the seller find that the space on the vessels of these Lines is not available for any particular consignment he should inform the Shipping Co-ordination Officer. Ministry of

Shipping and Transport, New Delhi (Cable: TRANSCHART: New Delhi Telex: VAHAN ND-2312, 2448 and 3104) immediately so that dispensation from the Shipping Lines concerned to use alternative Lifting may be sought.

(k). Shipments from West Coast Ports of U. S. A. Canada and other Areas not specifically mentioned above. - The seller should arrange shipment of the goods by Indian vessels to the maximum extent possible subject to a minimum of 50 per cent. For the purpose of ascertaining the availability of suitable Indian vessel and granting dispensation in the event of their non-availability, the seller should furnish the details regarding contract number, nature of cargo. Quantity, port of loading/discharge, name of the Government consignee cargo, quantity, port of loading/discharge, name of the Government consigned and expected date of readiness of each consignment etc. to the Shipping Co-ordination Officer, Ministry of Shipping and Transport, New Delhi (Cable: TRANS-CHART: New Delhi, Telex: VAHAN ND-2312. 2448 and 3104) at least Six weeks in advance of the required position**.**

2. **Bills of Lading.**

(i) **C. I. F. / C & F/ Turnkey Shipment**. -The Bills of lading should be drawn to indicate the 'Shipper' Consignee as under:

Shipper: - The C. I. F. /C &F/ TURNKEY Suppliers concerned.

Consignee: -The Government of India, Government Department undertaking or project concerned or Director of Supplies & Disposals. Embarkation Commandant (as the case may be).

(ii). **F.O.R. Shipment**: --The Bills of Lading should be drawn to indicate 'shipper' and 'Consignee' as under:

Shipper: - The F. O. R. suppliers concerned.

Consignee: -Supplier's Indian Agents or order.

Note - **More ever the 'Government of India'**, Government Department, Undertakings or Project concerned, Director of Supplies and Disposals/Embarkation Commandant (as the case may be) should appear in the, body of the Bills of Lading as "**Ultimate Consignee**" or as the '**Notify Party'** or in the mark.

3. Two non-negotiable cc pies of the Bills of Lading indicating the freight amount and discount, if any allowed, should be forwarded to the Shipping Co-ordination Officer, Ministry of Shipping and Transport (Chartering wing), New Delhi after the shipment of each consignment is affected.

4. The sellers should avoid the use of over aged vessels for the shipment of the goods under the contract and if so used the cost of additional insurance, if any shall be borne by the sellers.

Notes for guidance: -

(i) Either the entire specimen may be attached as Annexure to the contract or the relevant portion relating to the respective area, may be incorporated in the contract.

(ii) In case of contracts financed under any Loan Agreement e.g. U. S. AID EXIM Bank/I. D. A. or other credits, additional clause may be incorporated indicating the requirements relating to shipment as per terms of the respective loan Agreement.

(iii) As per general policy of Government to buy F. O. B. & sell C. & F. contracts for imports from abroad to India are to be finalised on F. O. B. /F. A. S. basis and those for exports from India to abroad on C & F/C. I. F. basis and prior approval is required to be obtained from the Ministry of Shipping & Transport (Chartering wing), New Delhi before making departure there from.

(iv) Two copies each of all contracts for imports as well as exports on Government account whether on F. O. B/F.A.S. or C. & F. /C. I. F. /F. O. R. /TURNKEY basis, along with cargo particular in the prescribed pro-forma (in duplicate) should be sent to the Shipping Co-ordination Officer, Ministry of Shipping & Transport (Chartering wing), New Delhi, as soon as the contracts are finalised.

Specimen shipping Clause for General Liner Cargoes Exports from India to Abroad. -

(C) C&F / C.I.F. Contract: - Shipping arrangement will be made by the Shipping Co-ordination Officer, Ministry of Shipping and Transport (Chartering wing), New Delhi (Cable: TRANSCHART, New Delhi), Telex: VAHAN ND-2312, 3104,2448 to whom adequate notice about the readiness of each consignment should be given by the sellers from time-to-time at least Six weeks in advance if the required position for finalising the shipping arrangements.

(D). F.O.B. / F. A. S. Contracts: --The Buyer should arrange shipment of the goods by Indian vessels to the maximum extent possible subject to a minimum of 50 percent in consultation with the Shipping Co-ordination Officer. Ministry of Shipping and Transport (Chartering wing), New Delhi, Cable: TRANSCHART, New Delhi, Telex: VAHAN ND-2312/3104/2448 to whom adequate notice about the readiness of each consignment should be given from time-to-time at least Six weeks in advance of the required position for ascertaining the availability of suitable Indian vessels or granting dispensation in the event of their non-availability.

SPECIMEN SHIPPING CLAUSE FOR BULK CARGOES

(E) F.O.B. /F. A. S. Contracts for imports and C. & F. /C. I. F. Contract for exports from India: - Shipping arrangement will be made by -the Chief Controller of Chartering, ministry of Shipping & Transport (Chartering wing), New Delhi (Cable: TRANSCHART, New Delhi), Telex: VARAN ND-2312, 3104/2448.

Thereafter the usual terms relating to load/discharge rate, demurrage/despatch, notices to be given etc., and other conditions, if any, as may be required and agreed to by other contracting party, should be incorporated in the contract).

(F) C&F /C. I. F. Contracts for imports from abroad and F. O. B. /F. A. S contract for exports from India. At least 50 per cent of the quantity under this contract will be shipped by Indian vessels in consultation with the Chief Controller of Chartering, Ministry of -Shipping and Transport (Charting wing), New Delhi (Cable: TRANSCHART, New Delhi), Telex: VAHAN ND-2312/3104/2448, adequate notice about the readiness of each consignment should be given from time-to-time (**at least Six weeks in advance of the required position**) to the Chief Controller of Chartering, New Delhi for ascertaining availability of Indian vessels or for granting dispensation to use non-Indian vessels in the event of non-availability of Indian vessels. A minimum of three clear working days 'notice' indicating the nature quantity and expected date of readiness of cargo, suitable lay days and other conditions if any, date and time by which the offer for shipping space is required should be given to the Chief Controller of Chartering, Ministry of Shipping and Transport, Chartering wing, New Delhi for circulating the enquiry to the Indian shipping companies concerned to enable them to or shipping space.

MINISTRY OF SHIPPING AND TRANSPORT (CHARTERING WING) (TRANSCHART), NEW DELHI

(**Cargo particulars in respect of Imports from U.S.A. and Canada**)

1. Name of U.S./Canadian suppliers with Postal/Telegraphic Address……

2. Contract number and date, date to be spelled in words specially month to avoid misunderstanding ……..

3. Full Designation and Postal/Telegraphic address of the Port Consignee and Ultimate Consignee……..

4. Brief Description of Cargo …. …. …. …..

5. Delivery Date ... …. …. … …. ….

6. Port of Shipment …. …. …. …. ….

7. Port of discharge …. …. …. …. ….

8. Terms of delivery (The terms F. O. B. is generally interpreted in U.S.A. as F.O.B. loading point (i.e. Works/Factory or Ware house which are located in the interior). If delivery is basis F.O.B. Plant/Works, Dollar and is necessary to cover Inland freight payment up to F.A.S. vessel port of shipment. Also, F.A.S. West Coast and Gulf Ports involve additional charges towards wharfage and handling, where handling is involved, to be paid in Dollars. If payment by L/C is established by importers, whether such charges have been provided in L/C, should be indicated.)…….

9. Source of Fund, i.. e. free foreign currency or loan. If former, indicate foreign exchange sanction No. and date. In case of later, Loan number should be indicated…….

10. Paying authority, how the cost of goods etc. will be reimbursed, whether through C.A.O. , Embassy of India, Washington D.C. or by L/C to be arranged by Importer. The name of

    Accounts Officer in India and head of Account in the former case, to be indicated.

11. Whether Transit/Marine Insurance is required/arranged……..

    (Insurance required or not required to be clearly stated).

12. If payment of freight to U. S. Flag involved *(i .e* AID./ D.L.F./ EXIM. Loans required 60 per cent by U. S. Flag) and whether Dollar Fund has been made available to C.A.O. Embassy of India, Washington. If so, details to be given.

13. Import Licence number and validity date, if import licence (in India) is required.

14. Flag requirements, if any, to be indicated … … …

15. If Export Licence required, where her suppliers advised to apply in the name of Commerce and Supply Wing, Embassy of India. Washington D. C. and submit application to them.

Note.-This form should be filled in and sent (in duplicate) to the Shipping Co-ordination Officer, Ministry of Shipping and Transport(Chartering Wing), Parivahan Bhavan, New Delhi as soon as the relevant contract is finalised.

MINISTRY OF SHIPPING AND TRANSPORT (CHARTERING WING) (TRANSCHART)

Particulars of Cargoes for which Shipping space is required to be arranged by the Ministry of Shipping and Transport (Chartering Wing) on behalf of Ministry/ Department /Project/ Undertaking

Name of the supplier with Telegraphic / Postal address	Name of the Consignee with Telegraphic/ Postal address	Particulars of Cargo			Period over which shipment to be completed	Loading Port	Discharge Port	Nature of Contract F. O .B./ F. A. S. or C&F./ C.I.F./F.O.R. Turnkey.	Any special conditions in that contract relating to shipment
		Description	Quantity	Cargo availability whether shipload or parcel if the latter size of parcels					
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**

(1). This form should be filled in and sent (in duplicate) to the Chief Controller of chartering (in respect of bulk cargoes) and to the Shipping Co-ordination Officer (in respect of general liner cargoes) Ministry of Shipping and Transport (Chartering Wing), New Delhi together with two copies of the Purchase/Sale Contract as soon as the relevant contract is finalised.

(2) This p*roforma* is for all contracts for imports and exports (except those for imports from U.S.A. and Canada).

(3) In case of import of general liner cargoes from Japan, the cargo particulars *proforma* should be sent in quadruplicate and in respect of C.F./C.I.F./F.O.R./Turnkey contracts for import from U.K. Continent in quintuplicate.

ANNEXURE IV/1-09

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS / (RAILWAY BOARD)

No. 82/F (F. Ex.) 24. 1/CLW/11 New Delhi, dated 16th November 1982

The General Managers,
All Indian Railways including P. Units,

Sub : **Quotation of Agency Commission in respect of imported Goods**

The question of laying down limits for the Agency Commission payable to the Indian agents of foreign firms in respect of imported stores has been under the consideration of the

Board for some time. The Ministry of Finance have also pointed out that the payment of an Agency Commission beyond 5 percent, as a normal course should be discouraged.

The Board have accordingly decided that in all cases of imported goods the quantum of Agency Commission should be determined carefully with reference to the nature of the imported stores, Country of origin etc. In cases, where the Commission appears to be on the high side, the specific question of reduction of the percentage of commission quoted and consequently the F.O.B. price of the contract should be taken up with the firm. Negotiations may also be held with the firm for the purpose, if and where considered necessary. In cases where the agency commission exceeds 5 per cent and it is not possible to bring it down further, specific approval of the General Manager with the concurrence of the F. A. & C. A. O. should be obtained before the tender is finally decided and the purchase order placed on the firm. In all such cases *i. e.* where Agency Commission exceeding 5 per cent has been accepted, specific reasons for the higher percentage should be clearly indicated in the application for release of foreign exchange made to the Board.

The receipt of this letter may please be acknowledged. Sd/-

(R. KRISHNAMURTHY)
Jt. Director, Railway Stores (P)
Railway Board

ANNEXURE IV/1-10

Copy of Board's letters No. 83/F (FEX)/3/1 dated 26th October 1983 addressed to General Managers, A11 Indian Railways and others.

Sub : **Delays in finalisation of Tenders involving Foreign exchange**

Instance of undue delay in finalisation of Tenders particularly those of high value have come to the notice of the Board. Besides World/ Bank/ Department of Economic Affairs have also had occasion to point out that, in some of the cases sent to them recently, abnormally long time had been taken in finalisation of Tenders by the Tender Committee and subsequent approval of their recommendation by the competent authority.

2. As you are aware, delays in finalisation of Tenders lead to various complications viz. inter-alia.

(i) Non-utilisation of Foreign exchange earmarked for meeting requirement of imports during a particular period. In view of difficult balance of payments position it is necessary that the Foreign Exchange allotments are utilised judiciously and quickly to avoid the need for import at a latter stage at a higher cost.

(ii) Comparative position of offers may change due to the fluctuation in exchange rates leading to complications in their evaluation; and

(iii) Firm may not agree to extend validity of their offer and/or offer revised bids / quotations.

3. Board have expressed concern at such delays and have desired that immediate action should be taken by all concerned to ensure that the Tenders are processed and finalised very early and within the validity period of the offers so that the procurement process is completed as expeditiously as possible.

ANNEXURE IV/1-11

Copy of Board's letter No. 84/F (F. EX) 5/2 dated 15/21st August 1984 addressed to General Managers All Zonal Railways and others.

Sub : **Airlifting of Railway Stores-Need to restrict.**

While considering a case for permission to airlift certain Railway Stores initiated by a Production Unit, Board have observed their airlifting is indicative of slowliness and delayed or belated thinking. The need for airlifting can be avoided if timely action is taken for the Procurement of supplies and the case is adequately chased to finality. Board has also stressed the need for review of critical items of Stores and prompt initiation of procurement action to ensure that such Stores are available when required.

2. In the above context Board desires that Railways take adequate and prompt action for timely procurement of Stores and thereby avoid the need for their airlifting. In case airlifting becomes inescapable for any reason in any particular case, complete justification for the same bringing out, Inter alia, the following.

(i) Reason/circumstances in which the item could not be procured earlier and airlifting has become inescapable.

(ii) In case of delay in initiation of procurement action or its finalisation, whether responsibility can be fixed, and if so action taken/proposed to be taken for the same.

(iii) Remedial action taken to avoid such delays in future, may please be furnishing while referring the case to Board for obtaining permission to airlifting the item.

3. The above instructions would not apply to items which necessarily have to be airlifting on account of their having short shelf life or on account of their being delicate/ sophisticated items or items considered too small for transportation by sea and would need to be airlifted in the normal circumstances.

ANNEXURE IV/1-12

Copy of Board's letter No. 82/F(F.E.X) 1/1 dated 12th January, 1986 addressed to General Manager Southern Railway, Madras and All Indian Railways, Production Units and others.

Sub : **Delegation of enhanced powers for release of Foreign exchange.**

The powers for release of Foreign exchange were delegated to the General Managers in terms of this office letter of even no dated 4th June 1985. As necessity for more delegation of powers to the General Managers was felt, the case has since been further reviewed. As a result of this review, it has been now decided to further enhance powers to the General Managers for release of Foreign exchange as indicated below: --

Sl. No.	Item	Delegation of powers,	
		Present powers	Proposed powers
1	Release of foreign exchange from free resources	Rs 1 lakh in each case (on C.I.F. basis subject to a ceiling limit of Rs. 10 Lakhs per year.	Rs. 10 Lakhs in each case (on C.I.F. basis subject to a ceiling of Rs. 1 crore annually.

1.1 These powers are to be exercised personally by the General Manager with the personal concurrence of his F. A. & C. A. O. as already stipulated in the extant orders. The other conditions also *viz* that the proposal has been cleared from the indigenous angle wherever required etc. will continue to apply**.** The stipulations contained in Paras 2.1 and 3 of this office letter of even No dated 4th June 1985 will also continue to be applicable and their implementations may please be ensured.

In terms of powers earlier delegated to the General Managers funds have already been placed at the disposal of each Railway/Units.

In order to enable release of additional funds in view of the liberalised delegation now agreed to, the Zonal Railway/ Production Units etc., are requested to indicate their requirement during the current financial year. Based upon their indication further funds will be allocated to the individual units.

ANNEXURE IV/1-13

Copy of Board's letter No. 84/Dev. Cell/ILMI/Policy dated 11th February 1986 addressed to General Managers All Indian Railways and others.

Sub : **Import by Railways - D. G. T. D's Clearance**

D.G.T.D's clearance is required for import of all items falling under Import and Export Policy and Department of Electronics Clearance is required for import of any electronic items having *a. c. i.* f. value of Rs. 5.00 lakhs -or / more. The requests received from Zonal Railways and Production Units for these clearances are processed by Development Directorate of the Railway Board.

2. Clearance of above-mentioned items for imports from indigenous angle requires discussions with DGTD , Department of Electronics for evaluating the alternatives available in the Country. For a meaningful discussion and presentation of the case of the Zonal Railway/ Production Units to the D.G.T.D, Department of Electronics in proper perspective the Development, Directorate requires full details like Specifications of the item to be imported, Catalogue Nos. with Technical literature, efforts made to get the supply from indigenous sources including development of indigenous sources etc. For quite sometime, it has been observed that the import proposals received from Railway/Production Units for obtaining D. G. T. D. Department of Electronics Clearance are not supported by full details and justification. Moreover, in most of the cases Development Directorate is not approached before initiating action for imports but the requests for getting this clearance and release of Foreign Exchange are made simultaneously. As a matter of principle, the D. G. T. D. clearance should precede release of foreign Exchange.

3. All such requests should be invariably accompanied with following information:

(a) The proposal should be scrutinised as per current Import-Export Policy and a list of items in six copies requiring D. G. T. D. clearance only should be sent to this office indicating items number and Appendix No. of the Policy under which these are appearing.

Note: – It is seen that Railway/PUs sometimes send long lists containing restricted (under Appendix 2,3,8, and 10 of I & E Policy) as well as unrestricted (under OGL) items without scrutiny. Such mixed lists will not be entertained by this office for processing.

(b) Attempts made to procure the material from indigenous sources and the results thereof endorsing original/copies of letters of regret in case of negative response.

(c) Full justification in regard to the material intended to be imported, indicating unsuitability of alternate Indian make material along with end use of the items to be imported with their Catalogue and/or Technical Specification.

(d) Detailed justification for the quantity, indicating Annual Off-take.

(e) Mode of Tendering and the Source of Financing.

(f) In case of spares, Break-up of prices and comparison between cost of spares vis-à-vis cost of complete equipment.

(g) Total approximate cost of the import, both in Rupees and Foreign Currency.

In case, the items required to be imported are needed after more than Two Years, full Justification as to why such advance action is necessary.

4. In this connection it is advised that request for D.G.T.D./ Department of Electronics Clearance along with all relevant information should be made at least 3 months in advance of initiating action for imports, as this is the minimum time required for processing the cases with these Agencies in the usual course. This time Schedule should he strictly adhered to, to avoid delay in the procurement of material.

Sd/-
(**P. K MALIK**)
Addl. Exc. Dir. (Development)
Railway Board, and Industrial
Adviser (Rly. Eqpt) to D.G.T.D.

ANNEXURE IV/1-14

Copy of Board's letter no. 85/RSF/794/5 dated 13th October 1987 addressed to General Manager (Stores), All Indian Railways and others

Sub : **Government Departments / Public Sector Projects / Undertakings contracting on F.O.B./F.A.S. imports and C&F / C.I.F. exports shipping arrangements through the Ministry of Surface Transport (Chartering Wing) procedure regarding.**

A copy of the Ministry of Surface Transport (Chartering Wing)'s O. M. No. CW 25-ASO II (1)/72 dated the 26th June 1987 along with a copy of OM No. C/25-ASO II (1)/72 dated 22nd August 1985 on the above subject is enclosed for your information and guidance.

ANNEXURE I

Copy of Ministry of Surface Transport (Chartering Wing)'s O. M. No. CW 25-ASO II (1)/72 dated 22nd August 1985 from Shri B. S. Narulu Shipping Co-ordination Officer.

OFFICE MEMORANDUM

Sub : **Government Departments / Public Sector Projects / Undertakings contracting on F.O.B./F.A.S. imports and C&F / C.I.F. exports shipping arrangements through the Ministry of Surface Transport (Chartering Wing) procedure regarding.**

The undersigned is directed to invite attention to this Ministry's O. M. of even number dated 18th September 1982 on the above subject in which it was mentioned that with a view to ensure that follow up action for arranging timely shipment is taken well in time, a monthly consolidated statement indicating brief details of all the contracts for the imports and exports finalised during each month should be furnished to this Ministry by 15th of the following month on regular basis. It is however observed that such monthly statements are not being received on a regular basis from various organisations.

2. In this connection it may be mentioned that shipping arrangements for all Government owned/ controlled cargoes on accounts of all the Ministries/Departments of the Government of India/ State Governments/ Public Sector Projects and Undertakings whether wholly owned or controlled by the Government of India or the State Governments are required to be made through the Chartering Wing (TRANSCHART) in the Ministry of Surface Transport New Delhi. The procedure to be followed for arranging shipment of Government owned/controlled cargos through the chartering wing (TRANSCHART) has been explained in detail in the Ministry's O. M. of even number dated 8th June 1982 and is again summarised below for guidance: –

(i) As per General Policy of Government contracts for imports from abroad are to be finalised on F.O.B./F.A.S. basis and those for exports from India on C. & F. /C. I. F. basis and prior concurrence obtained from the Ministry of Surface Transport (Chartering Wing) (TRANSCHART), New Delhi before making any departure there from.

(ii) A set of Specimen shipping clauses to be incorporated in the various types of

contracts for imports and exports of general liner and bulk cargoes was circulated *vide* this Ministry's O.M. of even number dated 8th June l982. It may be ensured that the relevant prescribed shipping clause is incorporated in the contracts for imports and exports.

(iii) Two copies each of all the contract whether F.O.B./F.A.S. or C. &F. /C.I.F. /F.O.R. /TURNKEY in respect of both imports and exports along with cargo particulars in the prescribed *proforma* should be sent to this Ministry in duplicate as soon as are finalised for taking

(iv) A consolidated monthly statement indicating brief details of the contracts finalised for imports during each month should be furnished to the Chartering Wing of this Ministry by 15th of the following month on a regular basis in the prescribed *proforma* (copy enclosed). The monthly statement should be prepared in two parts one in respect of F.O.B. &/F. A. S. imports and C. &F. /C.I. F. exports and the other in respect of C. &. F. /. C.I. F. imports and F. O. B/ F. A. S. exports. In the case of long-term contracts, the details regarding the system of extension should be indicated.

(v) The following stipulation should he made in the letter of credit relating to import of general liner cargoes from U. K. including Northern Ireland (also Eire) the Northern continent of Europe (West Germany, Holland, Belgium, France, Norway, Sweden, Denmark, Finland) and from the French and Western Italian Ports of the continental Seaboard of Mediterranean and Adriatic Ports: -

" L/C negotiable against production of complete set of clean Bill of Lading etc., and certificate by M/s. Schenker and Co. Gmbh, Hamburg or their accredited local load ports Agents certifying that Shipment has been arranged in accordance with the instructions of the Ministry of Surface Transport and transport Bhavan (Trans-chart) New Delhi.

3. There have been prolonged recessions in freight market since 1981 and the shipping industries through out of World including Indian Shipping Industry are facing great hardship. There is therefore, very urgent need to provide maximum cargo support to Indian vessels and follow the policy of buying on F.O.B./F.A.S. and selling on C. &F. /C.I.F. basis and obtaining prior concurrence from the Chartering Wing (Trans-chart) of this Ministry before making any departure there from scrupulously in order to retain control over shipment and provide maximum cargo to Indian Vessels.

4. It is requested that the above may kindly be brought to the notice of all the Public Sector Undertaking/Projects/Purchasing Selling Organisations under the administrative control of the Ministries/Departments concerned for compliance. A copy of the instructions issued may also be endorsed to this Ministry.

ANNEXURE II

Copy of O.M. No. SC-11011/1/86-ASO II dated 26th June 1987 from Ministry of Surface Transport (Chartering Wing)'s New Delhi along with a Copy of O. M No. CW/25-ASO 11(1)/72 dated 22nd august 1985 from Shipping Co ordination Officer.

OFFICE MEMORANDUM

Sub : **Government Department/Public Sector Projects/Undertaking contracting on F.O.B./F.A.S imports and C. &F. /C.I.F. exports Shipping arrangements through the Ministry of Surface Transport, Chartering Wing – Procedure regarding.**

The undersigned is directed to invite attention to this Ministry's O. M. No. CW/25 ASO II/72 dated the 22nd August 1985 on the above subject (copy enclosed) in which the procedure to be followed for arranging shipment of Government owned/controlled cargoes through the Chartering Wing (Trans-chart) of this Ministry has been summarised.

2. As mentioned in the said O. M. dated 22nd August 1985, according to General Policy of Government contracts for imports from abroad are to be finalised on F.O.B./F.A.S. basis and those for exports from India on C. & F./C. I F. basis and prior concurrence is required to be obtained from this Ministry before making any departure there from. Two copies each of all the contracts whether F.O.B./F.A.S./C. & F/ C. I. F./ F.O.R/ T. U. R N. K.E.Y. in respect of both imports and exports along with cargo particulars in the prescribed *proforma* (in duplicate) are also required to be furnished to the Ministry as soon as the contracts are finalised for taking further necessary action with regard to shipping arrangements.

3. As mentioned in para 2(iv) of the above cited O. M. dated 22nd August 1985, consolidated monthly statement indicating brief details of all the import/export contracts finalised during each month is also required to be furnished to this Ministry by the 15th of the following month on a regular basis in the prescribed *proforma.*

4. It has been observed that some of the Departments/Public Sector Undertakings/Projects are not furnishing copies of the Purchase/Sale Contracts and the consolidated monthly statement to this Ministry on regular basis. In connection the audit have pointed out that in the absence of such information Chartering Wing is not able to exercise proper control over shipments and cases were there is departure from the existing policy of buying and selling as envisaged.

It is therefore essential that two copies each or all import / export contracts along with cargo particulars (in duplicate) are furnished to this Ministry by all concerned as soon as the contracts are finalised and a consolidated monthly statement indicating brief details of all contracts finalised during each month is also furnished by 15th of the following month on a regular basis. In case no contract is finalised during any particular month on Nil statement should be sent.

5. There has been prolonged recession in freight market the world over and all maritime countries are adopting various measures to assist their own National lines. The Indian Shipping Industry is facing great hardship due to prolonged recession in freight market and there is very urgent need to provide maximum cargo support to Indian Vessels. It is therefore, requested that all the purchasing / selling authorities may be advised to follow the policy of buying on FOB/ FAS and selling on C&F / CIF basis scrupulously in order to retain control over shipment and arrange shipment by Indian Vessels to the maximum extent possible and obtain prior concurrence from the Chartering Wing (TRANSCHART) of this Ministry before making any departure there from.

6. It is requested that the above may kindly be brought to the notice of all the Public Sector Undertakings/ Projects, Purchasing / Selling Organisation under the Administrative control of the Ministries / Departments concerned for compliance. A copy of the instructions issued may also be endorsed to this Ministry.

ANNEXURE IV/1-15

Copy of Board's letter No. 87/F (F. EX) 1/1 dated 12th September 1988 addressed to General Manager (Stores) Southern Railways and others.

Sub : **Airlifting of imported materials**

While examining proposals for airlifting of imported materials received from different Railways/ Units, it has been observed that the cost difference between the sea freight and airfreight is not indicated, nor the saving in time by resorting to airlifting is given. It would facilitate processing of airlifting proposals if these details are furnished along with your proposals for airlifting of materials.

It has also been observed that airlifting is being resorted to in, respect of indents placed with the centralised procurement Agency 2/3 years back, but procurement finalised only recently. If the requirements could be postponed for 2/3 years due to late finalisation of Tender, the Railway/ unit can wait for another ¾ months if the material is booked by sea instead of resorting to airlifting necessitating payment of Foreign Exchange. In this connection attention is invited to Para 2.2 of Board's letter No. 82/F (F.EX) 1/1 dated 4th June 1985 wherein it has been emphasised that airlifting should be resorted to for the minimum inescapable quantity required in exceptional circumstances of extreme urgency.

The above points may please be kept in mind while sending airlifting proposals to the Board in future.

ANNEXURE IV/1-16

Copy of letter No. 82/F (F. EX) 1/I Pt I dated 28th March 1989 from Railway Board New Delhi addressed to General Manager (Stores), Diesel Locomotive Works Varanasi.

Sub : **Clarification regarding payment of Agency commission etc. in foreign contracts**

Ref : Your letter No. S/GT/Bid Condition dated 5th September 1988

The various issues raised in your letter referred above have been examined in this office and the position is clarified as under: -

(i) As per World Bank Guidelines, no specific clause can be incorporated in the Tender document stipulating that the Agency commission should not exceed 5 percent of the F.O.B. value. This clause is therefore meant for only non World Bank financed Tenders.

(ii) In terms of instructions issued *vide* this office letter No. 82/ F (F. EX) 24. 1/ CLW/11 dated 16th November 1982, payment of Agency Commission exceeding 5 percent of F.O.B. value is required to be approved personally by the General manager with the concurrence of his F. A. & C.A.O. Your suggestion for delegation of powers to lower Authorities for approving payment of Agency commission exceeding 5 percent has not been considered acceptable.

(iii) The existing clause incorporated in the Tender document for payment of Agency Commission is quite comprehensive and it clearly stipulates that the Indian Agent will receive the payment in non convertible Indian Rupees. Any change in this clause to provide that no Agency Commission is payable in Foreign exchange has not therefore been considered essential.

Sd/-
(**K K SHARMA**)
Dy. Director Finance (Loan)
Railway Board

ANNEXURE IV/1-17

Copy of Boards letter No. 89/RS(G)/779/6 dated 26th April 1989 addressed to General Managers, All Indian Railways and others

Sub : **Indian Agents of Foreign Suppliers-Policy on**

Ref : Ministry of Finance (Department of Expenditure) Office Memorandum No. F.23/(I)-E.11 (A/89 dated 31st January 1989)

Based on the Ministry of Finance's above mentioned reference it has been decided that all particulars relating to Agency Commission, in the contracts for import of goods services/works, may be reported to the Enforcement, Directorate of Finance, to prevent leakage of Foreign Exchange and Tax evasion on Agency Commission. Since the Enforcement Directorate will in turn be informing other concerned Agency, sufficient number of copies of relevant contracts and their amendments may invariably be marked to them. .

ANNEXURE IV/1-18

Copy of Boards letter No. 87/ F (F. EX) 1/3 dated 19th May 1989 addressed to General Manager, D.L.W., C. L. W. and I.C.F. and copy endorsed to the FA. & C. A.O. /D. L. W. / C. L W. and I. C. F

Sub : **Delay in finalisation of Tenders**

It has come to the notice of the Board that Production units are taking unduly long time in finalising Tenders for procurement of Stores with the result that by the time the cases are received in the Board for release of Foreign Exchange/ Board's approval enough validity period is not available for processing the case. This is also leading to criticisms from other Agencies like World Bank, Ministry of Finance etc. Board desire that all Tenders should be finalised within a period of sixty days from the date of opening of the Tender and sent to the Railway Board for release of Foreign Exchange/Board's approval wherever necessary. if any particular case, it takes more than 60 days to finalise the Tender, the reasons for delay should be explained while forwarding the proposal to the Railway Board for release of Foreign Exchange/Board's approval.

Please acknowledge receipt and ensure strict compliance of the above.

ANNEXURE IV/1-19

Copy of letter No. 89/F (F.EX) 1/ 1 dated, 30th May 1989 from Ministry of Railways (Railway Board) New Delhi addressed to General Managers, and I.C.F.

Sub: **Evaluation of Bids involving financial package Discount and Exchange Rates to be adopted.**

The Ministry of Finance (DEA) have issued instructions regarding the methodology to be followed and, the discount and exchange rates to be adopted for evaluation of Tenders which are accompanied with financial packages. The Ministry of Finance (DEA) have also circulated the discounting rates for the quarter April—June, 1989 (Annexure I) Prior to these instructions, a uniform discounting rate of 10 percent was adopted for evaluation of financial packages. However, with the issue of latest instruction the discounting rates as prescribed in O.E.C.D discounting formula (as per Annexure I) are required to be adopted. A copy of M.O.F. (DEA)'s O. M No. 4 (5)-FEB1/ 88 dated 28th December 1988 along with detailed note regarding the methodology of evaluation of financial packages to be adopted is also enclosed as Annexure II and Annexure III respectively.

2. It is requested that bids involving financial packages (which are normally asked for in Tenders valuing above Rs. 10 Crores) be evaluated keeping in view these instructions.

ANNEXURE I

Copy of Office Memorandum dated 28th December 1988. from the Ministry of Finance, Department of Economic Affairs (Foreign Exchange Budget Division).

Sub : **Evaluation of Tender Bids—Discount and Exchange Rates to be adopted.**

As per the existing practice all financial packages, whether they contain soft, commercial or a mix of soft and commercial credit are converted. Into Rupees from the respective currencies and discounted at a uniform rate of 10 percent for comparative evaluation of the bids. In accordance with office Memorandum F. No. 5 (3)/ FEB. I/79 dated the 15th June, 1979 of the Department of Economic Affairs, Ministry of Finance, the conversion of 'Foreign Currencies into Rupees is done taking into account the B. C. selling rate of State Bank of India on the date of opening the price bid or the rate obtained closer to the date of award of contract in case there is a significant time lag between the opening of price bid and award of contract.

2. In order to take into account inter se fluctuations in the currencies of donor countries, it has been decided to adopt the D. E. C. D. discounting formula with effect from, 1st January 1989.

3. Currently, the O. E. C. D. formula gives weightage to the uniform discounting rate of 10 percent and the Commercial Interest Reference Rate (C.I.R.R.) in the ratio of 25:75, Thus, the O. E. C. D. formula for calculation of discount rate is as follow: -

Discount Rate = 0.25(10) + 0.75 (C.I.R.R.)

= 2.5 +3/4 C.I. R. R

4. The Commercial Interest Reference Rate is considered to be representative of financial commercial lending rates of interest in the domestic market of the currency concerned. In addition, it corresponds closely to a rate for a first class domestic or Foreign Borrower and is based on the funding cost of fixed interest rate finance over a period not less than five years.

5. Based on the formula in para 3 above, the Department of Economic Affairs will circulate discount rates important currencies every quarter. A table giving the relevant rates by currency, for the quarter January - March 1989 is attached.

6. In case the time lag between the date of opening the price bid and final evaluation of the bid is longer than three months then for evaluation of price bids.

(i) The notified discount rate prevailing on the date of evaluation will be taken into account for purposes of evaluation of credit packages.

(ii) The B. C. selling rate of State Bank of India prevailing on the date of the final evaluation of the will be adopted for converting the various currencies into domestic currency.

7. It may be emphasised that the above discount rates are to used only for evaluation of financial packages in different currencies and for any other purpose, the present procedure for evaluation of projects viability will continue and is not affected by this O.M.

ANNEXURE

DEPARTMENT OF ECONOMIC AFFAIRS

Discounting Rates to be adopted for evaluation of Tender bids the quarter April-June 1989

Note: The following rates have been computed based on formula followed by O.E.C.D. as described in to the covering note

Currencies	Discount Rate(% per annum)
Sterling	10.90
U.S. Dollar	10.43
D. M.	8.59
Japanese Yen	6.63
Canadian Dollar	11.09
Danish Kroner	10.38
Dutch Florins	8.61
E. C. U.	---
French Franc	10.02
Italian Lira	11.42
Swedish Krone	11.19
Swiss Franc	7.94
Austrian Schilling	8.30
Newzealand Dollar	13.19
Spanish Poseta	13.15
Australian Dollar	14.01
Norweign Krone	11.44
Belgian Francs	9.59
Finnish Markka	9.81

Methodology of evaluation of FINANCIAL PACKAGE

1. Normally the financial packages offered consist of face value of credit, maturity period, grade period, annual interest rate, commitment fee (over un-drawn balance), management fee insurance fee etc.,

2. The grant element of a loan is computed to arrive at the extent of concessionality of a financial package. The grant element of a loan can be computed as the difference between the original face value of the loan and the present value of the debt service. The lower the interest rate, the largest the grant element. For loans with a concessional interest rate, the grant element is larger, the longer the maturity of the loan and the grace period. This is because a longer loan or grace period means that the barrower holds on to his concessional funding longer before he must barrow commercially.

3. The present value of the debt service is equal to the sum of the discounted debt service payments. Each debt service payment is discounted by 1+ the discount rate per period or raised to the power. Where (t) is the number of periods between the loan and the period in which the respective element of the debt service occurs. Mathematically,

$PV = N \quad [D.S./(1+r)] t \quad , \qquad t=1$

Where D.S. = debt service, r - the discount rate and N the numbers of periods.

4. The critically ' r ' should be carefully chosen to reflect the Cost of capital. The present value is sensitive to the choice of the discount rate. Till recently an annual discount rate of 10 percent was assumed for all currencies and time periods. This however, implied that commercial rates were concessional. The use of any single rate does not take in to account differences in rates between different currencies apart from Charges in interest rates over time.

5. In order to clarify the position regarding methodology of evaluating a credit package, a simple example has been worked out which is enclosed. The methodology followed in the example is explained below: --

(1) Wherever fees (other than interest rate) are also an annual basis, these have been added to the interest rate Management fees etc., expressed as a percentage of face value of credit and payable flat are assumed to be paid on signature of the Financial packages i.e., zero period. Commitment fee is chargeable on un-drawn balance of financial package offered (wherever indicated). Interest is leviable only on the drawn position of the financing in accordance with draw down schedule.

(2) Grant element as a percentage has been worked out as follows: -

Face value of Credit-- P.V. of Credit $\times$ 100, Face value of Credit

(3) Grant element in value is face value of credit less present value of credit.

(4) In order to arrive at present value of credit, all outflows including repayment of principal interest commitment fees, and other fees, as and when payable, are discounted at a chosen rate. (This will be the O. E. C. D. rate now circulated by D. E A. the rate will be divided by 2 if repayment of principal and interest is on six monthly basis). Payments of interest and instalments of principals are taken as semi-annual (as indicated in the financial package offered). All such semi-annual

outflows are discounted at the shown rate in order to arrive at present value of each such outflow. 2 to arrive at the semi-annual rate divide both annual interest rates and discount rates. The summation of present value of all outflows gives the total present value of a credit package. It is the difference between this sum of present value and face value of credit, which gives the grant element in absolute value.

(5) The comparative evaluation on the basis of analysis indicated above enables choice of the best financial package, other things being equal the financial package with the lowest present value emerges the cheapest and the best option.

(6) In the example, it has been assumed that the loan is drawn at different percentages of the face value of loan during the first few years.

(7) The present value determined as above has to be converted to Rupees using the exchange rate as per guidelines in O.M. No. 4(5)-FEB I/88 dated 28th December 1988 issued by this Department.

(8) Till recently since a uniform discount rate of 10 percent was adopted for discounting cash flows, a table of grant element with different interest rates maturity and grace period could be constructed, with the adoption of the O.E.C.D. method of discounting at different rates for different currencies, it is not possible to have a table of value. With the method suggested it should be possible to have a software package made either in lotus or in D- base 3 for the purpose.

Loan (Original) Currency-	100.00	Interest (%) (Semi annual)	2.50
\Maturity (years)	15.00	Management Fee (Flat)	0.25
Grace period	5.00	Commitment fee(semi annual)	0.25
		Discount rate (%) (semi annual)	5.00
		Present value	64.51
		Grant element	35.49
		Grant element %	33.49

Period (semi annual	Payment	Draw down Amount	Balance	Interest	Commit-ment fee	Total	Discount Factor	P.V.
0.00	0.00	10.00	10.00	0.00	0.23	0.48	1.0000	0.48
1.00	0.00	15.00	25.00	0.25	0.19	0.14	0.9524	0.42
2.00	0.00	15.00	40.00	0.63	0.15	0.78	0.9070	0.70
3.00	0.00	25.00	65.00	1.00	0.09	1.09	0.8638	0.94
4.00	0.00	25.00	90.00	1.63	0.03	1.65	0.8227	2.36
5.00	0.00	10.00	100.00	2.25	0.00	2.25	0.7835	1.76
6.00	0.00	---	100.00	2.50	0.00	2.50	0.7462	1.87
7.00	0.00	---	100.00	2.50	0.00	2.50	0.7107	1.78
8.00	0.00	---	100.00	2.50	0.00	2.50	0.6768	1.69
9.00	0.00	---	100.00	2.50	0.00	2.50	0.6446	1.61
10.00	4.76	---	95.24	2.50	0.00	7.26	0.6139	4.46
11.00	4.76	---	90.48	2.38	0.00	7.14	0.5847	4.18
12.00	4.76	---	85.71	2.26	0.00	7.02	0.5568	3.91
13.00	4.76	---	80.95	2.14	0.00	6.90	0.5303	3.66
14.00	4.76	---	76.19	2.02	0.00	6.79	0.5051	3.43
15.00	4.76	---	71.43	1.90	0.00	6.67	0.4810	3.21
16.00	4.76	---	66.67	1.79	0.00	6.55	0.4581	3.00
17.00	4.76	---	61.90	1.67	0.00	6.43	0.4363	2.80
18.00	4.76	---	57.14	1.55	0.00	6.31	0.4155	2.62
19.00	4.76	---	52.38	1.43	0.00	6.19	0.3957	2.55
20.00	4.76	---	47.62	1.31	0.00	6.07	0.3769	2.29
21.00	4.76	---	42.86	1.19	0.00	5.95	0.3589	2.14
22.00	4.76	---	38.10	1.07	0.00	5.83	0.3418	1.99
23.00	4.76	---	33.33	0.95	0.00	5.71	0.3256	1.86
24.00	4.76	---	28.57	0.83	0.00	5.60	0.3101	1.73
25.00	4.76	---	23.81	0.71	0.00	5.48	0.2953	1.62
26.00	4.76	---	19.05	0.60	0.00	5.36	0.2812	1.51
27.00	4.76	---	14.29	0.48	0.00	5.24	0.2678	1.40
28.00	4.76	---	9.52	0.36	0.00	5.12	0.2551	1.31
29.00	4.76	---	4.76	0.24	0.00	5.00	0.2429	1.21
30.00	4.76	---	0.00	0.12	0.00	4.88	0.2316	1.13
31.00	0.00	---	0.00	0.00	0.00	0.00	0.2204	1.00

ANNEXURE IV/1-20

Copy of Board's letter No. 86/F (F. EX) 105/ Trg/7 dated 9th August 1989 addressed to I. C. F and others.

Sub : **Inclusion of clause regarding overseas training in the tender document for Procurement of M & P Equipments.**

Board has observed that the Tender documents generally include a Clause for training of Railway Personnel by overseas firms in their premises. Usually cost of training is stipulated to be borne by the firm. In some cases even the cost of passage, Boarding and lodging is also to be borne by the firms. Inclusion of such clauses in the Tender documents implies that the relevant cost of training gets in built in the rate quoted by the firms and to that extent becomes a committed liability on our part irrespective of whether the training facilities are utilised or not. The Board desires that such clauses regarding overseas training in such contracts should not be incorporated in the Tender document as a matter of routine course. In cases where such a training is considered absolutely necessary, a clause should be included in the Tender documents that the bidders will quote the rated for particular machine/equipment "with" and "without" training components. In the event of' training facility not being utilised, the Railways will make payment only for the remaining part of the contract and no payment on account of training will be made. Such a provision will have the added advantage of enabling cost comparison of the training component of the offer.

It is requested that the above decision should be kept in view while floating new Tenders related to different sources of finance for procurement of M & P. etc., where overseas training is considered necessary.

ANNEXURE IV/1-21

GOVERNMENT OF INDIA (BHARAT SARKAR)

MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 89/RS (G)/779/6 New Delhi, Dated 13th November, 1992

The General Manager (Stores),
All Indian Railways & Production Units.

Sub : **Indian Agents of Foreign Suppliers Policy on.**

Ref. : Board's letter of even number dated 25th April 1989 and 13th August 1992.

Please refer to Board's letter under reference wherein All Indian Railways/Production Units were advised to furnish necessary particulars relating to agency commission on Contracts for import of goods, services/works etc. to the Enforcement Directorate of Ministry of Finance, to prevent leakage of foreign exchange and tax evasion on the same.

Based on the instructions issued by the Ministry of Finance on the above subject, the matter has been examined in detail in the Board's office and it has been decided that the for the import of Railway items/equipment:

" Foreign firms quoting direct against the enquiry and who want Indian Agents/ Associates and or servicing facilities in India should indicate in their offer the name of their Indian Agents/Associates or the representatives they have for servicing in India. They should quote net F. O. B./F. A. S. price, exclusive of the amount of remuneration or commission provided for the Indian Agents/Associates. It should be understood that the purchaser will indemnify the supplier against payment of such commission to the Indian Agents/Associates in rupees in Indian in respect of a contract arising out of invitation to tender, where the Indian Agents/ Associates' remuneration on commission covers a part of the price against the tender".

Besides the above, the following particulars should also be called from the tenderer/ he foreign firms with a stipulation that the Tenders which do not comply with the above ulations are liable to be ignored:

(i). The precise relationship between the foreign manufacturer/principals and their Indian Agents/Associates;

(ii). The mutual interest which the manufacture/principal and the Indian Agents/ Associates have in the business of each other;

(iii). Any payment which the Agent/Associate receives in India or abroad from the manufacturer/principal whether as a commission for the contract or asap general retainer fee; |

(iv). Indian Agent's Income-tax permanent Account number;

(v). All services to be rendered by the Agent/Associate whether of general natural or in relation to the particular contract and the facilities/infrastructure available with them for the same.

(vi). Past performance.

The Agency commission payable by the tenderer to his Indian Agents shall be indicated in the offer form in foreign currency. However, Agency commission finally payable to the Tenderer's agents in India under the contract will be converted to Indian Rupees at the telegraphic transfer buying rate of exchange ruling on the date of acceptance of offer and shall not be subject to any further exchange variation. The agency commission shall be paid in non-convertible Indian rupees only after successful completion of the contract, commissioning of the machines or equipment wherever involved.

For the foreign tenderers guidance in furnishing complete information, a check list, as per Annexure-1 attached may be attached with tender documents which must be completed by the foreign tenderers participating in the tender.

In case, where it is felt that for the Stores being imported, neither the Indian Agent nor after-sales service is required, the following clause may be added:

" Manufacturers are advised that we would prefer to deal direct with them without the inter-session of an Agent and, therefore, they are advised to quote direct".

Please acknowledge receipt and ensure compliance.

Sd/-
(R. S. Lahan)
Dy. Director, Rly Stores (G)
Railway Board.

ANNEXURE—IV/1-22

SOUTHERN RAILWAY

No. G 203/P/Stores Policy

Head Quarters Office,
General Branch,
Dated 24th May, 1993.

Copy of Board's letter No. 92/F (FEX) 1/1 dated 24th May 1993 from Exec. Director, Finance (L & F) Railway Board/New Delhi to All General Managers.

Sub. : **Enhancement of powers for airlifting of Railway Stores**

Powers for airlifting of imported stores have been laid down in this office letter No. 82/F(FEX)1/1 dated 19th and 22nd May 1986. As per these instructions GMs/CAOs were authorised to order, in consultation with their FA & CAOs, airlifting of specified categories of stores, *via.* small consignments upto 50 kgs or electronic items or sophisticated equipment, in cases where they have the authority to release foregn exchange, i. e. where they GIF value of the item does not exceed Rs. 10 lakhs in each case.

After the introduction of the Liberalised Exchange Rate Management system (LERMS) w. e. f. 1st March 1992, the General Managers have been delegated powers to purchase, in consulation with their FA & CAOs, foreign exchange expenditure, under free resources, upto CIF value of Rs. 2 crores in each case *vide* this office letter of even number dated 1 st June 1992 in *view* of this change, it has been decided that the GM's may now exercise these powers in consultation with their FA & CAOs upto CIF value of Rs. 2 crores in each case.

Other details and terms and conditions remain unchanged.

ANNEXURE IV/1-23

GOVERNMENT OF INDIA
MINISTRY OF SURFACE TRANSPORT
(CHARTERING WING)

No. SC-18013/1/92-ASO-(II)

New Delhi, Dated 25th May, 1993

OFFICE MEMORANDUM

Sub : **Govt. Departments/Public Sector Projects/ Undertakings Contracting of FOB/FAS import and CIF exports—Shipping arrangement through the Ministry of Surface Transport (Chartering Wing) from USA/ Canada/ Mexico and South America— Procedure regarding.**

The undresigned is directed to refer to this Minstry's Office Memorandum No. CW/25 – ASO (II)/72 dated the 8th June, 1982 on the subject mentioned above and to say that as per the general policy of the Government of India all imports contracts have to be concludec on FOB/FAS and those for exports on CIF basis in respect of Govt. owned/and controllec cargoes

and for any departure there from prior approval of this Ministry has to b obtained. The policy provides for grant of waivers in suitable cases where it is fou possible to follow the said policy.

2. The shipping arrangements are being made by Chartering Wing, Minsitry of S Transport, by using Indian flag vessels and if no suitable Indian vessels are available ii the required position, foreign flag vessels are chartered. Shipping arrangement in respec of Governmental liner cargoes are being made by this Ministry through respective Govt. of India's freight forwarders, as per the procedure laid down in the above referred Office Memorandum dated the 8th June 1982 (copy enclosed for ready reference).

3. The Govt. of India has an agreement with India-Pakistan Bangladesh-Ceylone and Burma, Outward Freight Conference (INDPAKCON) FMC Agreement No. 7690) covering the trade from USA Atlantic and Gulf ports to India through the vessels belonging to the member lines of this Conference. As per the agreement with the Conference all the Government of India and State Government Departments, Public Sector Undertakings/ Projects cargoes are to be shipped through the vessels of member lines belonging to this: Conference.

4. A present there are to Shipprng lines which are members of the INDPAKCON these are: -

(i) M/s. Shipping Corporation of India, Bombay.

(ii) M/s. Waterman Shipping Corporation.

5. In order to ensure compliance with the transportation agreement with the INDPAKCON, all the Government of India and State Government Departments, Public Sector Undertakings/ Projects are requested to prescribe in their purchase contracts from US Atlantic and Gulf Ports to India that all booking must be made through the Government of India's freight forwarding agent *i. e.* M/s. Overseas Project Transport (OPT), INC, 46 Seller Street, Kearny New Jersy-07032. The necessary provision regarding shipment through M/s. Opt may also be incorporated in the Letter of Credit to ensure shipping arrangement through the vessels of members of INDPAKCON.

6. It is requested that the above may kindly be brought to the notice of all the public Sector Undertakings/projects/purchase and selling Organisations under the adminstrative control of the Ministries/departments concerned and they may be advised to follow the prescribed procedure for arranging shipment of their cargoes through Chartering Wing (Transchart) of this Ministry and incorporate the prescribed shipping clause in the contracts,

Sd/-
(N. P. Chauhan)
Dy. Chief Controller of Chartering

ANNEXURE IV/1-24

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 89/RS(G)/779/6 New Delhi, Dated 16th June 1993

The General Manager (Stores),
All Indian Railways & Production Units.

Sub : **Payment of agency commission to Indian Agent for WTA Contracts.**

Ref : Board's letter No. 89/RS(G)/779/6 dated 13th April 1992.

As per the instructions issued *vide* Board's letter No. 89/RS (G)/779/6 dated 13th April 1992 the agency commission is payable to the Indian Agents in non-convertible Indian Rupees only after successful completion of the contract, commissioning of the machines or equipment, wherever involved. In partial modification of above instructions, Board have decided that in respect of condtracts for WTA and items of similar nature, where commissioning, installation and proving tests are not involved, the agency commission, shall be paid to the Indian Agents for each instalment of the supplies made by their principals, after receipt at the Indian Ports on the basis of a certificate to be obtained by the pavin.' authority from the port consignee.

Please acknowledge receipt.

Sd/-
(R. S. Lahan)
Dy. Director, Rly. Stores (G),

ANNEXURE IV/1-25

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 92/BC-DLW/2 New Delhi, Dated 30th June 1993

The General Managers
All Indian Railways & Production Units
(Including RCF, DCW & WAP)

Sub : **Draft Para—Loss due to short receipt of material imported from abroad.**

The Principal Director of Audit, Railway Production Units in one of the cases pertaining to DLW has pointed out that in the case of an import contract with a foreign firm for supply of Diesel Loco Parts, DLW had to incur a loss to the tune of Rs. 19 lakhs on account of their failure to obtain a proper certificate of short landing and timely follow up of Insurance claims and also due to the absence of adequate details on the packages.

As may be seen from the above, had the DLW adminsitration taken timely action to have the proper Certificate of short landing and adequate details given on the packages, the loss could have been avoided. Hence, Board desire that adequate remedial steps should be taken to avoid recurrence of such cases.

In this connection certain remedial steps suggested by DLW are reproduced below for information and guidance.

(i) In the import contract, a clause should be added to stipulate specific case numbers for identification of the x with separate invoices specially where the value of the box differs from one to other.

(ii) Where it is not possible to identify the box or where case numbers are not visible, the short standing certificate (B Form) should be obtained at least by sizes/weiaht where the size/weight of various boxes is different. This will, however, be required to be steamlined in consultation with Port/Customs Authorities so that the claim amount is identified correctly at the initial stage itself. In the circumstances if the size/weight of the box is also same but the cost of the box differs the system of open delivery/Insurance survey at the time of clearance from Port Authorities may have to be introduced in consultation with Port/Customs Authorities.

(iii) On receipt of consignment by Ultimate consignee, where there is short receipt and claim amount is not identifiable at the time of receipt itself, open delilvery/ Insurance survey should be called for to assess the actual shortage which is binding not only on Insurance Company but also is documentary proof for pursuing the claim with the supplier/other agencies.

(iv) Where the discrepancy has come to notice of the purchaser/paying authority, the balance payment amount should be held in abeyance till the discrepancy is identified and correct shortage established.

This issues with the concurrence of Finance Directorate of the Ministry of Railways.

(R. S. Lahan)
Dy. Director, Rly. Stores (G),
Railway Board

ANNEXURE IV/1-26

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 87/RS (G)/779/28 New Delhi Dated 17th August 1993

The General Manager (Stores),
All Indian Railways & Production Units.
Metro Rail, Calcutta.
CORE/Allahabad.
CAO/COFMOW.

Sub : **Shipment of general liner cargo from US Atlantic and Gulf ports to India— Wharfage charges at US Ports.**

A copy of the Ministry of Surface Transport (Chartering Wing)'s O. M. No, SC-19011/' 1/93/ASO-II dated 22nd June 1993 on the above subject is sent herewith for information and guidance.

DA: Copy of O. M

Sd/-
(R. S. Lahan)
Dy. Director, Rly, Stores (G)
Railway Board,

GOVERNMENT OF INDIA

MINISTRY OF SURFACE TRANSPORT

(CHARTERING WING)

No. SC-19011/1/93-ASO-II New Delhi, Dated 22 June, 1993

OFFICE MEMORANDUM

Sub: **Shipment of General liner cargos from US Atlantic and Gulf ports to India— Wharfage charges at US Ports.**

The undersigned is directed to say that the India-Pakistan-Bangladesh-Ceylon and Burma Outward Freight Conference covering the trade from Atlantic and Gulf Ports to India have informed that some U. S. Port Authorities, particularly Houston and New Orleans on the Gulf of Mexico, assess wharfage charges on cargo. These charges are "Liabilities of the Owner of the cargo". The actual charges may vary accordingly to the commodity. However, typical wharfage charges in New Orleans are $ 1.85 per short ton (2000,00 LBS).

2. The wharfage charges are collected on behalf of the U. S. Port Authority by the Steamship Line. The past practice has been for the Steamship line to invoice the Government of India Suppliers. However, the "Owner" of the cargo has been defined as the shipper appearing on the Bill of Lading.

3. The problem is that supplier's are not paying wharfage. Suppliers claim that they are not responsible for wharfage because it is not provided for in their contracts/purchase orders from consignees. This problem would be solved if the sale/purchase orders specify that the wharfage charges at US Ports are the responsibility of the Suppliers.

4. With a view to avoid any dispute regarding receiving wharfage charges by the carriers from USA suppliers, it is requested that the forllowing provision may be made in the purchase orders for imports from USA on FAS vessels basis.

"All charges to FAS vessel including 'Wharfage Charges" similar to the Terminal Handling Charges will be on sellers account".

5. It is requested that the above may kindly be brought to the notice of all the Public Sector Undertakings/Project/Purchasing authorities under the administrative control of the Ministry/Departments concerned, for necessary action, guidance and compliance.

Sd/-
(N. P. Chauhan)
Dy. Chief Controller of Chartering
Tele: 3710356

To

All the Ministries/Departments.

ANNEXURE IV/1-27

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 93/RS (G)/779/9 New Delhi Dated 19th May 1994

The General Manager (Stores),
All Indian Railways & Production Units.
CORE/Allahabad.
Metro Railway/Calcutta.

Sub : **Enhancement of Earnest Money/Bid Security in respect of import tenders.**

The matter regarding furnishing Earnest Money/Bid Security by the tenderers against tenders floated for import of Railway equipment/Items etc. has been reviewed and with a view to safeguard the Railways' interest adequately against losses, if any, in case a successful tenderer fails to furnish Security Deposit with in the stipulated periods for the, execution of the contract it has been decided to enhance the limit of Earnest Money Deposit/ Bid Security in import tenders as under:—

(a) For tenders value Rs. 10 crores	2% of the estimated tender value subject to a ceiling of Rs. 10 lakhs.
(b) For tenders value above Rs. 10 crores.	2% of the estimated tender value subject to a ceiling of Rs. 20 lakhs.

Please acknowledge receipt.

Sd/-
(R. S. Lahan)
Dy. Director, Rly Stores (G),
Railway Board.

Copy to:—
(1) FA & CAOs, All Indian Railways, Metro Railway, Calcutta and RE/Allahabad.
(2) The Chief Adminstrative Officers, MTP/Railways, Bombay, Madras, New Delhi.

ANNEXURE IV/1-28

GOVERNMENT OF INDIA

MINISTRY OF SURFACE TRANSPORT

(CHARTERING WING)

No.SC-22011/1/94-ASO. II New Delhi, Dated 13th July 1994

i). Controller of Stores Northern Railway, Headquarter Office, Baroda House, New Delhi.

ii.). General Manager, Bharat Heavy Electrical Ltd., High Pressure Boiler Plant, Tiruchchirappalli-620 014.

iii). General Manager Steel Authority of India Ltd., Rourkela Steel Plant, Rourkela-769 011 (Orissa)

iv) Shri U. Chakraborty, Dy. Chief Materials Manager, Coal India Ltd., Materials Management Division, Coal Bhawan Annexe; 10, Netaji Subhas Road, Calcutta-1.

Sub : **Shipment of governmental cargoes from U. S. A.**

Sir,

The undersigned is directed to say that as per Govt. of India Agreement with INDPAKCON (India-Pakistan-Bangladesh-Ceylon & Burma Outward Freight Conference) all Govt./PSUs cargoes can be shipped by any of the member lines of the conference. And as such, there is no restriction that cargo would be shipped only through Indian Flag only. Kindly note that at present there are two member lines i.e. (i) Shipping Coporation of India Ltd., Bombay and (ii) Waterman Lines, USA of the Conference and cargo can be shipped through the vessels belonging to any of these two member lines.

It is, therefore, requested that while finalising the purchase order/L. C., kindly yporate the correct shipping clause in future and existing contracts may be suitably Wtded. A copy of the circular issued by this Ministry regarding shipping clauses to be included in the purchase orders is enclosed for your ready reference.

Thanking you,

Yours faithfully
Sd/-
(TARSEM KUMAR)
Asstt. Shipping Officer,
Tele : 3719480

Encl: As above

Copy to : Shri Pramod Bhandari, Regional Director, Steamship Corporation
C/0-Maritime Services Pvt. Ltd., 203, Competent House,
F-14, Connaught Place, New Delhi-110 001.

ANNEXURE IV/1-29

GOVERNMENT OF INDIA
(RAILWAY BOARD)

No. 92/F(FEX) 1/1. New Delhi Dated 10.08.1994

The General Manager (Stores)
All Indian Railways/PUs.

Sub: **Criterion for evaluation and comparison of bids in import tenders- Date of exchange rate to be adopted.**

Instructions were issued earlier *vide* Board's letter No. F (LN)/71/5/1 dated 10th June 1971 in regard to the procedure to be followed for evaluating the bids received in response to tenders financed by the world Bank/ADB. This procedure requires use of the exchange rates ruling at the time of decision to notify the award to the successful bidder. Railways have generally followed this procedure for all imports whether funded by a multi-lateral agency (like World Bank, ADB etc.) or by free resources.

The existing procedure of evaluation and comparison of bids in import tenders has been reviewed by the Board and it has been decided that the exchange rates ruling on the date of opening of commercial bids may be adopted as the basis for evaluation and comparison of

bids in all future import purchases including those funded by the Asian Development Bank and World Bank.

Ministry of Finance (Department of Expenditure) has recently circulated Standard Bidding Documents (SBD) for use in World Bank assisted projects negotiated after 1 st May 1993. The relevant clause relating to the evaluation and comparison of rated provised in the SBD s reproduced below:—

> " To facilitate evaluation and comparison, the Purchaser will convert all Bid Prices expressed in the amounts in various currencies in the Bid Price as payable, to the local currency of the Purchaser's country at the B. C. selling market exchange rate established by State Bank of India in the purchaser's country for similar transaction as on the date of Bid opening ".

The above referred clause in the SBD also corresponded to the Board's decision for adopting the exchange rates ruling on the date of opening of the commercial bids for the purpose of evaluation and comparison of bids. It is therefore, desired that all bidding documents presently in use on your Railway/Administration may be amended forthwith tdj incorporate the revised procedure in accordance with the decision referred in Para 2s above.

Please acknowledge.

Sd/-
Executive Director

ANNEXURE I

Copy of Board's letter No. F(LN)71/5/1 dated 10th June 1971 from the Joint Director, Finance (L.&F.), Railway Board, New Delhi, addressed to General Managers, All Indian Railway including I. C. F.

Sub : **Procedure for procurement of goods and services to be financed by the World Bank or I. D. A.**

Ref : Boards letter No. F(LN)64/36 dated 6th January 1965

Some countries have recently decided to depart from a fixed rate of exchange and float their own currency. World Bank have in that connection laid down the following procedure for evaluating the bids received from different countries in response to the same

tender.

2. The currency or currencies in which the price offered in a bid should be valued in terms of a single currency specified in the tender for comparision of all bids. The rates of / , exchange to be used in such valuation should normally be those published by an official source and applicable to similar transactions on the day bids are opened. Should there be a change in the value of the currencies before the award is made, the exchange rates at the time of the decision to notify the award to the successful bidder should be used.

3. The rates of exchange to be used in such evaluation should be ascertained from the State Bank of India.

4. Plase acknowledge receipt.

ANNEXURE IV/1-30

MINISTRY OF RAILWAYS , (RAILWAY BOARD)

No. 94/FS (POL)/IS/6 New Delhi, Dated 11th October, 1994

The General Managers,
All Indian Railways Including PUs.

Sub: **Valuation of contracts for payment of Marine Insurance Premium for import of Railway Material.**

On scrutiny of the original records of one Railway relating to payment of Insurance premium, it is revealed that the valuation of the consignment for declaration has been made wrongly by including element of agency commission and custom duty. As per clause 8 of the Marine Insurance cover the basis of valuation should be as under:

FOB/FAS + 10% where the contract is FOB/FAS basis.
or
C & F only where the contract is C & F basis.

You are, therefore, requested to review all the cases that no overpayments have been made by declaring the amount wrongly. Report of review may be furnished by 30th November 1994, for the information of the Board.

(R. C. Chauhan)
Director, Finance (Stores)-I
Railway Board.

ANNEXURE IV/1-31

No. SC-22011/1/94-ASO. II . New Delhi, Dated 15th February 1995

Shri. Sushil Kumar,
Director Railway Stroes (F),
Railway Board, New Delhi-110 001.

Sub : **Shipment of governmental cargoes from other than U. S. A.**

Sir,

I am directed to refer to your 0. M. No. 84/RSF/749/Insp. dated 13th February 1995 on the above subject and to clarify that in all purchase orders, stipulation may be made that shipments to be arranged by Conference lines vessels and Indian members lines vessels are also utilised wherever possible. A copy of O. M. No. CW/25-ASO. 11(1)72 dated 8th June, 1982 regarding procedure and prescribed shipping clauses to be incorporated in purchase orders is enclosed herewith for necessary guidance and compliance.

Yours faithfully
Sd/-
(TARSEM KUMAR)
Asstt. Shipping Officer,
Tele: 3719480

Encl: As above

ANNEXURE IV/1-32

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 85/RSF/794/5 New Delhi, Dated 5th December 1995

1. The General Manager (Stores),
   All Indian Railways Including
   CLW, DLW, ICF, RCF
2. Director General,
   RDSO, Lucknow.
3. The General Manager,
   Wheel & Axle Plant,
   18, Millers Road,
   Bangalore.
4. Chief Administrative Officer,
   COFMOW, Tilak Bridge,
   New Delhi-1.
5. Chief Administrative Officer,
   Diesel Component Works,
   Patiala.

Sub : **Govt. Deptt/Public Sector Projects/Undertakings contracting on FOB/FAS imports & C & F/CIF exports shipping arrangements through the Ministry of Surface Transport (Chartering Wing procedure regarding.**

On the above stated subject matter, it has been decided to follow the existing instructions of Ministry of Surface Transport Circulated *vide* Board's letter of even No, dated 13th October 1987, till a new policy is formed.

In this connection a copy of Ministry of Surface Transport's (Chartering Wing)'s O.M, No. SC-11011/1/86-ASO II dated 26th June 1987, alongwith a copy of O. M. No. CW/25-ASO-II (1)/72 dated 22nd August 1985 is enclosed for information and guidance.

Please acknowledge receipt.

Enclosure: As above

Sd/-
(SUSHIL KUMAR)
Director Railway Stores (F)
Railway Board.

NO. SC-11011/1/86-AS011 New Delhi Dated 26th June 1995

OFFICE MEMORANDUM

Sub : **Govt. Departments/Public Sector Projects/Undertaking contracting on FOB/FAS imports and C & F/CIF exports Shipping arrangements through the Ministry of Surface Transport, Chartering Wing-procedure regarding.**

Copy of Ministry of Surface Transport (Chartering Wing)'s O. M. No. SC-11011/1/B ASO11 dated 26th June 1987 alongwith a copy of O. M. CW/25-ASO. 11 (1)/72 dated 22nd August 1985 from Shri B. S. Narula, Shipping Coordination Officer.

The undersigned is directed to invite attention to this Ministry's O. M. No. CVH AS011 (1)/72 dated the 22nd August 1985 on the above subject (copy enclosed) in which the procedure to be followed for arranging shipment of Governments owned/ controlled cargoes through the Chartering Wing (TRANSCHART) of this Ministry has been summarised.

2. As mentioned in the said O. M. dated 22nd August 1985, according to genarel policy of Government, contracts for imports from abroad are to be finalised on FOB/FAS basis and those for exports from India on C & F/CIF basis and prior concurrence is required to be obtained from this Ministry before making any departure there from. Two copies each of all the contracts whether FOB/FAS or C & F/CIF/FOR/TORNKEY in respect of both imports and exports along with cargo particulars in the prescribed proforma (in duplicate) are also required to be furnished to this Ministry as soon as the contracts are finalised for taking further necessary action with regard to shipping arrangements.

3. As mentioned in para 2 (iv) of the above cited O. M. dated 22nd August 1985, a consolidated monthly statement indicating brief details of all the import/export contracts finalised during each of month is also required to be furnished to this Ministry by the 15th of the following month on a regular basis in the prescribed, proforma.

4. It has been observed that some of the Departments/Public Sector Undertaking/ projects are not furnishing copies of the purchase/sale contracts and the consolidated monthly statement to this Ministry on a regular basis. In this connection the Audit have pointed out that in the absence of such information, Chartering Wing is not able to exercice proper control over shipments and cases where there is departure from the existing policy of buying and selling as envisaged. It is, therefore essential that two copies each of all the import/export contract along with cargo particulars (induplicate) are furnished to this. Ministry by ail concerned as soon as the contracts are finalised and a consolidated monthly statement indicating brief details of the contracts finalised during each month is also| furnished by 15th of the following month on a regular basis. In case no contract is finalised during any particular month, a nil statement should also be sent.

5. There has been prolonged recession in freight market the world over and all maritime countries are adopting various measures to assist their own national lines. The Indian Shipping industry is facing great hardship due to prolonged recession in freight market and there is very urgent need to provide maximum cargo support to Indian Vesseis. It is, therefore, requested that all the purchasing/selling authorities may be advised to follow the policy of buying on FOB/FAS and selling on C & F/CIF basis scrupulously in order to retain control over shipment and arrange shipment by Indian Vessels to the maximum extent possible and obtain prior concurrence from the Chartering wing (TRANSCHART) of this Ministry before making any departure there from.

6. It is requested that the above may kindly be brought to the notice of all the Public Sector Undertakings/Projects, Purchasing/Selling Organisations under the administrative control of the Ministries/Departments concerned for compliance. A copy of the instructions issued may also be endorsed to this Ministry.

ANNEXURE IV/1-33

GOVERNMENT OF INDIA

MINISTRY OF SURFACE TRANSPORT
(CHARTERING WING)

No. SC-11014/1//94-ASO. II/VOL III

New Delhi,
Dated 27th February 1996.

OFFICE MEMORANDUM

Sub : **Ocean transportation of cargo under the control of Government/Public Sector Undertakings—review of the policy regarding.**

The undersigned is directed to say that as per the existing policy of Government of India all import contracts are to be finalised on FOB (Free on Board/FAS (Free Alongside Ship) basis and those for exports on C & F (Cost and Freightt/GIF (Cost, Insurance, Freight) basis in respect of Government owned/controlled cargoes on behalf of Central Government Departments/State Government Departments and Public Sector undertakings under them and in case of any departure there from, prior permission is required to be obtained from the Chartering Wing of the Ministry of Surface Transport on a case to case basis. The shipping arrangements are centralised in the Ministry of Surface Transport. These instructions about FOB/FAS purchases and C & F/CIF sales and entering into contracts where the element of foreign exchange expenditure is minimum already stand incorporated in the General Financial Rules of the Government.

Based on the difficulties/problems, as intimated by certain Government Departments/ Public Sector Undertakings in the changed context of economic liberalisation, the thrust on performance improvement and competitiveness of Public Sector Undertakings, decanalisation of certain cargoes, Government has undertaken a through review of the above policy at various levels and it has now been decided by the Government that: —

(i) Government policy for **import contracts** to be finalised on **FOB/FAS** basis and for exports on **CIF** basis in respect of Government owned/controlled cargoes on behalf of Central Government Departments/State Government Departments and Public Sector Undertakings under them and centralised shipping arrangements through the Ministry of Surface Transport (Chartering Wing) in association with the concerned user Ministry/Department/PSU may continue.

(ii) Prior permission is required to be obtained from Ministry of Surface Transport on a case to case basis in case of any departure from the above policy. However, Ministry of Surface Transport shall ensure disposal of such requests within four working days on receipt of the complete information/request from the concerned Ministry/PSU.

(iii) Ministry of Surface Transport, Chartering Wing to ensure full utilisation of suitable Indian vessels in case they are able to meet the indentor's requirements at competitive rates and are able to maintain the time schedule.

(iv) In case of import of bulk quantities like fertilisers, coal, foodgrains etc. where freight element is substantial, a representative from Ministry of Surface Transport

may be invited to participate in the discussions for advising on the shipping aspects of import/export contracts.

(v) Ministry of Surface Transport should make all out efforts to finalise vessels, Indian or foreign, at the most competitive rates and before fixing the vessels, prior approval of the indenting department/PSU should be obtained.

(vi) In order to make imports and exports cost-effective and for judicious use of foreign exchange, Ministries/Departments should ensure imports on **FOB/FAS** and exports on GIF basis failing which necessary **No Objection Certificate (NOC) should be obtained from** Ministry of Surface Transport (Chartering Wing) while applying for release of necessary foreign exchange for the purpose of chartering foreign vessels and for making freight payment in foreign currency.

(vii) The tendering system to be followed by Ministries/Departments/PSUs will be standardised. The Cabinet Secretariat will initiate appropriate action in this regard.

3. It is requested that above decision taken by the Government of India may kindly be brought to the notice of all the Public Sector undertakings /Projects/ Autonomous Bodies/ Purchasing & Selling Organisations under the Administrative Control of Ministries and Departments concerned and they may be advised to follow the prescribed procedure for arranging shipment of their cargoes through Chartering Wing (popularly known by its Cable Address "TRANSCHART" in the shipping circle, the world over) of this Ministry and incorporating the prescribed Shipping Clauses in the purchase order/contracts. They may also be instructed to send copies each of the contracts in respect of both exports as well as imports, alongwith cargo particulars like weight, volume loading port, discharging port, loading rate, discharging rate period of shipment, parcel size and anyother specific condition relating to shipment of cargoes etc. to this Ministry as soon as the same are finalised, for taking further necessary action with regard to the shipping arrangements.

4. A copy of the instructions issued may please also be endorsed of this Ministry.

Sd/-
(T. V. SHANBHAG)
Chief Controller of Chartering

ANNEXURE IV/1-34

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 97/RS (G)/779/18

New Delhi
Dated 28th November 1997
2nd December1997

The General Manager (Stores),
All Indian Railways & Production Units,
Metro Railway, Calcutta,
R. E./Allahabad.

Sub : **Inclusion of a Clause in global tenders to protect Railways interest due to exchange rate variation**.

In a case detected by Audit, the Railway Administration had to incur extra expenaditure towards payment of Import Duty on account of variation in the currency exchange rate in a Global contract in which during the extended delivery period, the FF appreciated against the Indian Rupee. Since there was no clause in the contract to enable Railway Administration to recover the extra amount of import duty from the firm, the loss had to be suffered by Railway Administration.

In order to avoid repetition of above, Board has decided that the following clause may be incorporated in the Bid documents as well as while granting DP extension in Global tenders.

"That any additional expenditure incurred by the purchaser on custom duty, freight charges as also extra cost which may arise on account of variation in exchange rate during the extended delivery schedule shall be borne by the contractor".

This issues with the concurrence of Finance Dte of Ministry of Railways.

Please acknowledge receipt.

Sd/-
(ASHOK KUMAR)
Dy. Director, Rly. Stores (G)
Railway Board

ANNEXURE IV/1-35

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 96/RS (G)/11/13/Misc/Pol. New Delhi, Dated 22nd December 1997

The General Manager (Stores),
All Indian Railways/PUs

Sub : **Criteria for evaluation and comparison of bids in import tenders date of exchange rate to be adopted.**

Ref. : Board's letter No. 92/F. Ex. 01/1 dated 10th August 1994.

A copy of the Railway Board's letter No. 92/F(FEX)1/1, dated 10th August 1994 on the above subject is forwarded herewith for information and compliance.

Please acknowledge receipt.

(P. P. KUMAR)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE IV/1-36

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 99/F (FEX) 1/1

New Delhi,
Dated 3rd February 1999.

The General Manager(s)
All Indian Railways/Production Units
Metro Railway, Calcutta.
The Director General, R. D. S. O., Lucknow.
The CAO, DCW, Patiala.
The CAO, COFMOW, New Delhi.

Sub : **Evaluation of Tender Bids—Discount and exchange Rates to be adopted.**

A copy of Office Memorandum No. 4(1)FEB. I/EEC. Vl/98 dated 22nd December 1998 received from Ministry of Finance (Department of Economic Affairs) on the above subject along with its enclosures is sent herewith for information and guidance.

End.: As above

Sd/-
(K. GANGADHARAN)
Dy. Director, Finance (L & F)
Railway Board.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

F. No. 4(1)FEB. I/EEC. Vl/18

New Delhi,
Dated 22nd December 1998.

OFFICE MEMORANDUM

Sub : **Evaluation of Tender Bids—Discount and Exchange Rates to be adopted.**

The undersigned is directed to refer to this Department's O. M. No. 4 (2)FEB. 1/96 dated 13th February 1997 (copy enclosed for ready reference) on the above mentioned subject and to forward herewith a statement of the revised discount rates which is the average of CIRRs of different currencies during the preceding six months, to be adopted for evaluation of financial packages in the quarter January-March 1999 as indicated in the Annexure.

Sd/-
(S. K. VERMA)
Under Secretary to the Govt. of India

1. All Financial Advisers of all Ministries/Departments of Govt. of India
2. All Officers of the rank of Under Secretaries and above in the Department of Economic Affairs.

Discounting Rates to be adopted for evaluation of Tender Bids for the quarter January-March 1999

	Currencies	Discounting Rate
1.	Sterling	6.81
2.	US $ upto 5 years	6.11
3.	US $ above 5 years	6.11
4.	DM	5.16
5.	Yen	2.23
6.	Australians	6.16
7.	Canadian $ upto 5 years	6.21
8.	Canadian $ above 5 years	6.19
9.	Danish Kroner	5.64
10.	Dutch Florins upto 5 years	5.09
11.	Dutch Florins above 5 years	5.30
12.	ECU	5.08
13.	Finnish Marks	5.35
14.	French Francs	5.36
15.	Italian Lire	5.58
16.	Norwegian Krona	6.54
17.	Spanish Pesta	5.31
18.	Swedish Krona	5.66
19.	Swiss Francs	4.05
20.	Australian Schilling	5.28
21.	Belgian Francs	5.59
22.	New Zealand $	7.45
23.	Irish Punt	5.28

GOVERNMENT OF INDIA

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
FEB. II SECTION

F. No. 4/2/96-FEB. II New Delhi, Dated 13th February 1997.

Sub : **Evaluation of Tender Bids—Discount and Exchange Rates to be adopted.**

With reference to Ministry of Finance (Department, of Economic Affairs) Office Memorandum No. 4(5) FEB. 1/88 dated 28th December 1988 on the subject cited above the, undersigned is directed to state that the discount rates for foreign currencies are notified by this Department every quarter for enabling the procuring agencies to determine the real benefit (or grant element) in credit offers. The rates circulated were based on a formula adopted by OECD taking into account the periodical changes in the domestic interest rates in various

currencies as reflected by the Commercial Interest Reference Rates (CIRR). This provided weightages to the uniform discounting rates of 10% and CIRR in the ratio 25 : 75.

2. In 1992, the OECD changed their procedure, and the formula followed by DEA, for iculating the Differential Discount rates was as follows: —

(i) Where the average CIRR of a currency during the preceding 6 months is less than 10% the discounting rate is calculated by taking average CIRR plus 25% of the differential between that rate and 10%. For example, if the average was 9%, the corresponding discounting rate for the currency would

be 9% + 25% (10—9) = 9.25.

(ii) Where the average CIRR during the preceding 6 months is 10% or more, the discounting rate would be equal to the average CIRR.

3. The above formula no longer reflects OECD practice, which changed in September, 1994 and again in September, 1996. The September, 1996 change reflects the full transition to a market based set of rates, or movement away form a uniform 10% DDR to a more "market oriented" rate which better reflects the underlying costs of funds. It was considered by the OECD that such rates more accurately reflected the concessionally level of tied loans.

4. Accordingly, it has been decided that the Department of Economic Affairs will notify the Differential Discounting Rates for major currencies based on the revised formula as described below. The Differential Discount Rates are to be calculated as follows: —

$$DDR = CIRR^{*}$$

* CIRR is the average of CIRR of each currency for the previous six months.

5. The procedure for conversion of foreign currency bids will, however, remain unchanged. Such conversion of foreign currencies into rupees is to be done taking into account the BC selling rate of State Bank of India on the date of opening of price bids.

6. In all cases, the notified discount rate prevailing on the date of opening the price bids will be taken into account for purposes of evaluation of credit packages.

7. A table giving the Differential discounting Rates for major currencies for the quarter January-March 1997 is attached herewith.

8. Further, it has also been decided that the option to ask for credit package in tender notices should be left entirely to the PSUs (Public Sector Undertakings) i. e. it should not be mandatory. However, if credit packages are available and these are beneficial to the PSUs, they should be availed. In case a PSU opts to ask for credit packages, then in the interests of transparency this should be intimated in the tender notices so that bidders are aware of this fact before tendering their bids.

This issues with the approval of Secretary (Expenditure).

Sd/-
(JAYA BALACHANDRAN)
Deputy Secretary (EEC)

1. All Financial Advisers in the Ministries/ Departments of Government of India.
2. All officers of the rank of Under Secretaries and above in the Department of Economic Affairs.

ANNEXURE-IV/1-37

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 96/RSF/794/1 New Delhi, 14th December 1999

The General Manager (Stores),
All Indian Railways including CLW, DCW, ICF, RCF.

Sub : **Govt Deptt./Public Sector Projects/Undertakings/ Autonomous Bodies contracting of FOB/FAS imports and CIF exports shipping arangements through the Ministry of Surface Transport (Chartering Wing) from various sectors-procedure regarding**.

On the above stated subject matter a copy of the Ministry of Surface Transport (Chartering Wings), Office Memorandum No. SC-18013/1/98-ASO-II dated 16th November 1999 is enclosed for information and guidance.

Please acknowledge receipt.

Sd/-
(A.K.Duhoon)
Director, Railway Stores (F),
Railway Board.

TEELEGRAMS TRANSCHART
Telex Vahan In
31-61157,3161158,31-61159
Fax No.3710356,3719480

1, Parliament Street,
Parivahan Bhavan,
New Delhi-110 001

GOVERNMENT OF INDIA

MINISTRY OF SURFACE TRANSPORT

(Chartering Wing)

No.SC-18013/1/98-ASOII New Delhi, 16th November, 1999

OFFICE MEMORANDUM

Sub : **Govt Deptt./Public Sector Projects/Undertakings/ Autonomous Bodies contracting of FOB/FAS import and CIF exports shipping arrangement through the Ministry of Surface Transport (Chartering Wing) from various sectors-procedure regarding.**

The undersigned is directed to say that as per general policy of Government of India, all import contracts have to be concluded on FOB/FAS and those for exports on CIF basis in respect of Government owned and controlled cargoes on behalf of Central/State/ Union Territory Govt. Deptts./Public Sector Undertakings Autonomous Bodies and shipping arrangements are centralised with Chartering Wing of Ministry of Surface Transport. For any departure from the above policy, prior approval of this Ministry is required. The policy provides

for grant of waivers in suitable cases where it is found not possible to follow the said policy. The policy provides for grant of waivers in suitable cases where it is found not possible to follow the said policy.

2. The shipping arrangements are being made by Chartering Wing, Ministry of Surface Transport by using Indian flag vessels and if no suitable Indian vessels are available in the required position, foreign flag vessels are chartered. Shipping arrangements in respect of Government general liner cargoes are being made by this Ministry through respective Government of India's freight forwarders like M/s. Schenker International, Hamburg, (in respect of shipment from UK/Continent) M/s. OPT, USA etc. in respect of shipment from US Gulf/Canada and South America). Shipment of general

3. In order to ensure compliance of the prescribed procedure and also compliance with the transportation agreement signed by Government of India with M/s. Schenker International Hamburg, M/s. OPT Overseas, USA, all the government of and State Government Departments, Public Sector Undertakings, Projects are requested to incorporate prescribe in their purchase contracts that all shipment should be made through Government of India's freight forwarders only and the same may also be incorporated in the letter of credit to ensure shipping arrangements through the Vessels of Members of the Conference and appointed freight forwarders.

4. It has been brought to the notice of this Ministry that some of the Public Sector Undertakings are not following the above policy and shipping arrangements are made through other than GOI appointed freight forwarders. It has been further brought to the notice of this Ministry that some of the Indian freight forwarding companies are claiming to have been appointed as freight forwarders by M/s. Surface Transport which is not correct. Therefore, it is advised that Government of India and State Government Departments and Public Sector Undertakings should ensure shipment throu Government of India freight forwarders (as indicated above) only and should not entertc anyother freight forwarder in this regard.

5. It is requested that the above may kindly be brought to the notice of all the Public Sector Undertakings/Projects/purchase and selling organisations under the administrativ control of the Ministries/Departments concerned and they may be advised to follow the prescribed procedure for arranging shipment of their cargoes through Chartering Wing (Transchart) of this Ministry and incorporate the prescribed shipping clauses in the import export contracts.

Sd/-

(T. V. SHANBHAG)

Chief Controller of Chartering

Tele. 3710356

To

1. All Ministries/Departments (2 copies)
2. Chief Secretaries of State Governments

ANNEXURE-IV/1-38

Ministry of Railway, (Railway Board)

No. 2002/F(FEX)1/ 1 New Delhi dt 28.2.03

Sub : **Delegation of powers to COS for purchase through imports.**

In continuation of Board's letter of even no. dated 9.1.2002 whereby GMs powers for purchase of imported stores have been enhanced from Rs. 2 crore to Rs. 4 crore, Board

have now decided that once permission to import has been granted by GM, COS may be authorized to finalize purchase involving foreign exchange upto Rs. 1 crore with concurrence of FA&CAO.

(S. Balachandran)

Executive Director, Finance (RM)

Railway Board.

ANNEXURE-IV/1-39

Government of India
Ministry of Railways
Railway Board

No.99/RS(G)/379/1(6/03) New Delhi, dated 23/05/2003.

Sub : **Inspection of Safety / Critical items by RA /DRA, purchased from Europe for use in India.**

It has been noticed that limited quantities of few safety-critical items e.g. Wheel sets/Wheels, Roller Bearings, Rails etc. are being purchased from Europe by IRCON/RITES/Wagon Builders, most of which are intended for use on Indian Railway system. Board after careful consideration have found it necessary that such items should also undergo same level of quality assurance as applicable for other items procured by Indian Railways.

Board have therefore, decided that items purchased by IRCON/RITES/Wagon Builders from Europe for making their use on Indian Railway system, should be pre-inspected by Railway Adviser-Berlin/ Dy. Railway Adviser-Paris in order to ensure the same level of Quality Assurance as IR items.

IRCON/RITES and Wagon Builders are requested to make necessary arrangements for the same.

-Sd-
(P.S.Meena)
Dy. Director, Railway Stores(G)

ANNEXURE-IV/1-40

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. F(X)II-2007/PW/4 New Delhi, Dated:14/11/2007.

General Manager/ All Rlys & PUs

Sub: **Delegation of Powers to General Managers.**

Ref : Board's letters of even number dated 21/09/2007 and 30/10/2007.

In partial modification of the powers delegated to the General Managers vide Board's letter of even number dated 21/09/2007, item no.47 may be amended to read as under:

Item no.47: i). To enter into contracts in respect of sanctioned works in excess of Rs.100 crore for each contract (Works Contracts) and

ii). To enter into contracts in respect of purchase of stores in excess of Rs. 50 crore for each contract (Stores Contracts)

Sd/-
(Prabhat Kumar Sinha)
Director Finance (Exp)
Railway Board.

ANNEXURE-IV/1-41

Government of India **RBS 21/2008**
Ministry of Railways/Railway Board

No. 2003/RS(G)/777/1 Dated 08/08/08

General Manager/All Indian Railways & Pus including NF(C)

Sub : **Procedure for determination of the level of tender committee and tender acceptance authority in case of offers received in foreign currency (on FOB/C&F/CIF basis)**

1.0 In the meeting of Controllers of Stores, held in the office of Railway Board on 6th of June, 2008, a question was raised by one of the Zonal Railways whether the offers received against a Global Tender in foreign currency (FOB/C&F/CIF) should be evaluated on the basis of all inclusive landed cost for determining the level of tender committee and tender acceptance authority, as per Board's letter No. 99/RS(G)/709/1 dated 03-05-2005, or should be evaluated on CIF basis as directed in Board's letter No. *87/RS(G)/77712* dated 20-08-1987.

2.0 The matter has been examined in consultation with associate finance and accordingly, it is clarified that for all tenders:

2.1 Offers in foreign currency, are usually received on FOB or C&F basis. These offers are to be evaluated in the following manner to arrive at total cost of the offers for determining the level of tender committee and tender accepting authority:

(a) CIF cost is to be calculated by adding freight as per rates of Shipping Corporation of India (SCI) (in case of FOB offers) & insurance charges as per Board's open cover policy. In case of C&F offers, only insurance charges are to be added.

(b) Assessable Value is to be calculated by adding Port landing charges @ one percent with the CIF cost as per Customs Rules. Aggregate Customs Duty is to be calculated on the assessable value and the total landed cost is to be worked out by adding the assessable value with the aggregate Customs Duty.

(c) Thereafter, other charges as leviable and as required in terms of tender conditions (*viz,* training, installation & commissioning charges etc. as quoted, if any) are to be added to the total landed cost to arrive at the total cost of the offer.

2.2 Conditions as detailed in Para 2.1 above are to be included in the evaluation criteria in the tender conditions.

3.0 It is further clarified that indigenous offers shall continue to be evaluated on the basis of total cost including all duties & taxes etc., in terms of Board's letter no. 99/RS(G)170911 dated 03-05-2005.

4.0 This issues with the concurrence of Finance Directorate of Ministry of Railways.

5.0 This disposes South Western Railway's letter No. S/IV(4)/Purchase Policy/2006-07 dated 25-08-2006.

SD/-
(Aruna Jain),
DRS(G)-II, Rly Board

ANNEXURE-IV/1-42

Specimen Copy of bid document for Import

Annexure-1

To
THE PRESIDENT OF INDIA
Acting through the Controller of Stores,
Southern Railway, Chennai,
Tamil Nadu, India

This *proforma* is to be used only for offers of imported goods by Group C tenderers See Clauses 10.1& 10 of Instructions to tenderers

OFFER FORM for tender No……..….Date of opening……..…..Time……..….. Hours

1. We…….. Hereby certify that we are established firm of manufacturers M/s……. with factories of …….. Which are fitted with modern equipment and where the production methods, quality control and testing of all materials and parts manufactured or used by us are open to inspection by the representative of Indian Railways. We hereby offer to supply the following items at the prices and within the period of delivery indicated below:

Items No.	Description	Specification	Unit	Qty	Price per unit exclusive of Agency Commission in the Currency/ currencies of Manufacturers country, countries or US $		Agency Commission per unit (in the currency /currencies of manufacturers Manufacturers country, countries or US $	Total CIF value of other per unit (inclusive of agency commission in the currency/currencies of Manufacturers country, countries or US $	Terms of payment	Delivery period	Gross Weight & dimensions of package per unit
1	**2**	**3**	**4**	**5**	**6**		**7**	**8**	**9**	**10**	**11**
					FOB Part of C&F Indian country of supply 6(a)	CIF Port Indian 6(b) port 6(c)		[6 (c) +7]			
Break up of CIF price per unit in Column 8											

FOB	Freight	Insurance	Agency commission	Total

2. We are agreeable to payment of agency commission to our agents in India in non convertible Indian rupees. The relevant information is given below.
   (To be filled in by the tenderer)
   a) The name and address of the agent:
   b) Service to be rendered by the agent:
   c) Amount of remuneration for the agent.
3. It is hereby certified that we have understood the Instructions to tenderers and also the general and special conditions of contract attached to the tender and have thoroughly examined specifications, drawings and/or pattern, quoted in the schedule of requirements and are thoroughly aware of the nature of stores required and our offer is to supply stores strictly in accordance with the requirements and according to the terms of the tender. We agree to abide solely by the general and special conditions of contract and other conditions of the tender in accordance with the tender document if the contract is awarded to us.
4. We hereby offer to supply the stores detailed above or such portion thereof as you may specify in the acceptance of tender of the price quoted and agree to hold this offer open for acceptance for a period of 150 days from the date of opening of tender, we shall be bound by the communication of acceptance dispatched with in the prescribed time.
5. Earnest money/Bid guarantee for an amount equal to ……. is enclosed in form specified in Clause 6 of Instructions to tenderers.

Dated:…….

Note: 1. The tenderers may prepare their own offer forms as per this *proforma*
2. No change in *proforma* is permissible.
3. No erasures or alterations in the text of the offer are permitted. Any correction made in offer shall be initalled by the tenderer.
4. Please refer to Clause 3.2 of Instructions to tenderers before filling Column 8.
5 FIGURES in columns 6 to 9 (Both inclusive) should be in both figures and words.

Signature and seal of Manufacturer/ Tenderer

Annexure-2

To
THE PRESIDENT OF INDIA
Acting through the Controller of Stores,
Southern Railway, Chennai,
Tamil Nadu, India

This *proforma* is to be used only for offers of indigenous goods by GroupA & B tenderers See Clauses 10.9 of Instructions to tenderers.

OFFER FORM for tender No…….Date of opening……..Time……. Hours

1. We……. Hereby certify that we are established firm of manufacturers M/s……. with factories of ……. Which are fitted with modern equipment and where the production methods, quality control and testing of all materials and parts manufactured or used by us are open to inspection by the representative of Indian Railways. We hereby offer to supply the following items at the prices and within the period of delivery indicated below:

Item No	Description	Specification	Unit	Qty	Price per unit (FOR destination) In Indian Rupees	Total value of offer In Indian Rupees	Terms of payment	Delivery Period	
1	2	3	4	5	6	7	8	9	
Break up of price in Column 6 (in Indian Rupees)									
Ex factory Price	Excise Duty	Other Levies	Sales tax	Packing & Forwarding In detail	FOR Station of Dispatch price	Freight to Destination	Insurance charges (if any	FOR destination	Total (in Indian Rupees)
a	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**	**j**
Break up of ex-factory price in Column 10 (a) (in Indian Rupees) & dimension of package per unit								Gross weight	
11								12	
CIF value or imported equipment/components	Duties on 11 (a)	Other levies	Incidentals	Value added component in India	Total ex factory price		Country of origin from where components are imported		
a	**b**	**c**	**d**	**e**	**f**		**G**		
Overheads and others					**Stores**		**Labour**		

Value in Indian Rupees :……..
% age :…….

2 It is hereby certified that we have understood the Instructions to tenderers and also the general and special conditions of contract attached to the tender and have thoroughly examined specifications, drawings and/or pattern, quoted in the schedule of requirements and are thoroughly aware of the nature of stores required and our offer is to supply stores strictly in accordance with the requirements and according to the terms of the tender. We agree to abide solely by the general and special conditions of contract and other conditions of the tender in accordance with the tender document if the contract is awarded to us.

3. We hereby offer to supply the stores detailed above or such portion thereof as you may specify in the acceptance of tender of the price quoted and agree to hold this offer open for acceptance for a period of 150 days from the date of opening of tender, we shall be bound by the communication of acceptance dispatched with in the prescribed time.

4. Earnest money/Bid guarantee for an amount equal to ……. is enclosed in form specified in Clause 6 of Instructions to tenderers.

Dated:……. Signature and seal of Manufacturer/Tenderer

Note: (i) The tenderers may prepare their own offer forms as per this proforma

(ii) No change in *proforma* is permissible

(iii) The tenderers should indicate whether they possess the necessary industrial licence from Govt of India for manufacturing and marketing the items offered. If where a collaboration with a foreign firm for manufacturing of items offered is involved, the details of the small should be indicated.

(iv) No erasures or alterations in the text of the offer are permitted. Any correction made in offer shall be initialed by the tenderer

(v) The detailed break up of ex factory price should be indicated here and if so required by the purchaser the tenderer shall produce satisfactory proof in regard to the reasonableness of the same

(vi) The foreign exchange needed for the import of the components and import licence where necessary should be arranged by the suppliers. The purchaser will however render assistance required in this regard (Clause 18 of Instructions to tenderers)

(vii) FIGURES in columns 6,7,10 & 11 should be in both figures and words

(viii) Tenderers offering indigenous goods (Group A & B offers) may also take into account in their bids any benefits available for supplies against IDA/IBRD credit through international competitive bidding regarding deemed exports ascertaining from the appropriate Govt agency/agencies

Annexure-3

PROFORMA FOR PERFORMANCE STATEMENT
(For a period of last 3 years)

Tender No…….. Date of opening……Time……Hours…….

Name of the firm……

S.No.	Order placed by (Full address of purchaser)	Order No. & date	Description and qty of stores ordered	Value of order	Date of completion of delivery (as per actual contract)	Remarks indicating reasons for late delivery if any	Has the equipment been satisfactorily commissioned & is it giving trouble free service?

Signature and seal of Manufacturer/Tenderer

ANNEXURE V

ANNEXURE V/1-01

Copy of letter No. 57/779/81 RS(G) dated 21st December 1959 to the General Managers, All Indian Railways, C.L.W. etc.

Sub : **Acceptance of supply of stores excess or short of the quantity stipulated on Purchase orders.**

Ref : Board's letter No. 57/779/8/RS (G) dated 26th November 1957.

In partial modification of the orders contained in para 2 of Board's letter No. 57/779/8/RS (G) dated 26th November 1957 in the above subject, the Board have decided that a stores contract may be treated as '**complete**' without reference to the indentor and issue of any amendment to the purchase order the deliveries are short or in excess upto 5 per cent of the total value of the contract or Rs 1,000/- whichever is less subject to the condition that as a result there of the limit imposed on the purchasing powers of the purchase officer is not exceeded. In such cases payments may be made for quantities actually delivered without issue of the fatal amendments to the purchase order. The amendments of the purchase orders may not also be made in the cases where the value of the excess short supply does not exceed Rs, 100 irrespective of the percentage of the excess or shortage to the total value of the order. The Depot Officers in-charge of stores depots and Inspecting Officers of the Inspection and Receipt Depots and District Officers of Consuming Departments may be authorised to accept excess/short supplies accordingly.

2. They may also be authorised to accept excess supplies upto 5 per cent or Rs. 1,000/- whichever is less even in cases Where the acceptance of such excess supplies will take the total value of the supplies beyond the purchasing powers of the purchase officers subject to the condition that the total value of the supplies does not exceed the limit of normal purchase powers of the Controller of Stores. In such cases, a monthly statement may be sent in triplicate by them to the Controller of Stores for formal *ex-post facto* sanction. The Controller of Stores may return one copy of each of the statements duly approved the Officers from whom they have been received and forward another copy to the Chief Accounts Officer for necessary action.

3. Instruction in para 1 and 2 will not apply to excess/short supplies against orders placed by officers under their own powers of local petty purchases in terms of **Para 711-S** in which cases the limit of 5 per will apply.

ANNEXURE V/1-02

Copy of letter No. 56/796/AS (G) dated 30th April 1962 received from Shri J. P. Moorjani Dy. Directors, Railway Stores,, Railway Board,, New Delhi, addressed to General Managers and C. A. O. (R)/I. C. F./Perambur.

Sub : **Purchase of Stores at Higher Cost for earlier delivery.**

Apropose the implementation of orders contained in Board's letter No. 56/796/RS (G) dated 23rd February 1961, a question was railed in the 17th Periodical Meeting of the Controllers of Stores with the Board whether the contractor, whose higher rate has been accepted in consideration of earlier delivery date should be given proportionate reduction in

rate depending on the period of delay in supply or the lowest rate passed over on account of prolonged delivery. This aspect of the question has been considered in the light of the procedure obtaining in the D.G.S.& D. Although rights are reserved under the terms of the contract to enforce recovery to the fullest extent it has been decided that in such cases the Purchase Officer can exercise discretion to recover the price difference on proportionate basis in relation to the delivery period offered by the lowest acceptable tenderer in accordance with the following formula:

$$\text{Amount of Preference} = \frac{\text{Price Difference per unit X No. of units delayed X No. of days of delayed}}{\text{Difference (in days) in delivery Offered by the supplier on whom the Contract was placed and that of the lowest acceptable Tender.}}$$

However, in case where the supply is made after the date of delivery offered by the lowest acceptable Tenderer whose offer has been ignored, the entire amount of price preference should invariably be recovered

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ANNEXURE V/1-03

Copy of Board's letter No. 73/RS (G)/779/59 dated 22nd January 1977 received front Shri B. P. Mehtani, Dy. Director, Railway Stores (G) Railway Board, New Delhi, addressed to General Managers, All Zonal Railways, Production Units etc.

Sub : **Acceptance of Stores despatched after the expiry of delivery period by the Consignee.**

As and when stores are tendered for inspection at the fag end of the delivery period as the result of which its inspection is to be carried out after the expiry of the delivery period, and the consignee accept she stores despatched after the expiry of the delivery period the action of the consignee in accepting the stores despatched after the expiry of the delivery period has the effect keeping the contract alive there by jeopardising the interest of the purchaser either to levy L/D for delay in supplies or to cancel the contract at the risk and expense of the firm.

2. The matter has been considered in consultation with the Department of Supply and the Ministry of Law. In this connection relevant extract from the Legal opinion given by Joint Secretary and Legal adviser, Ministry of Law (in a case concerning the Department of Supply) are reproduced below: -

" The granting of extension of D/P for the purpose of enabling the firm to supply the stores which have been inspected and found acceptable does not depend up on the circumstances whether the consignee is in need of the stores or not. The effect of the franking clause put upon the I/N at the time of issuing it is that the firm should apply the Department *i. e.* (D. G. S. & D.) and obtain an extension of the D/P and only thereafter despatch the stores.

In other words, without the concurrence of the Department, the firm should not despatch the Stores, Such concurrence, if sought by the firm, should normally be given subject to the right of the Department to claim L/D for which provision may be made in the A/L extending the D/P. If without obtaining such an A/L the firm choose to despatch the stores, they take the risk of the consignee not accepting the stores but calling upon them to obtain the A/L and the Department would not be liable for any demurrage that may accrue in such a case if they are informed accordingly."

In this view of the legal position; in cases where the stores are inspected and despatched after the expiry of the delivery period it will be possible for the purchaser to claim liquidated damages provided an extension letter granting extension of the delivery period is issued by the purchaser before the consignee actually accepts the stores despatched by the contractor. The Ministry of Law have also advised that in respect of stores despatched after the contract delivery period, it is open to the consignee to inform the Contractor that he should obtain the extension of delivery period and the delivery of the stores would be taken only thereafter. Such intimation by the consignee to the Contractor should be given soon after the receipt of R/R and the copy of the communication should also be sent to the purchaser. In addition, the consignee should also address the purchaser regarding grant of extension of the deliver period to enable him to take delivery of the stores.

3. In view of the legal advice referred to above it has been decided that in cases where the stores are despatched after the expiry of the delivery period the consignee should not take delivery of the same, but the consignee should inform the contractor that he should obtain from the purchaser an extension of the delivery period and only there after it would be possible to take delivery of the stores. A copy of the communication should also be sent to the purchaser. Such a communication should be sent to the contractor soon after the receipt of the R/R and simultaneously the consignee should also address the purchaser for the grant of extension of the delivery period. It is very essential that the consignee acts promptly in sending the communication referred to above.

4. In cases where the stores are tendered by the Contractor for inspection at the fag end of the contract delivery period and the inspection has to be carried out even after the expiry of the contract delivery period, the Inspecting Officer should write to the Contractor that such an Inspection continuing after contract delivery period is neither intended nor is to be construed as keeping the contract alive. The inspection note/notes should be issued by the Inspecting Officer with a franking clause both in the case of acceptance or rejection. Despite the inspection note/notes being franked, the contract would be kept alive if the consignee accepts the stores despatched after the expiry of the delivery period. In such cases it is neither possible for the purchaser to levy liquidated damages for delay in supplies nor to avail of any lower trend in price nor to cancel the balance quantity without giving performance notice.

5. The question of adopting remedial measures to safeguard Government's interest in such cases has been considered. It would be possible to safeguard Government's right if a special provision is incorporated in the Tender Enquiry and the resultant contract to cover the following:

(i) In the case of part quantity tendered at the fag end of the delivery period, provision should be made to reserve Government's right to cancel the balance quantity without any further reference to the Contractor at his risk and expense. If the part quantity tendered is acceptable extension in delivery period may be granted with liquidated damages and usual denial clauses. If the stores tendered for inspection are not acceptable, enabling provision should be made, to cancel the contract in respect of the same at the risk and expense of the contractor.

(ii) In cases where the full quantity has not been tendered for inspection and the purchaser chooses to grant extension in delivery period, the same would be subject to liquidated damages and usual denial clauses.

6. Accordingly it has been decided that in all future cases special clause as in Annexure-I should be incorporated in the Tender Enquiry and a clause as in Annexure- II

should be incorporated in the resultant contract. Cases where part quantity is tendered for inspection at the fag end of the contract delivery period and cases where entire quantity hat not been tendered for inspection within the contract delivery period should be dealt with under the provisions of the special clause incorporated in the contract.

7. This issues with the concurrence of Finance Directorate of Ministry of Railways.

ANNEXURE I

Special clause to be stipulated in the T/E.- In addition to the terms and conditions contained in I. R. S . Conditions of Contract, the contract if placed with you would also be governed by the following special conditions:

(1) In cases where only a portion of the stores ordered is tendered for inspection at the fag end of the delivery period and also in cases where inspection is not completed in respect of the portion of the stores tendered for inspection during the delivery period, the purchaser reserves the right to cancel the balance quantity not tendered for inspection within the delivery period fixed in the Contract at the risk and expense of the Contractor without any further reference to him. If the stores tendered for inspection during or at the fag end of the delivery period are not found acceptable after carrying out the inspection the purchaser is entitled to cancel the contract in respect of the same at the risk and expense of the Contractor. If however, the stores tendered for inspection are found acceptable, the purchaser may grant an extension of the delivery period subject to the following conditions: --

(a) The purchaser has the right to recover from the contractor under the provisions of clause 0702 (a) of I. R. S. conditions of Contract liquidated damages on the stores which the contractor has failed to deliver within the period fixed for delivery.

(b) That no increase in price on account of any statutory increase in or fresh imposition of customs Duty, Excise Duty, Sales Tax or on account of any other tax or duty liveable in respect of the stores specified in the Contract which takes place after the date of the delivery period stipulated in the contract shall be admissible on such of the said store as are delivered after the date of the delivery stipulated in the contract.

(c) That not withstanding any stipulation in the contract for increase, in price on any other ground no such increase which takes place after the date of the delivery stipulated in the Contract shall be admissible on such of the said stores as are delivered after the expiry of the deliver - period stipulated in the Contract.

(d) But nevertheless, the purchaser shall be entitled to the benefit of any decrease in price on account of reduction in or remission of Custom Duty. Excise Duty, Sales Tax or on account of any other tax or duty or on any other ground as stipulated in the price variation clause, which takes place after the expiry of the date of delivery stipulated in the Contract.

(2) The Contractor shall not despatch the stores till such as an extension in terms of para l (a) to (d) above is granted by the purchaser and accepted by the contractor. If the stores are despatched by the contractor before an extension letter as aforesaid is issued by the purchaser and the same are accepted by the consignee, the acceptance of the stores shall be deemed to be subject to the conditions (a) to (d) set out in paragraph 1 above.

(3) In case where the entire quantity has not been tendered for inspection within the delivery period stipulated in the contract and the purchaser chooses to grant an extension of the delivery period the same would be subject to conditions (a) to (d) mentioned in Paragraph 1 above.

ANNEXURE-II

Special Clause to be stipulated in the Contract.-In addition to the terms and conditions contained in the I. R. S. conditions of Contract, the contract would also be governed by the following special conditions:

(1) In cases where only a portion of the stores ordered is tendered for inspection at the fag end of the delivery inspection is not completed in respect of the portion of the stores tendered for inspection the delivery period, the purchaser reserves the right to cancel the balance quantity not tendered for inspection within the delivery period fixed in the contract at the risk and expense of the contractor without any further reference to him. If the stores tendered for inspection during or at fag end of the delivery period are not found acceptable after carrying out the inspection, the purchaser is entitled to cancel the contract in respect of the same at the risk and expense of the Contractor. If, however, the stores tendered for inspection are found acceptable, the purchaser may grant an extension of the delivery period subject to the following conditions: -

(a) That the Purchaser has the right to recover from the contractor under the provision of clause 0702 (a) of I. R. S. Condition of Contract liquidated damages on the stores which the contractor has failed to deliver within the period fixed for delivery.

(b) That no increase in price on account of any statutory increase in or fresh imposition of Customs Duty, Excise Duty, Sales Tax or on account of any other tax or duty liveable in respect of the stores specified in the contract which takes place after the date of the delivery period stipulated in the contract shall be admissible on such of the said stores as are delivered after the date of the delivery stipulated in the contract.

(c) That notwithstanding any stipulation in the contract for increase in price on any other ground no such increase which takes place after the date of the delivery stipulated in the contract shall be admissible on such of' the said stores as are delivered after the expiry of the Delivery period stipulated in the contract.

(d) But nevertheless, the purchaser shall be entitled to the benefit of any decrease in price on account of reduction in or remission of Customs Duty, Excise Duty, Sales Tax or on account of any other tax or duty or on any other grounds as stipulated in the price variation clause which takes place after the expiry of the date of delivery stipulated in the contract.

(2) The Contractor shall not despatch the stores still such time as an extension in terms of para 1 (a) to (d) above is granted by the purchaser and accepted by the Contractor. If the stores are despatched by the contractor before an extension letter as aforesaid is issued by the purchaser and same are accepted by the consignee, the acceptance of the stores shall be deemed to be subject to the conditions (a) to (d) set out in paragraph 1 above.

(3) In cases where the entire quantity has not been tendered for inspection within the delivery period stipulated in the contract and the purchaser chooses to grant an extension in the delivery period the same would be subject to conditions (a) to (d) mentioned in paragraph 1 above.

ANNEXURE V/1-04

Copy of letter No.78 (G)/779/59 dated22nd April 1977 received from Shri B. P. Mehtani, Dy. Director, Railway Stores, (G), Railway Board, Delhi addressed to General Manager, N.E. Railway, Gorakhpur.

Sub : **Acceptance of stores despatched after the expiry of delivery period by the Consignee**.

Reference your letter No. S/47112 (Volume II) dated 25th March 1977 on the above noted subject. The matter has been carefully examined by the Ministry of Railways in consultation with their Legal Cell. In this connection relevant extracts from the Legal advice are reproduced below-

" If the contractor opts to despatch the stores after the expiry of the delivery period without obtaining extension of the delivery period from the purchaser and accepting the terms on which the purchaser has granted extension either in writing or by conduct, he does so at his perils and risk and the purchaser/ consignee is not liable to any deterioration at the consignees end. In his own interest to avoid warfare, demurrage and deterioration of goods, the contractor should obtain the extension in the delivery period from the purchaser before despatching the stores when the delivery period had expired. The contractor cannot take it for granted that the purchaser shall invariably grant extension in the delivery period with/without any conditions."

2. Keeping in view the legal advice, the Ministry of Railways have decided that if the contractor makes supplies locally after the expiry of delivery period, the supplies should not be accepted unless and until the contractor has obtained extension in delivery period from the purchaser with or without any penal clause. As regards the supplies from outside contractors if the contractor despatches the stores after the expiry of the delivery period, the consignee should, soon after the receipt of R. R., send an intimation to the contractor stating that the action taken by him in despatching the goods after the expiry of the delivery period is at his own risk and responsibility and that the consignee is not liable for any demurrages wharfage and deterioration of goods at the destination station and in his own interest the contractor should get extension in delivery period from the purchaser. A copy of the communication sent to the contractor should also be sent to the purchaser.

3. In view of the above, the instructions contained in Ministry of Railways' letter of even number dated 22nd January 1977 do not call for any change and the same in conjunction with the instructions 'contained in para (2) above should be strictly adhered to.

4. This issue with the concurrence of Finance Directorate of Ministry of Railways.

5. Please acknowledge receipt.

ANNEXURE V/1-05

Copy of letter No. 73/RS (G)/779/59 dated 27th February 1980 received from Shri R. Krishnamurthy, Dy. Director, Railway Stores, Railway Board, New Delhi, addressed to General Managers, All Zonal Railways/Production Units etc.

Sub : **Acceptance of Stores despatched after the expiry of delivery period by consignee**

Ref : Ministry of Railway's letter Nos. 54/775/RS (G)/6 of 29th December 1960,73/RS (G)/775/dated 13th August 1975, 73/RS (G)/779/59 dated 29th August 1977**.**

Consequent upon issue of above mentioned letters, a reference has been received from a Zonal Railway seeking clarification on the instructions issued regarding acceptance of delayed supplies. The matter has been examined by the Ministry of Railways in the light of the present market conditions, and it is clarified that the Depot Officer/Inspecting order/consignee may exercise the powers at their discretion in accepting delayed supplies in respect of both indigenous and imported stores as per the following limits: —

	Value of Order	**Time limit**
(a) Orders valued unto	Rs. 25,000	Upto **6** months.
(b) Orders valued over	Rs. 25.000 upto 50,000.	Upto 21 days, provided **the** initial Delivery **period does not exceed 6 months.**

2. For all other orders, valued over Rs. 50,000 prior extension of delivery period from the Purchase Officer is necessary.

3. This limit time is not to be allowed in respect of the following categories of contracts/ orders.

(i). Contracts placed against urgent operational express and Works Programme indents.

(ii). Contracts where higher prices have been paid for earlier delivery.

(iii). Contracts for supply of stores subject to severe market fluctuations.

(iv). Contracts in which provision is made for recovery of pre-estimated damages.

In respect of such contracts the purchase officer should specifically mention in the purchase order that the grant of extension of time limit of 6 months/21 days will not apply by inserting the following clause: -

" The authority available to the Depot Officer/Inspecting Officer/Consignee to extend the delivery period within 6 months/21 days of the contract delivery period will not apply in respect of this purchase order".

ANNEXURE V/1-06

Copy of letter No. 80/RS (G)/779/22 dated 16th June 1980 received from Shri R. Krishnamurthy, Dy. Director, Railway Stores (G), Railway Board addressed to General Managers, All Indian Railways I. C. F. etc.

Sub : **Acceptance of supply of Stores excess or short of the quantity stipulated on Purchase orders.**

Reference Ministry of Railways letter No. 57/779/8/RS (G) dated 21st December 1959 wherein Railways, Production units have been authorised to accept excess or short supplies to 5 percent of the total value of contract or Rs. 1000/- whichever is loss. The matter has been reviewed and it has been decided to authorise the Depot Officer/Inspecting Officer/District Officers of consuming Department to accept the excess/short supply of the ordered quantity upto a limit of 5 percent of the value of contracts or Rs. 25,000/- whichever is less subject to the provision that the value of receipts does not exceed the normal purchase power of the Controller of Stores. The Purchase order may be treated as completed if the deliveries are short/in excess upto 5 per cent of the total value of the Contract or Rs. 25,000/- whichever is less and payment be made without issue of formal amendment to the Purchase Order and without reference to their indentor provided the total value of supplies does not exceed the normal purchase powers of Controller of Stores.

The other provisions made in Ministry of Railways' letter dated 21st December 1959 will remain unaltered.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE V/1-07

Copy of letter No. 78/RS (G)/779/59 dated 20th June 1980 received from Shri R. Krishnamurthy, Dy, Director, Railway Stores (G) addressed to General Manager(s), All Indian Railways, ICF etc

Sub: **Acceptance of Stores despatched after the expiry of delivery period by the consignee.**

Reference Ministry of Railways' letter of even number dated 27th February 1980 containing the instructions on the above noted subject. The matter has been reviewed by the Ministry of Railways and it has been decided to delete the para 3(i) *i. e."* Contracts placed against urgent, operational, express and works programme indents " of the said instructions.

The other provisions remain unaltered.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE V/1-08

GOVERNMENT OF INDIA
MINISTRY RAILWAYS
(RAILWAY BOARD)

No. 86 / RS (G) / 779 /12. New Delhi Date: 02.01.1987.

The General Manager,
All Indian Railways/Production Units;

Sub : **Acceptance of stores dispatched after the expiry of Delivery Period by the consignee-Item No. 1.1.11 of the minutes of the 45th Meeting of the COSs held at Bombay on 22\23.09.1986.**

Ref : Board's letter No. 78\ RS(G)\779\59 dated 27.02.1980.

In the above minutes it was held that detailed instructions retarding acceptance of delayed supplies would be issued by the Board. The consolidated instructions in this regard were last issued in February 1980 vide Boards' s letter quoted above. Considering that there has been rise in prices in the intervening years as also to minimize the incidence of prior delivery extension in a large number of case, the matter has been re-examined by the Ministry of Railways and it has now been decided that the Depot officer/Inspecting officer/Consignee may exercise the powers at their discretion in accepting the delayed supplies in respect of both indigenous and imported stores as per following limits: -

		Value of order	**Time limit**
a)	Order valued upto	Rs. 50,000	upto 6 months
b)	Order valued over	Rs. 50,000 to Rs. 1,00,000	Upto 21 days provided the initial Delivery period Does not exceed 6 months.

2. For all other orders, valued over Rs. 1,00,000/- prior extension of delivery period from the purchase officer will be necessary.

3. Other conditions as stipulated in Board's letter of 27.02.1980 under reference will remain in force.

4. This issues with the concurrence of the Finance Directorate of Ministry of Railways.

5. Please acknowledge receipt.

Sd/-
(JOGINDER SINGH)
DY. DIRECTOR, RAILWAY STORES (G)
RAILWAY BOARD.

ANNEXURE V/1-09

Copy of Railway Board's letter No. 86/RS (G) 779/37 dated 16th June 1987 addressed to General Manager, All Indian railways, Production Units.

Sub : ***Proforma* for issue of delivery period extension.**

The *proforma* for extension of delivery period circulated under Board's letter 58/775/RS (G) dated 19th November 1862, has been revised on the lines of D. G. S. & D. *Proforma* and is enclosed for information and guidance.

This has the approval of Finance Directorate and Legal Adviser of this Ministry.

ANNEXURE 1 **Registered A/D**

Proforma:

To

Sub: **Acceptance of tender No ---------- dated ----------for the supply of ---------- ----------against Indent No ----------Dated: ----------**

Ref: Your letter No ---------- Dated: ----------

Dear Sir,

You have failed to deliver the Stores ----------the entire quantity of Stores within the contract delivery period as last extended upto ----------. In your letter under reply you have asked for (further) extension of time for delivery. In view of the circumstances stated in your said letter, the time for delivery is extended from ----------to ----------please note that price preference loss where stipulated in the schedule to the acceptance of Tender and that amount equal to the pre-estimated/liquidated damages for delay in the supply of the stores after the contract delivery period shall be recovered from you as specified in clause 0702 of the I.R.S. conditions of Contract for the extended period notwithstanding the grant of this extension. You may now tender the Stores for inspection (balance of the Stores) in terms of this letter. Stores if any already tendered by you for inspection but not inspected will be now inspected accordingly.

2. The above extension of delivery date will also be subject to the following further conditions.

(a) That no increases in price on account of any statutory increase in or fresh Imposition of customs duty, excise duty, Sale Tax or on account of any other Tax duty leviable in respect of the Stores specified in the said Acceptance of tender which takes place after (insert here the original delivery date or the last unconditionally extended delivery date) shall be admissible on such of the said Stores, as are delivered after the said date; and.

(b) That notwithstanding any stipulation in the contract for increase in price on any other ground no such increase which takes place after (insert here the original delivery date or the last unconditionally extended delivery date) shall be admissible on such of the said Stores as are delivered after the said date.

(c) But nevertheless, the purchaser shall be entitled to the benefit of any decrease in price on account of reduction in or remission of customs duty, excise duty, Sales Tax or on account of any other Tax or duty or on any other ground as stipulated in the price variation clause which takes place after the expiry of the above

mentioned date namely (insert here the original delivery date or the last unconditionally extended delivery date)

3. All other terms and conditions of the contract remain unaltered.

Yours faithfully,
For and on behalf of.....

ANNEXURE V/1-10

Copy of letter No.86/RS (G) 779/8 dated 29th February l988 from Railway Board New Delhi addressed to General Managers All Indian Railways, Production Units.

Sub : **Powers regarding penalties for failure to deliver Stores within the stipulated time.**

Ref : This office letter of even no. date 14th October 1987 and 16th October l987

Instructions issued vide Board's letters quoted above are withdrawn. Ministry of Railways have decided that Para 132 (4)-S and Para 445-S may be amended as under-

Para 132 (4) S of Stores Code

Penalties for failure to deliver stores within the stipulated time.	(1) The remedies in case of breach laid down in the contract documents are (a) Cancellation of the contract and recovery of any loss or damage which the Railway may sustain by reason of such failure on the part of the contractor; or (b) Purchase elsewhere at the contractor's risk, or (c) Recovery from the contractor of a sum of 2 percent of the contract price of the consignment per month or part during which the supply may be in arrears upto the amount of the actual loss sustained by the Railway. The Authority who has approved the tender may be given full powers to Impose or waive these penalties in respect of the contract entered in to his own powers and in the case of tenders accepted by G.M., C.O.S. would be the competent authority. When waiving a penalty, the reason for doing so must be fully recorded on the relevant files and the stores bill forwarded to the F.A.&C.A.O. suitably endorsed.

Para 445-S may be amended as follows: –

Extension of delivery dates: - These may be sanctioned at the discretion of the Authority, which accepted the Tenders provided.

(a) That the rate in the contract was not accepted against other lower tenders in consideration of the date of delivery.

(b) That he is satisfied that the delay will not cause loss or damage or in case of special Purpose, the indenting party certified that no loss on account of late delivery would be sustained; and

(c) That in any case which does not satisfy any or both of the above conditions, such sanction shall be given only in consultation with his Financial Adviser and after taking Legal Advice, if necessary.

This issues with concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE V/1-11

Copy of Board's letter No. 86/RS (G)/779/8 dated 22nd February 1990 addressed to General Managers, All Indian Railways, Production Units etc

.

Sub: **Powers to grant extension in delivery period or levy of penalties for failure to deliver Stores within the stipulated time.**

Ref : Board's letter No. 86/RS (G)/779/8 dated 29th February 1988

Queries have been received from some of the Railways whether in respect of Tenders accepted by Railway Board being beyond the competence of General Manager, the Railway/ Production Units is competent to decide the question of imposing or waiving the penalties or grant extension in delivery period where the contractor fails to deliver the Stores within the stipulated delivery period.

The matter has been examined in Board's office and in partial modifications of the instructions contained in Board's letter referred to above it has been decided that in respect of Tenders accepted by Railway Board or General Manager, the Controller of Stores (Co-ordinating H.O.D.) would be the Competent Authority to grant extension in delivery period where the contractor fails to deliver the Stores within stipulated delivery period. He will also be the Competent Authority to impose or waive penalties in such cases, with the concurrence of the Financial Adviser and Chief Accounts Officer.

Other terms and conditions as mentioned in Board's letter referred to above will remain unchanged.

This issues with the approval of Finance Directorate of Board's office.

Sd/-

(**R. S. LAHAN**)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE V/1-12

Government of India
Ministry of Railway
(Railway Board)

No. 2003/RS(G)/779/1 (1/03) **New Delhi dt 21.2.03.**

Sub : **Revision of Schedule of Powers for acceptance of Stores dispatched after the expiry of delivery period by the consignee – para 16 of the minutes of the 56th Periodical Conference of COS's held on 13th & 14th June 2002 at New Delhi.**

Ref : Boards' letter No. 78/RS(G)/779/59 dt 27.2.1980

In the above minutes, it was held that subject matter would be examined by Railway Board and suitable revision will be issued in due course. The consolidated instructions laying down the time limits for the discretionary powers of the Depot Officer/Inspecting Officer/Consignee in accepting the delayed supplies in respect of both indigenous and imported stores were issued vide Board's letter of Feb '80 and these powers were last revised vide Boards' letter No. 86/RS(G)/779/12 dated 2.1.87.

The matter has been reviewed in the Board's Office and it has been decided that the Depot Officer/Inspecting Officer/Consignee may exercise the power at their discretion in accepting the delayed supplies in respect of both indigenous and imported stores as per the following limits: –

		Value of Order	**Time Limit**
(a)	Order valued upto	Rs.1,00,000	Upto 6 months
(b)	Order valued between	Rs.1,00,000 to Rs.2,00,000	Upto 21 days provided the initial delivery period does not exceed 6 months

For all other orders valued over Rs.2,00,000/- prior extension of delivery period from the Purchase Officer will be necessary.

Other conditions as stipulated in Board's letter dt 27th February 1980 under reference will remain in force.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge receipt.

Sd/-

(P.S.Meena)

Dy. Director, Rly.Stores(G)

Railway Board.

ANNEXURE V/1-13

Government of India
Ministry of Railway
(Railway Board)

No.98/RS(G)/779/10(CS)(3/03) New Delhi dt 25.2.03

Sub : Power to accept excess/short supply by depot officers without formal amendment to the contract.

Most of the Railways/PUs have approached Railway Board to enhance the power to accept excess/short supply by depot officers without formal amendment to the Contract. The matter has been considered in the Board's office and it has been decided to enhance power upto 5% of the value of contract or Rs.1 lakh whichever is less subject to total value of receipt not exceeding normal purchase power of COS.

As a follow up to the above, Para 441 of Indian Railway Stores Code-Volume I (Revised Edition, 1990) may be amended as per Advance Correction Slip No. 14 enclosed.

(Sd/-)
P.S.Meena,
Dy.Director, Rly Stores (G)
Railway Board

Advance Correction Slip No. 14 INDIAN RAILWAY CODE FOR THE STORES DEPARTMENT (Volume – 1) Revised Edition (1990) ACS No. 14

Para 441

The words and figure "Rs.25,000" appearing in the Note below Para 441 of Volume I may be substituted by "Rs. 1 Lakh".

(Authority Board's letter No. No.98/RS(G)/779/10(CS)(3/03) dt 25.2.03)

ANNEXURE V/2-01

Copy of letter No. 58/775/RS (G) dated 19th November 1962 received from Shri P. L. Chopra, Dy. Director. Railway Stores Railway Board, New Delhi, addressed to General Managers, All Indian Railways and I. C. F. etc.

Sub : **Levy of liquidated damages against the suppliers for not complying with *purchase orders within the stipulated delivery period.***

Ref : Board's letter No. 58/775/RS (G) dated 4th May 1960.

Apropose the implementation of the guiding principles for assessing the liquidated damages enunciated in Board's letter quoted above, a few Railways have approached the Board for clarification on the points mentioned below. These have been carefully considered by the Board in consultation with the Ministry of Works Housing and supply and the decisions arrived at are indicated below against each: -

Sl. No.	Points of doubts	Board's decision
1.	Whether token liquidated damages to the extent of 20 per cent can be levied in lieu of any loss that can be estimated in terms of earnings in addition to other items of actual loss. (Token liquidated damages of 20 per cent are applicable in case of wagons, locomotives etc., while in the case of boilers, cranes etc. it is 10 per cent as explained in para 1 (iii) of Board's letter dated 4th May 1960).	(a) Extra expenditure involved due to delay in supply attributable to the supplier on account of fluctuations in market, price, higher price paid for earlier delivery, price variation clause, imposition or increase in customs duty, excise duty, freight exchange rate etc. should be recovered on actual where extensions has been allowed subject to such stipulation and/ or where a price preference clause for earlier delivery has been incorporated in the contract. (b) In addition to the above, token liquidated damages may be recovered where losses in terms of estimated earnings or other kind of losses are involved which are not capable of monetary computation. In cases where such an assessment is possible, the assessed amount may be recovered subject to this amount not exceeding the amount of liquidated damages recoverable under the Contract. It should however be made clear to the contractor while extending the date of delivery period that any increase in price on account of any statutory increase in or fresh imposition of customs duty Sales Tax, wage or material escalation etc. will be on the Contractors' account. A copy of the form of letter in use on the D. G. S. & D. side for extending the delivery dates is enclosed which may be used in normal cases on the Railways.
2.	Whether the terms 'legally recoverable' should be construed to denote reasonable compensation not exceeding the amount as specifi6d in the contract.	The term 'legally recoverable' should be construed to mean the amount specified in the contract *i. e.,* either the predetermined amount wherever provided or 1/2 per cent per week or a part of week of the value of stores not delivered or delivered late for contracts governed by the I. R. S. Conditions of Contract.
3.	Whether it is possible to recover the token liquidated damages in terms of para 1 (iii) of Board's letter of 4th May 1960 in addition to actual loss in all cases even if the amount thus calculated exceeds the maximum liquidated damages specified in the contract.	Same remarks as against item 1.

Sl. No.	Points of doubts	Board's decision
4.	What is the necessity for a special provision in the contract in terms of para 1 (iv) of Board's letter dated 4th May 1960 when a provision for the recovery of liquidated damages already exists in the I. R. S. Conditions of Contract?	**I.R. S.** Conditions of Contract provide for the recovery of damages in normal cases. In some cases it is necessary to predetermine the extent of loss/damages to be recovered in case of breach of contract. A special clause in the contract is therefore, necessary in such cases. In this connection an extract from the opinion of the learned Solicitor General of India dated 5th July 1952 is also enclosed.
5.	Whether 1/2 (Half) percent penalty can be imposed even there is no loss	Maximum penalty stipulated in the contract should be imposed where loss to that extent can be proved. If not, 10 percent or 20 percent as the case may be of the amount stipulated in the contract may be recovered.
6.	The circumstances under which liquidated damages should be levied where the actual loss can be calculated or where it cannot be calculated.	It is rather difficult to specify the circumstances under which such charges could be recovered. Each case has to be considered on its merits as Already mentioned in sub-para 1 (i) of Board's letter dated 4th May 1960.
7.	Whether the provision of 10 percent token damages is to be incorporated in the I.R.S. Condition of Contract.	The amount legally recoverable is specified in I.R.S**.** Conditions of Contract. The extent to wwhich such damages are to be recovered actually in each case should not there fore, form a part of such conditions.

Certain additional guiding principles as adopted from the procedure followed by the D. G. S. &. D. in the matter of levy of liquidated damages are also enclosed for information.

Enclosure to Board's letter No. 58/775/AS (G) dated 19th November 1962.

To

M/S……

Sub : **Acceptance of tender No…… dated……..**
for the supply of…… against Indent No.
dated…….

Ref : Your letter No……dated……

Dear Sir,

You have failed to deliver the stores (the entire quantity of the stores) within the contract delivery period (Delivery period as last extended upto). In your letter under reply you have asked for (further) extension of time for delivery. In view of the circumstances stated in your said letter the time for delivery is extended from.....to……Please note that an amount equal to the liquidated damages for delay in the supply of the stores after the expiry of the contract delivery period shall be recovered from you for the extended period notwithstanding the grant of this extension. You may now tender the stores (balance of the stores) for inspection in terms of this letter (and any stores already tendered by you for inspection but not inspected will be now inspected accordingly).

2. The above extension of delivery date will also be subject to the following further conditions

(a) That no increase in price on account of any statutory increase in or fresh imposition of customs duty, excise duty, Sales Tax or on account of any other tax or duty leviable in respect of the stores specified in the said Acceptance of tender which takes place after** shall be admissible on such of the said stores as are delivered after the said date: and

(b) That notwithstanding any stipulation in the contract for increase in price on any other ground no such increase shall be admissible on such of the said stores as are delivered after**

(c) But nevertheless, the Purchaser shall be entitled to the benefit of any decrease in price on account of reduction in or remission of customs duty, excise duty, sales tax or on account of any other tax or duty or on any other ground as stipulated in the price variation clause which takes place after the expiry of the above mentioned date namely**

3. Please intimate immediately your acceptance of extension on the above conditions. Please note that in the event of your declining to accept the extension on the said conditions, the contract shall be cancelled and the outstanding quantity of stores shall be purchased at your risk and cost under the terms of the contract.

Yours faithfully,

for and on behalf of …….

** Give here the date of expiry of the original delivery period in all case of extension.

Enclosure to Boards letter No. 58/775/RS (G) dated 19th November 1962.

Ref : D. D. R. S. I. I's note dated 29 th September 1959 above.

The point at issue is whether liquidated damages / penalty can be imposed against a firm for delayed supply if no loss can be substantiated due to delay in supply. In this connection, attention is invited to the following extracts from the opinion of the learned Solicitor General of India dated 5th July 1958:-

" Government may buy stores of a special description on order of a kind which it is imaginable may be such that can neither be obtained in the Open market nor could be obtained except on a special order for their manufacture and supply, i.e., Munitions of War or similar stores. The question is whether the breach of such a contract or delay in the performance of such a contract can be provided for by some method or measure of compensation. It is not, unusual to stipulate for the payment of a lump-sum as compensation or a sum calculated per day or per month for delay or breach..... Section 74 of the Contract Act provides that if a sum is named in the contract as the amount to be paid in the case of a breach or if the contract contains any other stipulation by way of penalty, the party complaining of the breach is entitled, whether or not, actual damage or loss is proved to have been caused thereby to-receive from the party who has broken the contract, reasonable compensation, not exceeding the sum so named or, as the case may be, the penalty stipulated for. The effect is that the aggrieved party can only get reasonable compensation and that the sum stipulated for is the ultimate limit of such compensation.

If the contract is one for the breach of which damages can be calculated, *e. g.* non-delivery of goods available in the market, then the difference between the contract price and the market price is the compensation in any event subject to the limit stipulated for. If, on the other hand, the goods are such as for which-them is no market or which are of a special kind and there is no method of readily ascertaining damages on the ordinary footing, then unless the sum stipulated for is so unreal as to be entirely unrelated to a measure of damages, the sum named in the contract will be in general treated as a genuine pre-estimate of what the parties conceived to be reasonable compensation for the breach. This is a broadly stated proposition, the fact being that it is always in the description of the Court to determine in each case what is reasonable compensation for a breach.

" Where, however, the contract is one which is not of the ordinary commercial nature or deals with goods in respect of which damages for breach or delay would not possibly be or dot likely to be ascertainable in the ordinary way, there should be a specific provision incorporated for the liquidated damages appropriately to each case after calling the other party's specific attentions to the necessity of such a provision. The present provision in the condition of contract being incorporated in every contract, cannot be a, genuine pre-estimate of damages. A genuine pre-estimate supposes that the parties have with the facts of a particular in mind, agreed to a particular sum as reasonable compensation.

2. In view of what has been stated above, the question of imposing liquidated damages will have to be considered on the merits of each case and to generalise the same in ill cases will not perhaps appear to be correct.

Enclosure to Board's letter No. 58/775/RS (G) dated 10th November 1962.

Sub : **Additional guiding principles for assessing Liquidated damages in continuation of Board's letter No. 58/775/RS (G) dated 4th May 1962.**

1. When firms apply for extension of contract delivery period and it is decided to extend the same subject to recovery of liquidated damages for delay in supplies, contractors must be given a warning t0 this effect in writing at the time of granting extensions. It is not correct to grant extension without any mention of the liquidated damages if it is proposed to recover such charges eventually.

2. It is also not correct to grant extension of delivery period by merely stating that the extension is granted " without prejudice to the rights of the purchase under the terms and conditions of the contract " as the would only mean that all the options given in the conditions of contract would be available to the purchaser on the expiry of the extended delivery period and would not amount to exercise of the option to recover liquidated damages from the original date of delivery period to the date of actual supply.

3. Liquidated damages accrue only in case of delayed supplies. Where, or in so far as no supplies have been made under a contract, upon cancellation, recovery of only the loss occasioned thereby can be made, notwithstanding the fact that prior to the cancellation of one or more extensions of the delivery period with reservation of right to liquidated damages were granted.

4. Where price preference has been given for earlier delivery, no liquidated damages can be recovered in addition to the amount of price preference for the period of delay upto the delivery date offered by the lowest acceptable tenderer.

5. Government establishments undertaking work should not be dealt with as ordinary contractors and they should not generally be penalised for late delivery in terms of the conditions of contract. Serious cases of default should, however, be brought to the notice of the Head of the Department concerned.

6. In regard to contracts requiring raw materials, the distribution of which is controlled by Government e. g. iron and steel etc., no liquidated damages should be levied unless wilful default is established. Each case will have to be examined independently and necessary amendment to delivery period, without levy of liquidated damages should be issued in cases where the delay was not attributable to the contractor.

7. In the case of supply orders placed against the rate contracts, normally the delivery date stipulated in the supply order is not binding on the supplier and therefore, no liquidated damages could be levied for non supply or delay in supply against such orders. However, in cases where delivery dates as stipulated in the relevant supply order have been expressly agreed to by the supplier in writing before placing the relevant order, liquidated damages can be recovered from the supplier on account of delay in delivery beyond the stipulated delivery date, provided the government has not in any way interfered with the supplier's discretion to meet the said supply order by directing the supplier to give priority to some other supply order.

Cases where liquidated damages are to be recovered should be reported to the D. G. S. & D. for settlement in the case of rate contracts placed by him.

8. In the case of educational or developmental contracts, liquidated damages are not leviable. However, the nature of such contracts should be declared at the time of placing them.

9. The levy of liquidated damages, which will be determined on the merits of each case will, in any event, be limited to 10 per cant of the value of the contract, irrespective of the period of delay.

10. Liquidated damages should be calculated on the contract price including the element of sales tax, excise duty etc.

11. No liquidated damages in respect of delays in supplies within the grace period of 21 days will be leviable where Depot /Inspecting Officer/Divisional Officer (who is a direct consignee), has extended delivery period accordingly.

12. Liquidated damages are leviable only for the guaranteed portion of delivery of a contract. To cite an example, if delivery terms stipulate, " six months after receipt of import licence " the guaranteed portion of delivery commences after receipt of the import licence.

Copy of General Manager, S. E. Railway's letter No. 10723 dated 17 th September 1959, addressed to the Secretary (R.S.), Railway Board, New Delhi

Sub : **Imposition of liquidated damages for late deliveries**

In terms of para 772-S and clauses 6 and 5 respectively of the Government of India Standard Conditions of' Contract A.-1-3!and A,.3.37 should the contractor-fail to deliver or despatch any consignment within the period prescribed,) the purchaser shall be entitled to recover from the contractor as compensation to the Railway, a sum of one-half percent of the contract price of such consignment for each and every week or part of week during which the supply or despatch of the consignment may be in arrears.

In this connection, Board's attention is invited to D. O. No. CSIA/2175/II dated 21&t December 1956 from Shri B. K. Kumar. Director (Co-ordination and Statistics). D. G. S. D., New Delhi to Shri B. R. Kinra, Railway Liaison Officer, copy enclosed for ready reference, where in the legal position and the Government's rights in respect of liquidated damages, as advised by the Ministry of Law was communicated and it was stated that in cases where no loss can be proved as having occurred due to the, delay in supplies, 10 per cent of the amount of liquidated damages that may be technically leviable would be reasonable compensation.

It is requested that Board's approval may be communicated to the levy of liquidated damages at 10 percent of the amount that may be technically leviable, in cases where no loss can be proved as having occurred. It is also suggested that an appropriate amendment to para 772-S and the relevant clauses of Indian Standard Conditions of Contract be issued.

This issues with the concurrence of our F. A. & C. A. O.

ANNEXURE V/2-02

Copy of letter No. 58/RS (G)/775 dated 10th May 1967 from P. C. Oak, Dy. Director, Railway Stores, Railway Board, New Delhi to General Manager, Chittaranjan Locomotive Works,, Chittaranjan.

Sub : **Levy of liquidated Damages**

Reference is invited to your letter No. AC/SFY/O/25 Part I dated 7th August 1965 on the subject indicated above, soliciting Board's decision as to the quantum of liquidated damages to be levied: –

(i) Where the buyer has incurred loss due to delay in supplies & where such loss can be assessed.

(ii) Where the buyer has suffered loss due to delay in supplies but the loss cannot be estimated or where the buyer has been put to inconvenience due to delayed supplies.

(iii). Where there has been no loss or inconvenience to the buyer due to delay in supplies.

2. It was also suggested in your letter that Purchase Officers may be permitted to deal with all cases of delayed deliveries in respect of Purchase orders within their powers of purchase and to waive liquidated damages without obtaining Financial concurrence or recording any specific reasons.

3. The points at items (i) to (iii) of para above have been considered in detail, in consultation with the Ministry of Law, and the liquidated damages recoverable in each case are as under: these are based on the opinions expressed by the Ministry of a Law -

(i) The actual loss sustained subject to the maximum of liquidated damages legally leviable under the contract.

(ii) Token liquidated damages *i. e.* 10 per cent of maximum liquidated damages legally leviable in terms of the contract; and

(iii) Nothing is recoverable.

4. In view of what is stated above, the decision conveyed in Board's letter of even number dated 19th November 1962 against points (i) and (v) thereof may be deemed to have been modified accordingly.

5. Your suggestion at para 2 is covered by para 132-S and should be dealt with in accordance therewith.

Sd/-
Dy. Director, Railway Stores,
Railway Board

ANNEXURE V/2-03

Copy of letter No. 68/RS (G)/775 dated 7th June 1968 from Dy. Director, Railway Stores, Railway Board New Delhi, addressed to General Managers, All Indian Railways (including C.L. W.. I .C. F. D. L. W. and R. E.)

Sub : **Levy of liquidated damages against the suppliers for not complying with Purchase orders within the stipulated delivery period**

Ref : Board's letter No. 58/RS (G)/775 dated 19th November 1962.

The existing para-5 of the " Additional guiding principles for assessing liquidated damages", circulated as an enclosure to Board's letter quoted above, may be *substituted* by the following:-

" 5. Government establishments/departments as distinct from Public Sector Undertakings, undertaking contract work should not be dealt with as ordinary contractors and they should not generally be penalized for late delivery in terms of the conditions of the contract and claims for loss on repurchase should not be enforced against them. Serious cases of defaults should, however, be brought to the notice of the Head of the Department or the State Government concerned.

Public Sector Undertakings should be treated on a different footing from that of the Government establishments/departments. Relaxation's allowed to Government establishments/departments, as above, will not apply to Public Sector Undertakings as a matter of course. Each case should be decided on merits and the decision to waive the recovery of liquidated damages or risk purchase expenditure should be taken with the sanction of competent authority, in consultation with associate finance.

Please acknowledge receipt.

(This also disposes of the G. M., Northern Railways letter No. 106-S/0/14/1.G. dated 8th March 1968).

ANNEXURE V/2-04

Copy of letter No. 58/RS(G)/775 dated 9th September 1968 from Dy. Director, Railway Stores, Railway Boards New Delhi addressed to General Managers, All Indian Railways.

Sub : **Levy of Liquidated damages**

Ref : Board's letter No. 58/RS (G)/775 dated 19th May 1967.

Board's letter of even number dated 29th March 1968, on the above subject, should be treated as cancelled.

2. Para 5 of Board's letter of even number dated 19th May 1967, as amended by Board's letter of even number dated 5th July 1967, should be substituted by the, following-

"5. As regards the suggestion made in para 2, the Board agree that the Purchase Officers may be permitted to deal with all cases of **delayed deliveries where no loss or inconvenience is involved as well as where inconvenience only has been felt,** without obtaining prior concurrence of **the** Finance. This power shall be exercised by each Purchase

Officer to the extent of powers delegated to him under the second sub-para of **Para 132-S,** but while doing so, the reasons then for must be fully recorded on the relevant files and the stores bill forwarded to the Accounts Officer suitably endorsed, in terms of' the Schedule below **para 132-S**"

3. These instructions applicable only to purchases within the powers of the Controller of Stores and not those of the General Manager.

ANNEXURE V/2-05

Copy of letter No. 70/RS/G/779/49 dated 23rd February 1971 from Dy. Director, Railway ***Stores,*** *Railway* ***Board,*** *New Delhi addressed to General Managers. All Indian Railways and ICF.*

Sub. : **Recovery of General damages**

Board desire that in all cancellations of the contracts in future, where the cancellation is resorted to at the risk and cost of the firm the notice for cancellation should *inter alia* include the following averment: -

"This is without prejudice to the other rights of the President of India under the contract and under Law**"**

This will entitle the purchaser to resort to the recovery of the general damages if he does not find it feasible to arrange risk purchase procurement.

ANNEXURE V/2-06

Copy of letter No. 58/RS (G)/775 dated 31st October 1974 received from Deputy Director, Railway Stores (G), Railway Board, New Delhi to the General Managers (S), All Indian Railways.

Sub : **Levy of liquidated damages**

Ref. : Bard's letter of even number dated 19th May 1967 and even number 9th September 1968.

The question of levy of liquidated damages has been reviewed by the Board in the light of the observations of the Public Accounts Committee and consequential action taken by the D. G. S. & D. in their Office Order dated 15th March 1974 (copy enclosed). The Board have accordingly decided that henceforth the levy of liquidated damages should be regularised as follows: –

(i) a) In cases where actual or potential loss has been incurred due to the failure of suppliers to put in supplies within the contracted delivery period, liquidated damages within the ceiling of amount calculated under the contract should be levied.

b). In cases where actual or potential loss is less than the amount calculated at the rate of 10 percent of the leviable liquidated damages, the higher of the two figures should be recovered.

(ii). In cases of inconvenience which can be quantified in terms of money, similar action as at (i) above should be taken. Where inconvenience, caused cannot be quantified in terms of money, the existing procedure of levy of liquidated damages at the rate of 10 per cent of 2 per cent should be followed.

(iii) Where there is no-loss or inconvenience, token L. Ds. of 10 per cent of 2 percent may still be charged unless there are facts showing that delay in supply was on account of circumstances beyond the control of contractor and wets not in any way wilful.

2. The instructions contained in Board's letter dated 19th May 1967 and 9th September 1968 should be deemed to have been modified accordingly.

3. Board also desire that wherever extensions to contracted delivery period are granted subject to the levy of liquidated damages, a copy of extension letter should be invariably endorsed to indentor asking him to indicate clearly whether any less or inconvenience has been suffered by him on account of belated supplies within a target date to be specified in the endorsement. If there had been inconvenience indentor should attempt to quantify the same and advise the amount.

Copy of D. G. S. & D., New Delhi's Office Order No. 59 dated 15th March 1974.

Sub : **Levy of liquidated damages for delays in supplies-Issue of revised Instructions**

The question of levy of liquidated damages for delays in supplies was considered at length in a meeting held in the, room of Secretary (Supply) on 21st December 1973 and the following decisions taken, are communicated for the guidance of purchase officers: -

(A) In accordance with the instructions contained in para 9 of Office Order No. 20 dated 1 st January 1973 the Question of recovery of liquidated damages need not ordinarily be considered in respect of contracts valued upto Rs. 1 lakh except in the case of excepted categories mentioned in para 9. It was considered that there was no reason why such contracts valued below Rs. One lakh should be treated differently and accordingly it has been decided to withdraw this provision contained in para 9 of Office Order No. 20 dated 1st January 1973 and that the procedure prescribed for the levy of liquidated damages should be followed uniformly in respect of all cases irrespective of the value of the contract.

(B) Pending the whole issue regarding levy of liquidated damages being reconsidered by the Ministry of Law, it has been decided that the purchase officers should follow the guidelines prescribed below for the 1evy of L/D.

(a) (i) In the case (if loss actual or potential, loss within the ceiling of L. D. leviable should be levied.

(ii) In the case of actual or potential loss if the amount is less than the amount calculated at the rate of 10 percent of 2 percent of the, accruable liquidated damages, the higher of the, two figures should be levied.

(b) In case of inconvenience, which can be quantified in terms of money, similar action as at (a) above should be taken.

(c) Where inconvenience has been caused, but it cannot be quantified in terms of money existing practice of levying L. D. at the rate of 10 percent of 2 percent should continue to be followed.

(d) Where there is no loss and inconvenience, token L/D of 10 percent of 2 percent may still be charged unless there are facts to show that delay in supplies was on account of circumstances beyond the control of the contractor and was not wilful.

(C) According to the existing instruction's whenever delivery is extended with R/R. a copy of the standard extension letter is endorsed to the indentor with the request to intimate the loss suffered, if any, within a stipulated period. Besides, there is a practice of issuing a registered letter to the indentor at the time the case is taken up for finalisation asking him to state within the target date if any loss, actual or potential or inconvenience has been suffered by him on account of belated supplies. It has been decided that this practice should continue to be followed. It has also been decided that while asking for inconvenience suffered by the indentor, he may also be asked if he is in a position to quantify the inconvenience in terms of money.

2. The purchase officers should follow the above instructions.

ANNEXURE V/2-07

Copy of letter No. 58/RS (G)/775 dated 17th September 1980/29th September 1980 received from Shri R. Krishnamurthy, Dy. Director, Railway Stores (G), Railway Board, New Delhi, addressed to; General Managers, All Indian Railways, I. C. F. etc.

Sub : **Levy of Liquidated Damages**

General Managers have been delegated powers to waive operation of clauses relating to liquidated damages Risk Purchases and Arbitration appearing in the I. R. S. Conditions of Contract as a standing measure on the Railways/Production Units in respect of Contracts valued upto Rs. 10,000 at the post contract stage as per Board's letter No. 77/RS (G)/779/29 dated 29th December 1977/3rd January 1978. Railways have also been advised vide Railway Board's letter No. 58/RS (G)/775 of 24th March 1975 that no liquidated damages need be levied in respect of contracts valued upto Rs. 1 lakh subject to the following: -

(a). There is no evidence of any loss or inconvenience suffered due to delays in supplies

(b). No higher prices have been paid for earlier delivery; and

(c). The Contract included no pre-estimated damages clause.

In view of the difficulties being experienced by the Railways in ensuring continuous supply of important/ critical items in the present day market conditions, Railways have been proposing delegation of increased powers to purchase officers in respect of waival of liquidated

damages. The Ministry of Railways have, therefore, decided to delegate further powers to purchase officer for waival of liquidated damages as below –

Powers to extend delivery date without liquidated and waival of liquidated damages in respect of contracts valued more than Rs. 10,000/- and upto Rs. 1 lakh and where supplies are delayed on account of.	Powers delegated to purchase officers upto their damages powers of purchase covering delays in supplies upto a maximum period of 6 months from the date of delivery subject to purchase officers certifying.
(i). Shortage of raw material, fuel power	(i) That the delay is due to shortage of raw materials Fuel /power.
(ii) On account of steep rise, in prices of Industrial inputs	(ii) or/and due to steep rise of prices of Industrial inputs ; and
	(iii) that the supplies are expected within a reasonable time.

Note. - (1). While exercising these powers no finance concurrence is needed.
(2). No loss/no inconvenience certificate from the indentor is necessary.

The above instructions will not however apply in the following contracts

(a). Where higher prices have been paid for earlier delivery.
(b). Where the contract includes pre-estimated damages.

For contracts valued above Rs. 1 lakh, the extant instruction should be followed.

This issues with the concurrence of the Finance Directives of the Ministry of Railways.

ANNEXURE V/2-08

Copy of D. O. No. ASF/RP/478 dated 4th June 1981 from Shri R. Saranga Rajan, F. A. & C. A. O./I C.F. to Mrs Aarti Khosla, Jt. Director (F)/Stores II, Railway Board, New ***Delhi.***

Dear Mrs. Khosala

In many non-severable contracts where staggered deliveries have been indicated, it often happens that when supplies not received exactly according to the staggered deliveries and there is no stock also on hand, emergency purchases of Limited quantities have, in the interests of production, to be resorted to bridge the gap in supplies. In such cases it is presumed that, having regard to the fact that the deliveries indicated under the original contract are non-severable no question of liquidation damages or enforcement of risk purchase on the original contractor would so long as there has been no delay on the part of the original contractor in the Completion of supplies with reference to the total delivery period.

I shall be grateful for a line in confirmation.

Sd/-
(**R. Saranga Rajan)**

Copy of D. O. Letter No. 81/FS (I) /PA-7/2 dated 20th June 1981 from Mrs. Aarti Khosla, Jt. Director, Finance/Stores/Railway Board addressed to Shri R. Saranga Rajan, F. A. & C. A. O./I.C.F.

Dear Shri Saranga Rajan,

Kindly refer to your D. O letter No. ASF/RP/478 dated 4th June 1981.

The presumption made therein, that no question of liquidated damages or enforcement of risk purchase on the original contractor would arise so long as there has been no delay on the part of the original contractor in the completion of supplies with reference to the total delivery period in the case of non-severable contracts, is confirmed.

In this connections wish to invite your attention to Board's letters No. 73/RS (G)/779/59 dated 12th November 1973 and 27th October 1976, copies of which are enclosed for ready reference.

With regards,

Sd/-

(**Mrs. AARTI KHOSLA**)

ANNEXURE V/2-09

Copy of Board's letter No. 77/RS(G)779/29 dated 23rd May 1983 from Railway Board, addressed to General Managers, All Indian Railways and the C.A.O. Metropolitan Transport Projects, Delhi, Bombay and Madras.

Sub : **Simplification of purchase procedure and delegation of powers thereof**

Reference Board's letter No. 77/RS(G)779/29 dated 24th October 1980 and 7th December 1981 under which it was advised that General Managers may waive operation of clauses relating to liquidated damages, risk purchase, and arbitration appearing in the I. R. S. conditions of contract as a standing measure in respect of contract valued upto Rs. 25,000 at the post contract, stage and that this be done after efforts like forfeiture of security deposit de-registration with holding of payments from other bills etc., have been made.

2. The procedure in respect of waiver of these clauses has been re-examined by the Ministry of Railways and it has now been decided that since waiving off is basically to avoid disproportionate administrative expenditure in small recoveries, it will be within General Manager's powers to waive off risk purchase recovery liquidated damages and arbitration as a standing measure in respect of ail purchases upto Rs. 25,000 and no efforts need be made for such recoveries.

3. This issues with the concurrence of the Finance Directorate of Ministry of Railways.

(This also disposes of F. A. & C. A. 0., I. C. F's reference No. FA/Misc. Dated 16th January1982).

ANNEXURE -V/2-10

MINISTRY OF RAILWAYS,
(RAILWAY BOARD)

No. 79/RS (G)/779/29 Dated 3rd April 1998

Sub : **Delegation of powers of waival of Recovery of liquidated damages and loss due to Risk Purchase.**

The question of enhancing the powers of GM/COS, etc., for waiving off recoveries arising out of Liquidated Damages and Loss due to Risk Purchases has been considered in the Board's Office.

In partial modification of the instructions contained in Board's letter of even No dated 1st October 1985, the Ministry of Railways have now decided that the existing powers of waival of Recoveries of Liquidated Damages and Loss due to Risk Purchase of GMs/ COS/CMM/Dy. COS/DCOS may be enhanced from Rs. 5,000/- to Rs. 15,000/- in each case with penal action as considered appropriate, provided the recovery should be made only by resort to arbitration/legal action.

Other terms and conditions stipulated in Board's letter referred above remain unchanged.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Ashok Kumar)
DD/RS (G) /Railway Board.

ANNEXURE -V/2-11

GOVERNMENT OF INDIA **RBS NO.7/2008**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

NO: 2003/RS(G)/779/9
Dt.04.03.2008

The General Manager/All Rlys & PUs

Sub : **Recovery of Liquated Damages for delayed supplies during extended delivery period in supply contracts.**

1. Some of the firms have represented that the office of FA&CAOs have been deducting Liquidated Damages (LD) amounting to more than 10% of their billing amount from their bills for the supplies made by them during extended delivery period in the supply contracts.

2. The matter has been examined in consultation with associate Finance and it has been decided that in partial modification of extant instructions, the following may be added in the tender conditions:

(a) Upper limit for recovery of liquated Damages in Supply Contracts will be 10 % (Ten Percent) of value of contract irrespective of delays, unless otherwise provided, specifically in the contract.

(b) Existing tender condition for Liquated damages may be suitably modified to cover that "Railway should recover from the Contractor as agreed Liquidated Damages and not by way of penalty, a sum equivalent to 2 % (Two percent) of the price of any stores (including elements of taxes, duties, freight, etc) which the contractor has failed to deliver within the period fixed for delivery in the contract or as extended for each month or part of a month during which the delivery of such stores may be in arrears where delivery thereof is accepted after expiry of the aforesaid period, subject to a maximum of ten percent of value of he delayed supplies**."**

3. There should normally be no system of waiver of Liquidated Damages and imposition of Token Liquidated Damages for delayed supplies in supply contracts. System of wavier of Liquidated Damages and imposition of Token Liquidated Damages for delayed supplies in supply contracts will strictly be an exception rather than rule and only in situations where the circumstances leading to delays in supplies were beyond the control of supplier.

This issues with the concurrence of the Finance Directorate of the ministry of Railways.

Necessary correction to Indian Railways Stores Code & IRS Condition of Contract will follow.

Please acknowledge receipt.

Sd/-
(Aruna Jain)
DDRS(G)-II
Railway Board

ANNEXURE -V/2-12

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBS NO.10/2008

NO: 2003/RS(G)/779/9 Dt.28.04.2008

The General Manager/All Rlys & Pus

CORRIGENDUM

Sub : **Recovery of Liquated Damages for delayed supplies during extended delivery period in supply contracts.**

In partial modification of Board's letter of even no. dated 04.03.2008, following revisions may be noted:-

Existing Para 2(a) of the letter may be substituted by the following:-

"Upper limit for recovery of Liquidated Damages in Supply Contracts will be 10% (Ten Percent) of **value of delayed supplies** irrespective of delays, unless otherwise provided, specifically in the contract"

Following sentence is to be added as Para 4:-

"Guidelines circulated vide this letter super cedes all previous instructions / guidelines on the matter ".

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Sd/-
(Aruna Jain)
DDRS(G)-II, Railway Board

ANNEXURE -V/2-13

Government of India
Ministry of Railways
Railway Board

No. 2003/RS(G)/779/9 New Delhi, dated: 20/10/08

The Principal Chief Engineer/W.C.Rly/Jabalpur

Sub : **Recovery of liquidated damages (LD) for delayed supplies during extended delivery period in supply contracts.**

Ref: WCR's letter No.EHQ/W-3/Policy dated 28/05/08 from PCE/WCR & dated 22/08/08 from CE/TP/WCR.

(ii) Board's letters of even no. dated 04/03/08 & 28/04/08

1.0 With reference to your Railway's letter under reference (i) above, calling for Board's clarification as to whether instructions issued under Para 3 of Board's letter of even no dated 04/03/08 regarding restriction on "Waiver of Liquidated Damages and imposition of token LD in normal circumstances" should take effect with prospective effect or otherwise. Paras 0702 & 0800 of IRS conditions of contract have also been referred to.

2.0 The matter has been examined. The documentary interface between the Purchase and Contractor consists of the following: (a) Tender conditions (b) Special tender conditions (c) IRS conditions of contract and (d) Special conditions of contract, wherever applicable.

3.0 Further, Clause 0702 of IRS conditions of contract deals with failure & termination of contracts and does not have any provision of token LD. Clause 0800 on extension of time for delivery gives the authority and right to the purchaser to decide whether he shall forego whole or such part, as he may consider reasonable, of his claim for loss or damage caused to hi, Hence, in the context of LD also, it is up to the purchaser to decide whether full or token LD should be levied, while extending the time for delivery of supplies.

4.0 Instructions as applicable on the subject, prior to issue of Board's letter dated 04/03/08 & even now also on "LD Waiver", "TOKEN LD" & "No Loss/Inconvenience" are internal instructions of the purchaser and unless the same are specified in the tender conditions *(i.e.)* General & Special tender conditions or conditions of contract, waiver of LD or imposition of token LD cannot be enforced by the contractor on the purchaser for seeking any such relief.

5.0 This is also clarified that vide Board's letter dated 04/03/08 as amended vide letter dated 28/04/08, it was advised that the upper limit of recovery of LD shall be ten percent of value of delayed supplies.

It is further clarified that the above referred instructions contained in Board's letter of even no dated 04/03/08 are to be followed on the date of taking decision on cases of delayed supplies in all the contracts of which the tenders were opened before or after 04/03/08, unless contract conditions provide for any waiver of LD or imposition of token LD instead of levy of full LD.

6.0 In Para (2) of Board's letter dated 04/03/08, it was advised that instructions contained in the said letter may be added in the tender conditions. But that was done for the sake of mere transparency and will in no way prejudice the right of the Purchaser as brought out in Para (5) above.

Please acknowledge receipt.

Sd/-
(Aruna Jain)
DDRS(G)-II
Railway Board

ANNEXURE V/3-01

(Confidential)

Copy of D. O. Letter No. 58/777/RS (G) dated 17th July 1958 from 'Shri Sudershan Lall, Deputy Director, Railway Stores, Railway Board, New Delhi, addressed to Shri. D. V. Phaterpekar, Controller of Stores, Western Railway, Bombay--copy to Sri R. K. Tandan, Deputy C. O. S. /I. C. F. /Madras.

Sub : **Placing of Risk Purchase Orders with the defaulting firms.**

Ref : (1) Shri Robinson's D.O. No. Con. S. 438/19/'2527(P3-56) dated 10th April 1958 : and

(2) Your D. O. No. Con/S. 438/19/2527/'(P3-56) dated 5th July 1958.

The Board have examined the question, as raised in Shri Robinson's above quoted D. O. as to whether Risk purchase, " order for any stores can be placed on the same firm against whom this action is being taken for their failure to fulfil the contract. In this connection a copy of the Ministry of Law's Note dated 9th December 1956 is enclosed for your information. The Board agree with the views of the Ministry of Law and desire that this should be kept in view while initiating cases of risk purchase in future.

Copy of D. S. Ministry of Law Note dated 9th December 1956.

There is no reported case in my knowledge on the question whether defaulting seller must be given an opportunity to offer against a risk purchase enquiry, *b*ut I understand arbitrators have taken an adverse view *of* his exclusion. The principles governing a risk purchase is that it must be effected under the same, or as practicable in the circumstances, similar conditions of competition as the original purchase, so that it is made at the lowest market rate. While exclusion of a defaulting, contractor from the competition could be justified where the breach consisted in the inability to supply goods of the contracted scription, this would not be possible when the contract was cancelled on account of default in completing

supplies within the delivery period stipulated in the contract since the defaulter might have quoted lower and been in a position to supply.

Such a question would also not arise where re-purchase is effected of ready goods in the market for the defaulter did not have the goods and therefore he cannot complain. But our risk purchases are usually effected like the original purchases on a forward delivery basis the reason being that ready goods are not ordinarily available in the market. In such cases, exclusion of the defaulter from competition may be made the ground of an adverse decision on our claim to recover the extra expense and this appears to have actually happened. Hence it has been consistently advised by us that the, defaulter should not excluded where the contract was broken by delay in supply. When the re-purchase is effected by advertised tender nothing special is necessary. The defaulter can submit a tender. If he does so, it must be considered. He is entitled to an opportunity to minimise his loss. His readiness to sell at lower price will be taken as evidence of a lower market price. When, repurchase is effected by a limited tender enquiry, the defaulter must also be addressed. Likewise, in the case of local purchase by the indentor or a negotiated re-purchase (which is rarely permissible in an extraordinary situation he, should not be denied an opportunity to offer. We are, however, entitled in all such cases, where the defaulter's quotation is the lowest, to call upon him to furnish a Security deposit so that we ensure against a second default. The amount of security also can be enhanced in suitable cases where the difference between the defaulter's quotation, and the next best quotation indicates that our loss is more than 10- per cent subject, to the defaulter accepting these special terms, he has a just claim for consideration and if we exclude him, would run the risk of being denied the risk purchase extra expense exceeding his offer.

Dated 9th December 1956.

Sd/-
(**M. C. DAGA**)

Copy of D.O. letter no. Cons. 438/19/2527(P3-56) dated 10th April 1958, from D. R. Robinson, Controller of stores, Western Railway addressed to Shri Sudershan Lal, Deputy Director, Railway Stores, Railway Board.

Sub : **Procurement-Direct Purchase--Gb. 1 Class Stores No. 2527(56)**

The following case, which has some interesting aspects, has been placed before me for a decision. Candidly this is the first of its kind I have come across and I shall be obliged if, after discussion, your considered views are passed on to me. Sundaresan and Chowdiah will probably assist you in this matter.

2. In April last year a limited Tender was issued for 7 cwts. of 6" X 318" mild steel black hexagonal head bolts and M/s. P. K. Mookerjee & Co. Ltd. Calcutta quoted Rs. 82 per cwt. for delivery in three months. Their offer was the lowest and was accordingly accepted. The opening date of the Tender was 4th May 1957. Since the firm made no mention whatsoever in regard to the issue of either a quota certificate or a Recoupment Quota Certificate, their rate was taken as " firm " and the order was placed with them on 6th June 1957 after they had been notified by letter on 20th May 1957 that their offer had been accepted. In reply to this intimation. they pointed out that " with effect from 16th May prices of all categories of Iron and Steel have been increased by Rs. 70.00 per ton by order of the Iron and Steel Controller " and they accordingly asked for a corresponding increase in their price and raised their price to Rs.

86 per cwt. This was not accepted as they had quoted a firm " price without any qualifying remark.

3. As you are aware, we have the Bulletin system of issuing Limited Tenders and after we advised the firm of our intention to go out to " Risk Purchase ", they quoted Rs. 84 per cwt. against the Risk Purchase Tenders. Incidentally this rate was the lowest. This was in October last year. The next lowest offer of Rs. 100 per cwt. was however, accepted and the firm was sent the claim bill for the difference in price.

4. The case was referred to the Law Officer who has raised an important issue by stating that it is not understood why the officer of M/s. P. K. Mookerjee & Co., Calcutta at Rs. 84 per cwt. was not accepted, as we could have still submitted a claim bill on them for the difference between their original quotation of Rs. 82 per cwt. and their subsequent of Rs. 84 per cwt. Para 772-S states, *inter alia,* that " C. O. S. has the authority to purchase any quantity of the Stores ELSEWHERE..... " and it has been the practice to ignore the defaulter's offer against Risk Purchase Tenders, as this could lead to malpractice. With this, our F. A. & C. A.O. agrees.

.5. In regard to manufactured items, we have always taken a " firm "quotation to mean that the raw material is actually available for taking the work in hand and, therefore, any statutory increase in the price of steel cannot affect the " firm " price quoted. This view has also been upheld by our F. A. & C. A. O. Our Law Officer, however, has stated that although the suppliers did not stipulate that they would have to procure raw material for the manufacture of the bolts, he considers that it was not necessary for them to make this stipulation if Clause 4 of the I. R. S. Conditions of Contract applied and the increase in prices is permitted by the Board. In this connection, please refer to Board's letter No. 55/615/4/FR(C) dated 29th March 1957.

6. I would like to mention that I have a case on hand where the D. 0. S./Calcutta, after placing ,an A/T on a firm, cancelled the same and on fresh tenders being invited, placed a fresh A/T on the same defaulting firm and recovered the difference from the. Was D. 0. S. correct in taking this action ? If your agreed opinion is in the affirmative, I take it that the same procedure can be adopted by me, in the future cases of a similar nature.

7. An early reply will be appreciated.

ANNEXURE V/3-02

Copy of letter No. 64/RS (G)/779/49/Appendix VI-AB/CR. dated 18th November 1976 from Dy. Director, Railway Stores (G), Railway Board, New Delhi addressed to General Managers. All Indian Railway and I. C. F.

Sub : **I. R. S. conditions of Contract Revision/Addition of Clause 0300(a) and 0702(b)**

In terms of clause 0702 of I. R. S. conditions of contract the time limit for the Placement of risk purchase order is 6 months. Ministry of Railways have in the past received a number of requests from the Railways for enhancing this time limit of 6 months. The matter has therefore been re-examined in consultation with the Legal Adviser Ministry of Railways in the light of the procedure obtaining on the D. G. S. & D. side. As per the *legal* advice there is no objection to enhance the time limit of 6'mdnths to 9 months in respect of Stores, which are not easily available in the market and where procurement difficulties are experienced. The Ministry of

Railways have therefore decided that in respect of such Stores the period for making risk purchase will be 9 months instead of 6 months. In order to implement this decision the Controller of Stores should identify these Stores in consultation with their F. A. & C. A. O. and incorporate a clause as under in the Tender enquiry for purchase of these Stores.

"In respect of the Stores mentioned in the Annexure to this Tender the period for making risk purchase be nine months instead of six months as provided in clause 0702(b) of I. R. S. conditions of contract.

The clause which is to be inserted in the Tender enquiry as above should also be incorporated in the resultant contract the only change being that instead of the word " Tender " the words " Purchase Order " should be used.

Ministry of Railways have also decided to insert a note below clause 0702(b) of I. R. S. conditions of contract to give effect to the above decision.

It has also been decided to amend clause 0300(a) of I. R. S. conditions of contract in the light of corresponding clause of D. G. S. & D. conditions of contract.

Advance correction slip No. 141-S to the Appendix III to the Indian Railway code for the Stores department is accordingly appended for information and guidance.

ANNEXURE V/3-03

Copy of Railways Board's letter No. 77/ RS (G)/779/29/ Pt. I dated 24th July 1987 addressed to General Managers, All Indian Railways and others.

Sub : **Risk purchase action against firms removed from approved list**

One of the Zonal Railway Administrations, have pointed out that there are occasions where firms registered with the Railways are removed from the approved list for a certain period due to their repeated failures and such other reasons. At the time when the firm is removed from the approved list there may be outstanding orders with the firm. Delivery period might have expired in certain cases and delivery period may still be available in the balance cases. Wherever, D. P. is available, although the firm has been banned, whatever supplies are made by the firm within the delivery period have to be accepted, being a contract. If the firm fails to deliver within the delivery period, no extension is to be granted. Similarly, in cases where delivery period has expired, no extension is granted. All such orders are cancelled and fresh purchase action is taken. The Railway has sought clarification if in case a firm has been removed from the approved list whether the Administration should make the risk purchase on expiry of delivery period.

Board has decided that in such cases of default the Railway should waive the risk purchase. However, such cases of waiver of risk purchase should be seen personally by C. O. S. before issue of risk purchase tenders to ensure that the removal from the list of approved suppliers has been done for good and sufficient reasons.

Restoration of such firms to the list of approved suppliers should also be seen by C. O. S. and when such cases are put-up to him particulars of waivers, if any, of risk purchase action in respect of the firm should he indicated.

This issues with the concurrence of the Finance Directorate of this Ministry.

ANNEXURE V/3-04

Copy of Railway Board's letter No. 86-BC-C/7 dated 14th July 1988 addressed to General Managers, All Indian Railways and others.

Sub : **Draft Audit paragraph for the Report of C. & A. G. of India, Union Government (Railways) for the year 1987 loss due to Ineffective risk purchase action**

In the above noted Para, Audit has pointed, out that the risk purchase action was not completed by the Railways within the prescribed period of 6 months and as a result the Railway had to incur extra expenditure resulting in loss to the Railways.

The Ministry of Railways desire that in order to avoid recurrence of such lapses, Railways/ Production Units should lodge provisional claim on the defaulting firms in cases of risk purchase immediately on finalisation of risk purchase within the mandatory period without waiting for execution of the order. These instructions should be brought to the notice of all concerned for compliance.

ANNEXURE V/3-05

MINISTRY OF RAILWAYS

No. 88/CE-I/CT/31 New Delhi Dated 29th January 1996

The General Managers,
All Indian Railways, PUs

Sub : **Loss on account of failure to observe the provisions for enforcement of risk action.**

Ref : Board's letter No. 88/CE-I/CT/31 dated 1st July 1988.

Instructions were issued by the Board vide above referred letter for observing the provisions for enforcement of risk action.

A case has come to the notice of the Board where a risk and cost tender was floated and awarded to other contractor. The tenders were called by adopting open tender sys and the tender notice was not sent to the original contractor at whose risk and cost tenders were invited.

As per legal advice obtained from the Legal Directorate of Railway Board, notic of risk tender irrespective of whether it was open or limited tender should have been served on the defaulting contractor so that it would have been in his knowledge that it was a tender at his risk and cost against the contract rescinded earlier. It is also required to be ascertained that there should not be any change in the scope of the work and the quanties of left-over work and the conditions for risk tender should be identical with that of orginal tender.

Board desires that there should not be any recurrence of such cases due to procedural lapses as highlighted above. In such cases, legal opinion, if necessary, may be taken before deciding the risk contract.

Please acknowledge receipt.

Sd/-
(Ved Prakash)
Executive Director Civil Engg.
(Railway Board.)

ANNEXURE V/3-06

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No.2006/RS(G)/779/2 New Delhi, dated 16.01.2007

The Controller of Stores,
North western Railway
Jaipur.

Sub : **Purchase of 6 Quad Jelly filled underground screened cable.**

Ref : (1) Your letter No.50/03/5130 dated 14.11.2006
(2) Railway Board's letter of even no. dated 23.03.2006.

Board is in receipt of your above referred letter, wherein your Railway has requested to clarify in the given case as to whether risk purchase action is permissible as per rules if the firm has refused to supply quantity ordered under 30% option clause, within the delivery period.

Vide Board's letter of even no. dated 23.03.2006, it has already been clarified that the provision of 30% option clause can be exercised within terminal delivery period, even if firm completed the supplies ahead of terminal delivery period date.

The matter has been examined in Board and accordingly it is advised that Railway is free to take penal action for breach of contract appropriately, such as claiming General Damages/Risk Purchase Action etc within enforceable period as defined in the contract as per Railway Board's letter No.79/RS(G)657/2 dated 01.01.1983.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC)
Railway Board

ANNEXURE V/3-07

GOVERNMENT OF INDIA **RBS No. 14/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2001/RS(G)/779/14 New Delhi, Dated: 21.09.2007.

General Manager/ All Rlys & PUs

Sub **: Deletion of clause for Risk Purchase.**

Board has been considering the proposal of deletion of clause for Risk Purchase in Stores Contracts. The matter was discussed in the 65th Conference of Controller of Stores held at Rail Bhawan, New Delhi on 2nd & 3rd August, 2007 wherein it was proposed to discontinue risk purchase action on same lines as has been done recently for works contracts.

The matter was examined in detail and accordingly it has been decided that:-

(1). Risk Purchase clause action may be deleted for all orders for safety items, as levy of 10% Security deposit has been made compulsory in all such orders

(except in case of vendors registered with NSIC up to the monetary limit of their registration for the items ordered). Whenever such contracts are rescinded, Security Deposit shall be forfeited. Such failure shall be recorded & will be considered by Railways on merit in future cases.

(2). In respect of orders for materials other than safety items, where 10% security deposit has been taken from firms, Risk Purchase clause may be deleted and in case of default by such firms, the Security Deposit shall be forfeited.

(3). In such cases as covered under (1) and (2) above, the quantities unsupplied shall be procured independently without risk and cost of the original firm / supplier.

(4). Adverse performance of such firms may be recorded and to be intimated to the approving authority & also to be taken into account in future tender cases on merit.

(5). Such cases which are not covered under Para (1) & (2) above, Risk Purchase provisions shall continue for them as per existing guidelines.

IRS Conditions of Contract shall be suitably modified as above.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
DDRS(G)-II
Railway Board

ANNEXURE V/4-01

Copy of letter No. 75/RS (G)/775 dated 25th June 1975 from Deputy Director, Railway Stores (G) Railway Board, New Delhi addressed to the General Managers, All Indian Railway

Sub : **Recovery of Risk purchase loss, general damages, liquidated damages etc.**

Clause 2401 of the I. R. S. Condition of Contract provides *Inter-alia* that whenever any claim for the payment of a sum of money arises out of or under the contract against the contractor, the purchaser shall be entitled to recover such sum by appropriating in whole or in part the security if any deposited by the contractor etc. Clause 2402 provides for similar appropriation in cases where the contractor is a partnership firm.

In Union of India Vs. Air Foam Industries (P) the Supreme Court had occasion to consider Clause 18 of the General Conditions of Contract on the D.G.S.& D. side which was more or less similar to Clause 2401 and 2402 referred to above. The Supreme Court has held *inter alia* that-

" A mere making of a claim by the Purchaser would impose a liability on the contractor to pay it. That surely could not have been the intention of the contracting parties. It would be more consonant with reason and good sense to take the view, which, as pointed out above, is plainly and indutiably supported by the language used by the contracting parties that Clause 18 does no more than merely provide an additional mode of recovery to the Purchaser and the Purchaser is entitled to exercise the right conferred under that clause only where there is a claim for a sum which is presently due and payable by the contractor. This view, indeed,

becomes irresistible when we consider the last words of Clause 18 namely, " the contractor shall on demand ply to the purchaser the balance remaining due which clearly postulate that the reference in the clause is to a sum presently due and payable by the contractor to the Purchaser, so that, if any balance remains un-recovered after adopting the special mode of recovery provided in the clause, such balance must be paid by the Contractor to the Purchaser on demand ".

" A claim for damages for breach of contract is therefore not a claim for a sum presently due and payable and the Purchaser is not entitled in exercise of the right conferred upon it under Clause 18, to recover the amount of such claim by appropriating other sums due to the contractor. On this view, it is not necessary for us to consider the other contention raised on behalf of the respondent, namely that on a proper constructions of Clause 18, the Purchaser is entitled to exercise the right conferred under the clause only where the claim for payment of a sum of money is either admitted by the contractor, or in case of dispute, adjudicated upon by a court or other adjudicatory authority. We must, therefore, hold that the appellant had no right or authority under Clause 18 to appropriate the amounts of other pending bills of the respondent in or towards satisfaction of its claim for damages against the respondent and the learned Judge was justified in issuing an interim injunction restraining the appellant from doing so ".

The ratio-decided in the above judgement should, therefore, apply equally to cases governed by Clauses 2401 and 2402 of the I. R. S. Conditions of Contract. It would follow that after the Supreme Court judgement, it is not often to Purchaser to recover/appropriate by way of damages any sum whether in the nature of Security Deposit or other dues of the contractor under the relevant contract or other contracts in respect of which the President of India is the Purchaser. It may, however, be noted that the Supreme Court's judgement does not prohibit the Purchaser from withholding payments due to the contractor. But such withholding would be subject to such measures as may be open to the Contractor in an appropriate forum for recovery of such amount.

2. In the light of the aforesaid judgement of the Supreme Court, the Board are now considering the question of amending Clauses 2401 and 2402 of I. R. S. Conditions of Contract. Based on the advice of the Ministry of Law and Justice given to D. G. S. & D. in the matter, the Board have been advised that the Railway Administrations should, in the meantime, make use of the Demand Notices as in **Annexere I** and **Annexere II** for the recovery of risk purchase loss and general damages. The Railway Administrations should also observe the following guidelines in this regard: -

(i). Copy of the Demand Notice, should not be endorsed to the F. A. & C. A. O. A separate communication should however, be sent to the F. A. & C. A. O. requesting him to advise whether any bills of the defaulting firm are pending in some other contracts. A copy of the Demand Notice issued to the firm should be enclosed with the said communication to the F. A. & C. A. O. for his information. If the firm fails to deposit the sum within the time specified in the Demand Notice and if some bills of the same firm are pending in some other contracts, the F. A & C. A. O. should advise the concerned Purchase Officer about the said bills and in the meantime, defer payment of such bills till further instructions from the concerned Purchase Officer. While intimating the pending bills in other contracts, the F. A. & C. A. O. should intimate the concerned Purchase Officer the details of the sum payable to the firm in other contracts and that payment of the sums has been deferred till further instructions from the latter. It should be ensured that no part of the correspondence exchanged between the F. A. & C. A. O. and the concerned Purchase Officer is endorsed to the defaulting firm.

(ii). The concerned Purchase Officer would be required to take the following action 'on hearing from the F. A. & C. A. O. regarding pending bills of the defaulting firm in other contracts.

(a). Immediately after receiving the intimation from the F. A. & C. A. O. about the pending bills of defaulting firm in some other contracts, the concerned Purchase Officer should examine whether the contract in respect of which a Demand Notice is issued contains an arbitration clause.

(b). If that contract is governed by an arbitration Clause, most expeditious steps should be taken to refer the dispute to arbitration. Simultaneously, a petition under Section 41 of the Arbitration Act 1940, read with Schedule 2 of the said Act and Order 39 Ride I of the C. P. C. should be filed in consultation with the Law Officer before the Court of competent jurisdiction, praying for the grant of an injunction restraining the defaulting firm from realising from the F. A. & C. A. O. to the extent of the Purchaser's claim in the contract, in respect of which the Demand Notice was issued and not complied with. If however, the prayer for injunction is rejected further prayer should be made to the Hon'ble Court for directing the defaulting firm to furnish guarantee, preferably a Bank Guarantee so that Government's interest is protected.

(c). If the defaulting contractor objects to the reference to the arbitration but if it is found that the arbitration agreement is included in the terms and conditions applicable to the contract in that case a petition under Section 20 of the Arbitration Act and another interlocutory petition under Section 41 read with Schedule 2 of the Arbitration Act and also read with Order 39, Rule 1 of the C. P. C. should also be moved before the competent court. The concerned Purchase Officer of the Railway Administration should ensure that immediate steps are taken to file the above referred petitions expeditiously in consultation with the Law Officer because the amount payable in other contracts cannot be kept deferred indefinitely by the Accounts Officer. As such most expeditious steps have to be taken to get interim injunction from the competent court otherwise there is no defence for deferring the payments in other contracts indefinit1y. The F. A. & C. A. O. has also to be advised suitably as per the orders issued by the competent court in respect of the petition for interim injunction.

3. The Controller of Stores and other Officers purchasing the stores/materials for and on behalf of the President of India and F. A.& C. A.O. of the Railway Administration should ensure strict compliance of the above instructions.

4. The above procedure should also be followed in the cage of recovery of liquidated damages or recoveries effected by F. A. &. C. A. O. from pending bills of the contractors in respect of loss or shortages of supplies/ stores reported by the consignees. The Demand Notice may be issued in form at Annexure II with suitable modifications. In cases where recovery of the amount has already been effected by the F. A. & C. A. O. from the pending bills of the defaulting contractors, such recovery should be reported to the concerned Purchase Officer of the Railway Administration for taking necessary action in the light of the instructions mentioned above.

The receipt of this letter may be acknowledged.

ANNEXURE I

NOTICE FOR CLAIMING RISK PURCHASE LOSS

To

M/s……

……. …….

Sub : Contract No ……dated …… for supply of……..

Ref : This Office letter No…… dated……

Dear Sir,

In continuation of this office letter cited above, I am to inform you that the Purchaser is entitled to claim from you a sum of Rs…… (Rupees……) towards extra expenditure incurred in risk purchase in terms of Clause…… of the Conditions of Contract governing the said contract, and alternatively general damages against the subject contract. You are, therefore, hereby called upon to pay the said sum to the credit of the Accounts Officer …….. and forward the receipted challan in original to this office by……failing which the Purchaser will be compelled to take such further action as per the terms and conditions of the Contract.

A set of challan in triplicate for the remittance of the amount is enclosed.

Please acknowledge receipt.

Yours faithfully

……

(Name and Designation)

for and on behalf of the President of India

ANNEXURE II

GENERAL DAMAGES

To

M/s……

……

……

Sub : Contract……. Dated…….. for supply of……

Ref : This Office letter No……dated……

Dear Sir(s),

In continuation of this office letter cited above, I am to inform you that the Purchaser is entitled to claim from you a sum of Rs …… (Rupees……) towards general damages against the subject contract. You are therefore, hereby called upon to pay the said sum to the credit of the Accounts Officer……and forward the receipted

challan in original to this office by failing which the Purchaser will be compelled to take such further action as per the terms and conditions of the Contract.

A set of challan in triplicate for the remittance of the amount is enclosed

Please acknowledge receipt

Yours faithfully
.....
(**Name and Designation**)
for and on behalf of the President of India

ANNEXURE V/4-02

Copy of letter No. 88-BC-Rlys/4 dated 07.09.1990 from Govt. of India, Ministry of Railways, Rly. Board, New Delhi. Addressed to the General Managers, All Indian Railways & Production Units.

Sub : Outstanding Claims, including Risk Purchase Costs, against defaulting Contractors.

Vide para 2.8 of the C&AG's Report (Railways) for 87-88, it has inter alia been brought out that the quantum of outstanding claims on account of Risk Purchase against defaulting firms had risen from Rs. 2.71 Crores in 1978 to Rs. 6.21 Crores in 1986 due to the following reasons:

(a) Railways/Production Units after addressing the defaulting firms to remit the risk amount involved, did not take effective follow up action in most of the cases;

(b) The Accounts Wing of Railways did not effectively monitor the clearance except sending periodically the list of defaulting firms and the amounts involved against each defaulting firm to the Stores Department.

(c) Non-observance of proper procedures for risk purchase action by the Rlys/Production Units; &

(d) Non-implementation of Arbitration Awards.

The Board desire that the extant codal provisions and the administrative instructions issued from time to time are scrupulously followed so as to ensure that there is no avoidable loss to the Railways on account of belated action and/or follow up action. To this end, the following measures should be taken by the Railways/Production Units:

(a) All cases where risk purchase has been made and the extra amount incurred has to be recovered from the defaulting firm, should be entered in a register which should be reviewed every month at the level of ACOS/SSO and consolidated position put up to the concerned Dy. COS.

(b) Accounts Department of Railways should effectively monitor all cases where risk purchase recoveries are involved and the monthly position put up to the Dy. FA & CAO concerned. Wherever it is not possible to with hold the payments due to non-availability of any other hills FA&CAO should write to all other Railways/Other Government Departments for with holding payments to the extent the recoveries are due from the defaulting firm.

(c) To ensure that risk purchase action is taken in time, all cases where purchase orders have to be cancelled due to default on the part of Contractor the risk purchase tenders should be floated on top priority. For this purpose a register should be maintained to be monitored by the ACOS/SSO who should put up the register to DY. COS at the end of the month.

(d) Wherever arbitration awards are made in favour of the Railways the same should be pursued effectively and monthly progress watched to ensure their speedy implementation.

C&AG's Report also brings out cases of delays in recoveries of dues from the firms where materials get rejected on receipt by the consignee and advance payments have been made to the firms. Board desire that all cases of non-replacement of rejected stores by the defaulting firms, especially where the advance payments made to them have not been recovered, should be pursued vigorously & FA&CAOs should write to other Railways/Other Government Departments to with hold the payments of such contractors to the extent the amount is due from them in respect of the rejected stores.

Please acknowledge receipt.

Sd/-
(R.S. Lahan)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE VI

ANNEXURE VI/1-01

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 57/155/1/RS(G) New Delhi, dated 12th April 1961

To The General Managers, All Indian Railways,
C.L.W., Chittaranjan.
G.M. and C. E., Railway Electrification, Calcutta.
The C, A. O., I. C, F, Perambur.
The Engineer-in-Chief, D. C. W., Varanasi.

Sub: **Earnest money and Security Deposit for Stores contracts**

Reference Railway Board's letter No. 571155/1/RS(G)dated 24th June 1960 on the above subject and your reply thereto. After careful examination, the Board have decided that no earnest money need be taken from other Railways, Government Departments. Small Scale Industrial Units recognised by the National Small industries Corporation, Manufacturers and their accredited Agents and firms borne on Railways list of approved suppliers in respect of ' Single ', ' Limited ' and ' Open ' tender enquiries.

It has also been decided that security deposit need not be taken from other Railways, Government Departments, and Small Scale Industrial Units recognised by the National Small Industries Corporation. This relaxation may also be allowed to firms borne on Railway's list of approved suppliers for items for which the firms are registered as experimental measure for a period of 3 years upto 31st March 1964. The usual security should however, be taken in case contracts are placed with unregistered firms or for items for which a particular firm is not registered.

In cases of Stores Contract, where the unregistered films, are unwilling to pay earnest money and security deposits and registered firms are usually to pay Security Deposit in respect of items for which they are not registered the Controller of Stores may, in consultation with F. A. & C . A O. exercise powers vested in the General Manager vide para 3 of Board's letter No. 56 /148 /1/RE dated 17th December 1956. These powers may also be re-delegated to other purchase officers upto the limit of their powers of purchase who will decide individual cases on merits in consultation with the Financial Adviser.

It is however, made clear that this does not in any way alter the provisions laid down in **Para 1115** and **Para 1123** of the Indian Railway Code for the Engineering Department.

Sd/-
(J. V. SALDANHA)
Dy. Director; Railway Stores,
Railway Board.

ANNEXURE VI/1-02

Copy of letter No. 63/RS(G)/155/1 dated 30th April 1964 received from Shri P. L. Chopra, Dy. Director Railway Stores (G) Railway Board, New Delhi addressed to General Managers All Indian Railways and I. C. F.

Sub : **Earnest Money and Security Deposit in Stores Contracts**

Ref : Board's letter No. 57/155/1/RS(G) dated 13th April 1961

The Board have had under consideration the question whether the relaxation in respect of taking Security Deposit from registered suppliers, referred to in para 2 of the aforesaid letter should be continued beyond 31st March 1964. They have now decided that the system of taking Security Deposits from firms borne on the Railways list of approved suppliers for item for which they are registered should be dispensed with, as a permanent measure, with effect from 1st April 1964.

ANNEXURE VI/1-03

Copy of Railway Board's letter No. F (X) II-63/BN/2 dated 30th September 1969 addressed to. the General Managers, All Indian Railways including C. L. W., D. L. W., I. C. F. and others.

Sub : **Guarantee Bonds offered by banks to Railways in connection with the execution of contracts, payment of freight etc.**

Please replace the forms of Bank Guarantee Bonds sent with Board's letter of even number dated 24th September 1969 with the enclosed revised forms.

Sd/-
(P.C. AGRAWAL)
for Deputy Director, Finance (X),
Railway Board

GUARANTEE BOND

(To be used by approved Scheduled Banks)

In consideration of the President of India (hereinafter called " the Government ") having agreed to exempt……[hereinafter called" the said Contractor(s) "] from the demand, under the terms and conditions of an Agreement dated…… 'made between……and ……..for……..(hereinafter called "the said Agreement "), of security deposit for the due fulfilment by the said contractor(s) of the terms and conditions contained in the said Agreement, on production of a Bank Guarantee for RS……. (Rupees…….. only), we ,……Bank Ltd.,(hereinafter referred to as " the Bank") do hereby undertake to pay to the Government an amount not exceeding Rs…… against any loss or damage caused to or suffered or would be caused to or suffered by the Government by reason of any breach by the said Contractor(s) of any of the terms or condition contained in the said Agreement.

2. We,…… Bank Ltd, do hereby undertake to pay the amounts due and payable under this guarantee without any demur, merely on a demand from the Government stating that the amount claimed is due by way of loss or damage caused to or

would be caused to or suffered by the Government by reason of any breach by the said Contractor(s) of any of the terms or conditions contained in the said Agreement or by reason of the Contractor(s) failure to perform the said Agreement. Any such demand made on the Bank shall be conclusive as regards the amount due and payable by the Bank under this guarantee. However, our liability under this guarantee shall be restricted to an amount not exceeding Rs……

3. We…… Bank Ltd., 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 the Government under or by virtue of the said Agreement have been fully paid and its claims satisfied or discharged or till ……..(Office/Department), Ministry of……..certifies that the terms and conditions of the said Agreement have been fully and properly carried out by the said Contractor(s) and accordingly discharge the guarantee. Unless a demand or claim under this guarantee is made on us in writing on or before the……,we shall be discharged from all liability under this guarantee thereafter.

4. We,……..Bank Ltd., further agree with the Government that the Government 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 extent time of performance by the said Contractor(s) from time-to-time or to postpone for any time or from time-to-time any of the powers exercisable by the Government against the said Contractor(s) and to forbear or enforce any of the terms and 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 for any forbearance, act or omission on the part of the Government or any indulgence by the Government to the said Contractor(s) or by any such matter or thing whatsoever which under the law relating to sureties would but for this provision have effect of so relieving us.

5. We……. Bank Ltd., lastly undertake not to revoke this guarantee during its currency except with the previous consent of the Government in writing.

Dated the……day of……19
For……..Bank Ltd.

ANNEXURE VI/1-04

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. F(X)I-69-BN-1 New Delhi, dated 31st December 1969.

To the G. Ms./All Indian Railways including I. C. F.

Sub : **Guarantee Bonds offered by Banks to Railways in connection with execution of Contracts etc.**

A case has come to the notice of the Board in which due to failure of the Railway Administration to renew the Bank's guarantee in time, the guarantee lapsed and the Railway

was put to loss for want of sufficient Security to cover the liquidated damages and general losses due from the contractors. To prevent the recurrence of such cases, the Board, desire that the procedure in regard to receipt, disposal, custody and renewal etc. of these Securities should be reviewed and streamlined, so that a proper machinery exists in the Executive as well as Accounts wings of your Railway in this regard.

2. The interest of the Administration will be adequately safeguarded, if the Accounts Officer were to be responsible for the custody of the guarantee bonds and for giving timely intimation to the executive officer concerned (say about 3 months in advance) of the date of expiry of the guarantee bond, and the executive officer were to be responsible not only for concurrently keeping track of currency of the guarantee bond but also specifically to ensure that it is extended from time to time and for such period as might be necessary with reference to the completion of the relevant work and any subsequent maintenance period that may be provided for in the particular contract.

Cashing of the guarantee bonds, before its expiry will, however, remain the responsibility of the Accounts officer.

3. The Board desire that you should in consultation with your F. A. & C. A. 0. lay down a detailed procedure for the purpose or amend the existing procedure, if any, in the light of the above general instructions and the relevant code rules etc. on the subject.

4. The receipt of this letter may be acknowledged.

Sd/-
Joint Director, Finance (Expr.),
Railway Board

ANNEXURE VI/1-05

Copy of Railway Board's letter No. F (X) II-63/EN/2 dated 22nd May 1971, addressed to General Managers, All Indian Railways including C. L. W., D. L. W, I. C. F. and others.

Sub: **Guarantee Bonds offered by banks to Railways for Earnest Money**

The question of prescribing the form to be used for taking Bank Guarantees for Earnest Money has been under consideration of the Board. The attached form has been drafted for the purpose in consultation with the Law Ministry and sent to the Ministry of Finance for approval. The Board have no objection to the Railways getting the guarantees executed in this pro forma provided the guaranteeing banks are also agreeable to do so. The form as finally approved by the Ministry of Finance will be communicated in due course.

This disposes of Western Railway's letter No. W/18/11/4 Vol. II dated. 30th December 1970 and Southern Railway's letter No. W. 496/P dated 27th January 1971.

(**C. S. ANAND)**
Dy. Director, Finance (X),
Railway Board.

BANKER'S GUARANTEE

. In consideration of the President of India (here in after called " the Government ") having agreed to accept from ……..……[here in after called "the said Tenderer(s)"] earnest money in the form of Guarantee Bond, under the terms and conditions of tender dated……. in connection with by the said Tenderer of the stipulation to keep the offer open for acceptance for a period of …….days from the date of opening of tenders, to execute an agreement within the time specified, to start work within the period specified after notification of the acceptance of his/their tender and the deposit of Earnest Money in cash or furnish fresh Bank Guarantee for the said amount as part of security for the due and faithful fulfilment of the contract on acceptance of the tender on production of a Bank Guarantee for Rs……..

(Rupees……only), we,…… Bank Ltd., do hereby undertake to pay on demand to the Government, the sum of Rs …… in the event of the said tender having incurred of the forfeiture of Earnest Money/Security Deposit as aforesaid for the breach of any of the terms or conditions of the stipulations aforesaid and contained in the said tender under an order of the authority competent to invite tender. We …… ……. Bank Ltd. further agree that the guarantee herein contained shall remain in full force and effect till the authority competent to invite the tender discharges the guarantee, subject however that the Government shall have no right under this Bond after the expiry of one year from the date of its execution and our liability under the bond shall be discharged if the demand for payment is not made within this period, we,…… Bank Ltd, lastly undertake not to revoke this guarantee during its currency except with the previous consent of the Government in writing.

Dated……day of ……

For ……Bank Ltd.

ANNEXURE VI/1-06

Copy of Railway Board's letter No. F(X)II-63/BN. 2 (Pt.) Vol. II dated 6th/ 19th December 1974 addressed to General Managers, All Indian Railways including C. L. W., D. L. W.I. C. F. and others.

Sub : **Guarantee Bond offered by the Banks to Railways In connection with execution of contracts etc,**

A copy of Ministry of Finance, Department of Banking Letter No. 919/B. O. III/74 dated 5th November 1974 received in this connection is sent herewith for information and guidance.

This disposes of General Manager's, Eastern Railways letter No. CC/Gen./64/Pt. I dated 9th August 1974)

Sd/-
(**N. C. SATYAWADI)**
Asst. Director Finance (X)
Railway Board

GOVERNMENT OF INDIA
DEPARTMENT OF BANKING

New Delhi-110 001,
No. 9(9)-B.O. III/74 Dated 5th November 1974

OFFICE MEMORANDUM

Sub: **Guarantee Bonds offered by Banks to Railway in connection with execution of contract etc.**

The undersigned is directed to refer to the Ministry of Railways O. M. No. F(X)I1-63/ NB-2(Pt.) dated 27th August 1974 on the subject cited above and to invite attention; to this Department O. M. No. 9(5)-BC/67 dated 29th June 1972 (**appended**) which envisages that guarantees issued by all the Scheduled Commercial Banks can be freely accepted by Government Departments without observing any of the formalities contained in the Office Memorandum of 17th May 1955. The question of making a distinction between the 'approved' and unapproved banks does not now arise.

Sd/-
(M. B. USGAONKAR)
Under Secretary to the Government of India.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF BANKING)

Jeevan Deep Building,
Parliament Street, New Delhi,
No. F. 9(5)-BC/67 Dated. 29th June 1972.

OFFICE MEMORANDUM

Sub: **Guarantees offered by Banks to Railways and other Government Departments regarding the payment of freight, implementation of Government contracts etc**

The revised Bank Guarantee Scheme introduced in terms of this Ministry's Office Memorandum No. 7(27) F1/54 dated the 25th February 1955, covering all Scheduled Banks, has been allowed to remain in force until further orders vide this Ministry's O. M. No. F7(136)-F1/55 dated the 8th February 1956.

The requirements to be complied with by (a) Scheduled Commercial Banks which tender guarantees, etc, and (b) the Government Departments which accept such guarantees etc., under the existing Bank Guarantee Scheme have been clarified in this Ministry's O..M..No.F7(27)-dated the 17th May 1955. Following a review of the working of the Scheme recently by Government in consultation with the Reserve Bank of India, it has been decided to do away with all the said requirements. Accordingly, in future, Government Departments may freely accept guarantees from all Scheduled Commercial Banks without observing any of the formalities contained in the Office Memorandum of the 17th May 1955 referred to above.

The above arrangement will take effect from 1st September 1972, from the said date, Reserve Bank of India will not issue any confirmatory advices in respect of guarantees etc., issued by Scheduled Commercial Banks in favour of Government Departments, nor will it, from

that date, accept from scheduled commercial banks Cash/Government Securities as cover for guarantee issued by them to Government Department.

Sd/-
(**K. YESURATNAM)**
Under Secretary to the
Government of India
Tel. No. 310 043.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

No. F. 7(27)-F. 1154 New Delhi, 17th May 1955.

OFFICE MEMORANDUM

Sub : **Guarantees offered by Banks to Railways and other Government Departments regarding payment of freight, implementation of Government contract; etc.**

The undersigned is directed to refer to this Ministry's O. M. No. F. 7(27)-FI/54 dated 25th February 1955, on the subject mentioned above and to state for the clarification of all concerned that with the introduction of the revised scheme with effect from the 1st March 1955 for a period of one year, the position will be as indicated below-

(a). The Scheduled Banks (including the Imperial Bank of India) approved by the Reserve Bank of India in this behalf shall be eligible to issue guarantee or Tender fixed deposit receipts, cash certificates and such other similar instruments representing any special classes of deposits upto certain specified limits without being required to lodge securities as cover.

(b). Guarantee bonds executed or fixed deposit receipts, etc. Tendered in excess of the limit fixed for an approved Bank (including the Imperial Bank of India) for the purpose will not be accepted unless the Bank concerned lodges with the Reserve Bank of India requisite securities, viz., cash deposit or Government securities in respect of the Guarantees to be executed or fixed deposit receipts, etc., to be Tendered by it in excess of the limit.

(c). Guarantee bonds executed or fixed deposit receipts, etc. tendered by scheduled Banks which have not been approved by the Reserve Bank of India for the purpose may be accepted, provided: -

(i). the bond in question is countersigned by any of the approved Banks (including the Imperial Banks of India) where the latter undertakes full responsibility to indemnify the Government Department in the case of default ; or

(ii). the Bank concerned lodges with the Reserve Bank of India requisite securities namely cash deposit or Government securities in respect of the guarantees to be executed or fixed deposit receipts etc. to be tendered by it.

(d). If any Scheduled Bank desires to lodge cash or Government securities to cover its guarantee or fixed deposit receipt, etc., with the Government Department

concerned; it may be permitted to do so, the amount of securities being sufficient to cover the full amount of the guarantee or the fixed deposit receipt, etc. with a margin of 5 per cent below the market price.

2. In all cases other than those where securities are lodged with the department concerned in terms of paragraph 1(d) above, no Government Department should accept any such Bank guarantee or fixed deposit receipt, etc. without getting in writing the concurrence of the Reserve Bank of India.

3. The terms of issue of the fixed deposit receipts, etc will in other respects continue to governed by the provisions of Rule 277 of the General Financial Rules Vol. I of the Central Government.

4. The advice regarding the cancellation or expiry of Bank guarantees, etc. should be immediately sent to the office concerned of the Reserve Bank of India by the Government Department concerned so that the scheme may work smoothly.

Sd/-
(**P. L. GUPTA)**
Under Secretary to the
Government of India

To
All Ministries of the Government of India.
All Branches of the Ministry of Finance and Financial Adviser, Delhi Province.

ANNEXURE VI/1-07

Copy of Railway Board's letter No. F (X) I1-63/BN-2, Vol. II dated 16th August 1975 addressed to the General Managers, All Indian Railways including C.L.W., D.L.W. and I.C.F. and others.

Sub : **Guarantee Bond offered by Banks to Railways**

The advice of the Ministry of Finance (Department of Banking) on the above subject is reproduced below for information and necessary action.-

“ With the issue of instructions contained in this Department's O. M. No. 9(5) BC/67 dated 29th June 1972, the guarantee form meant for "unapproved " banks has become obsolete as all scheduled commercial banks and scheduled State Co-operative Banks now stand on the same footing in so far as giving of bank guarantee is concerned.

As regards the guarantee form suggested by the Ministry of Railway’s it is clarified that the forms of guarantee bonds circulated under this Ministry's O. M. No. 9(6) BC/69 dated 26th August 1969, are only Model Forms drawn for the convenience of Government Departments and changes therein could be made by them in consultation with the bank(s) concerned, if the exigencies of the relative contract so require and the bank concerned agrees to such modifications, it may be noted in this connection that the bank guarantee is a sort of bilateral agreement”.

Please acknowledge receipt.

Sd/-
(M. A SUNDARAM)
Joint Director, Finance (Exp. II),
Railway Board

ANNEXURE VI/1-08

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

CONFIDENTIAL

No. F (X) I-77/19/2 New Delhi, dated 21st September 1977

The General Managers,
All Indian Railways C. L. W., D. L. W. and I. C. F.

Sub: **Forged Bank Guarantee Bond**

A case has come to the notice of the Board where a Bank Guarantee Bond furnished by a contractor when sought to be enforced by the Railway for non-fulfilment of contractual obligations was found to be a forged one as the concerned Bank denied having issued that Guarantee Bond. Though such cases are expected to be rare, yet the Board desire that Zonal Railway should ensure the *bona-fides* of every Bank Guarantee Bond accepted by them by addressing the concerned Bank by Registered Post (which can be followed up by a telephone call) and getting a written confirmation from the Bank which had issued the particular Guarantee Bond under the seal of the agent.

The receipt of this letter may kindly be acknowledged.

Sd/-

(N. C. Satyawadi)
Deputy Director, Finance (Exp.),
Railway Board

ANNEXURE VI/1-09

Copy of Railway Board's letter No. 78/ WI / CT/43 (Policy) dated 22nd December 1978, addressed to General Managers, All Indian Railways including C. L. W, D. L. W, I. C. F. and others.

Sub : **Earnest Money-rounding off of**

The Ministry of Railways have been considering the question of rounding off of Earnest Money to deposited by the tenderers. It has now been decided that Hence forth while calculating the earnest money amount should be round off as under-

Amount of Earnest money less than Rs. 1000/-	The Earnest money should be rounded off to the next higher ten rupees (for example Rs. 320 should be realized if the amount worked out according to the prescribed scales o earnest money is Rs. 311).
Amount of Earnest money more than Rs. 1,000	The Earnest money should be rounded off to the next higher hundred rupees. For example Rs. 1,200 should be realized if the amount worked out according to the prescribed scales of earnest money is Rs. 1,120).

2. The aforesaid procedure would be applicable to all contracts except in the case of sale contracts and auction sales etc. where the existing instructions will continue to apply.

3. This letter is issued with the concurrence of the Finance Directorate of the Ministry of Railways (Railway Board).

4. This disposes of F. A. & C. A.O., Wheel and Axle Plant/Bangalore's D. O. letter No. FA/W. & A. P./ Misc. 1489 dated 18th September l978.

5. The receipt of this letter may please be acknowledged.

Sd/-
(**Ravinder Singh**)
Addl. Director, Civil Engineering,
Railway Board

ANNEXURE VI/1-10

Copy of Board's letter no. F (X) I-85/19/ 1 dated 10th May 1985 addressed to General Managers, All Indian Railways, Production Units, etc.,

Sub : **Bank Guarantee Scheme - Furnishing of Guarantee by the Bank clarification regarding.**

Ref : Board's letter No F (X) I-78/19/2 dated 24th July 1978 and 24th December 1983

Ministries of Finance, Department of Economic Affairs (Banking Division) have since revised the format of the model guarantee form in supersession of the form earlier circulated in Boards letter referred to above. A copy of that Ministry's O..M. No. F.No. 9/5/85-B.O. III dated 28th February 1985 is sent herewith for information and guidance.

Sd/-
(Mrs. R. RAMANATHAN)
Jt. Director, Finance (Exp) II
Railway Board

ANNEXURE 1

Copy of Ministry of Finance, Department of Electronic Affair Banking Division, New Delhi's O.M. No. 9/5/85-B.O. III dated 28th February 1985 addressed to All Ministries /Departments of Government of India, etc.

Sub : **Bank Guarantee Scheme - Furnishing of Guarantee by the Bank clarification regarding.**

The undersigned is directed to refer to this Ministry's O.M. No. 9/7/75- B. O. Ill dated 20th July 1982 on the subject mentioned above, along with which a model form of Bank Guarantee Bond was also circulated (copy enclosed for ready reference). The Ministries/Departments/Public Sector Undertakings etc., were requested to adopt the model form while obtaining Bank Guarantees from contractors/suppliers etc. The Bank freely gives guarantees, whenever asked for, on executing the bond as in the model form.

2. Instances have come to notice where certain Departments etc., have refused to accept guarantees in the model bond and have sought for introduction of certain additional clauses. Some Departments have also insisted that a clause providing for an automatic extension of the guarantee period in the event of non-execution/ completion of project/contract within the stipulated period may be provided in the bond.

3. The matter has been examined. This Ministry's Office Memorandum dated 20th July 1982 referred to above, inter-alia, provides that if introduction of any additional clause or alterations in the clauses of the Model Form of the Guarantee are considered necessary owing to the peculiarities of certain contract the Departments etc. may do so provided such additions/alterations are not one sided and are made in agreement with the guaranteeing bank. It may be pointed out that the banks issue guarantees on behalf of their customers after obtaining sufficient security. The banks also charge commission on the guarantees. Therefore, the banks are not in a position to agree to the introduction of any clause/alterations *suo-moto.* Similarly the banks can not agree to the automatic extension of the validity period of the guarantee unless they have consulted the customers on whose behalf guarantee had been given by them.

4. Ministries/Departments etc. are requested that suitable instructions may please be issued to all concerned to accept the Bank Guarantees in the model Bond. Where any alteration/additions are considered necessary the same may be considered subject to the conditions mentioned in Para 3 above.

Sd/-
(**M. K. M. KUTTY)**
Under Secretary to the
Government of India

ANNEXURE II

REVISED MODEL FORM OF BANK GUARANTEE BOND

GUARANTEE BOND

In consideration of the President of India (hereinafter called "the Government") having agreed to exempt---------- (hereinafter called "the said Contractor(s)") from the demand under the terms and conditions of an Agreement dated ---------- made between---------- and----------for ---------- (hereinafter called "the said Agreement"), of security deposit for the due fulfilment by the said Contractor (s) of the terms and conditions contained in the said Agreement on production of a bank Guarantee for Rs---------- (Rupees---------- only) we ----------

(Indicate the name of the bank) (Hereinafter referred to as "the Bank") at the request of ---------- contractor(s) do hereby undertake to pay to the Government an amount not exceeding Rs. ----------against any loss or damage caused to or suffered or would be caused to or suffered by the Government by reason of any breach by the said contractor(s) of any of the terms or conditions contained in the said agreement.

2. We ---------- do here by undertake to the amounts due and
(Indicate the name of the bank)

payable under this Guarantee without any demur, merely on a demand from the Government stating that the amount claimed is due by way of loss or damage caused to or would be caused to or suffered by the Government by reason of breach by the said Contractor(s) of any of the terms or conditions contained in the said Agreement or by reason of the Contractor(s) failure to perform the said Agreement. Any such demand made on the Bank shall be conclusive as regards the amount due and payable by the Bank under this Guarantee. However, our liability under this Guarantee shall be restricted to an amount not exceeding Rs ----------.

3. We under take to pay to the Government any money so demanded notwithstanding any dispute or disputes raised by the Contractor(s)/Supplier(s) in any suit or proceeding pending before any Court or tribunal relating thereto our liability under this present being absolute and unequivocal.

The payment so made by us under this Bond shall be a valid discharge of our liability for payment there under and the Contractor(s)/ Supplier(s) shall have no claim against us for making such payment.

We ---------- further agree that the Guarantee herein
(Indicate the name of the bank)

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 the Government under or by virtue of the said Agreement have been fully paid and its claims satisfied or discharged or till ---------- (Office Department) Ministry of ---------- certifies that the terms and conditions of the said Agreement has been fully and properly carried out by the said Contractor(s) and accordingly discharges this Guarantee. Unless demand or claim under this guarantee is made on us in writing on or before the ---------- we shall be discharged from all liability under this Guarantee thereafter.

5. We ---------- further agree with the Government
(Indicate the name of the bank)

that the Government 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 time of performance by the said Contractor(s) from time to time or to postpone for any time or from time to time any of the powers exercisable by the Government against the said Contractor(s) and to forbear or enforce any of the terms and 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 for any forbearance, act or omission on the part of the Government or any indulgence by the Government to the said Contractor(s) or for any such matter or thing whatsoever which under the law relating to sureties would, but for this provision, have effect of so relieving us.

6. This Guarantee will not be discharged due to the change in the constitution of the Bank or the Contractor(s)/ Supplier(s).

7. We ----------lastly undertake not to revoke this Guarantee
(indicate the name of bank)

during its currency except with the previous consent of the Government in writing.

Date the ---------- day of -------- 19--
For ----------
(indicate the name of Bank)

ANNEXURE VI/1-11

Copy of Board's letter no. F (X) 1-84/ 8/1 dated 1st September 1986 addressed to General Managers, All Indian Railway and others.

Sub : **Bank Guarantee Scheme - Complaints regarding**

Ref: This Department's letters of even number dated 16/23rd January 1985 and 30th September 1985.

A number of cases were brought to the notice of the Railway Board by various Zonal Railway / Production Units highlighting certain problems in enforcement of Bank Guarantees. A reference was made to the ministry of Finance seeking their advice on the following types of difficulties:

(i) The Banks refuse to extend the validity period of the guarantee

(ii) The Banks disown certain Guarantees, having been issued by them, and

(iii) The Banks adopt dilatory tactics in honouring their Guarantee commitments

2. In regard of (i) above the Ministry of Finance have drawn our attention to their instructions contained in their letter No. 9/5/8.7-B.O. III dated 28th February 1985 circulated to Railways vide Board's letter No. F (X) 1-85/19/1 dated 10th May 1985 (copy enclosed) which explains the reasons why the Banks cannot automatically extend the period of validity of the Guarantees *suo-moto*. The Railways are therefore, advised to ensure that necessary action for getting the period of Bank Guarantees extended is initiated well in time.

3. As regards (ii) above, attention is invited to Board's letter no. F (X) I-77/19/2 dated 21st September 1977 urging the Railways to ensure *bona-fides* of every Bank Guarantee Bond accepted by them by addressing the concerned Banks by Register post and seeking a written confirmation under the seal of the Agent (copy enclosed). The Ministry of Finance have also addressed a similar letter No. 9/25/82-B.O. III dated 19th May 1985 (copy enclosed) to all the Ministries/Departments of Government of India. The Board desire that these instructions should be strictly adhered to.

4. As regards (iii) above, Ministry of Finance have advised that their Ministry as well as the Reserve Bank of India have been exhorting the Banks to take prompt action in honouring guarantee commitments also telling them that the Guarantees should be honoured, when invoked without delay and demur. In this connection a copy of letter No. BP-BC-18/C/473-86 dated 24th February 1986 issued by the Reserve Bank of India to all scheduled commercial Banks is enclosed for your information and necessary action.

5. It is considered that if the above instructions are scrupulously followed by the Railways no difficulty towards proper implementation of the Bank Guarantee Scheme should normally arise. However Board desire that any specific cases in which the Banks deliberately refuse or avoid making payments Against the Bank Guarantee issued by them may be brought to their notice for being taken up with Ministry of Finance.

ANNEXURE I

Copy of letter No. 9/25/82-B.O.III dated 19th May 1985 from Ministry of Finance (Department of Economic Affairs (Banking Division)) New Delhi addressed to All Ministries / Departments, State Governments and Public Sector Undertakings.

Sub : **Furnishing of forged/fraudulent Bank Guarantees evolving a procedure reg:**

I am directed to refer to this Division's O. M. No. 9/7/75-B. O. III dated 20th July 1982 and say that certain instances have come to the notice of the Government about furnishing of forged/fraudulent bank Guarantees to the Government Department by Private Agencies/Parties. On consideration it is felt that forged/fraudulent guarantees could be detected if a procedure of obtaining confirmation of the issue of such guarantees from the Bank concerned is introduced in Government Departments. It is therefore, suggested that the concerned Department accepting bank Guarantee/Deposit receipts may obtain confirmation from the concerned bank before accepting the Bank Guarantee/Deposit receipts.

Yours faithfully,
Sd/-
(**M. R. VAIDYA**)
Under Secretary of the
Government of India

ANNEXURE II

RESERVE BANK OF INDIA

CENTRAL OFFICE

DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT
"THE ARCADE" WORLD TRADE CENTRE CUFFE PARADE
COLABA BOMBAY- 400 005.

Telegrams: Bankchalan Post Box No. 6089

Ref : DBOD No. BP. BC. 18/C 473-86 dated 24th February 1986.

All Scheduled Commercial Banks

Dear Sir,

Sub : **Bank Guarantee**

It has been brought at our notice by the Government that the Guarantees issued by the Bank in favour of Public Sector Undertakings, Government Departments and other beneficiaries are not honoured promptly by the concerned banks when invoked and even an opportunity is provided to the clients to resort to legal restraint. We have already advised banks of the need for honouring the guarantee commitments promptly *vide* our circular DROD No. BP. 678/ C. 473.83 dated the 11th January 1983. We reiterate that in all cases where guarantees are invoked, payment should be made to the beneficiaries without delay and demur. Bank should show greater understanding Co-ordination and mutual trust with

Government Departments/ Public Sector Undertakings, in order to preserve the sanctity of the scheme of guarantees and the image of Bank and Government. We shall be glad if you will please issue necessary instructions to your branches/offices again under advice to us, leaving no room for complaints.

Sd/-
(**A. Balamitran**)
Joint Chief Officer

ANNEXURE VI/1-12

Copy of Railway Board's letter no. F (X) 1-82/18/2 dated 18th February 1987 addressed to General Managers, All Indian Railways and others.

Sub: **Acceptance as 'SECURITY' of BONDS of Indian Railways Finance Corporation.**

A Public Sector Undertaking known as 'Indian Railway Finance Corporation Limited' has been set up under the administrative control of the Ministry of Railways. The Corporation would soon be floating bonds for public borrowings. In order to make these bonds more attractive, the Board have decided that these bonds should be accepted as Security against earnest money as well as the Security Deposit from the contractors/suppliers for Mechanical and Stores tenders as well as from the employees who are entrusted with the custody of cash and Stores as being done in the case of Post Office's National Savings Certificates, F. D. Rs. of Nationalised Banks etc., in terms of Para 2051 of Indian Railway General Code Vol. 1. The Facility will also be available for works contract/Tenders.

In case of Bonds issued under non-cumulative interest scheme, post dated interest warrants should be submitted along with the bonds and the interest warrants could be given back as and when the interest becomes due.

The extant instructions as indicated above may be reiterated to all concerned in your organisation their information and guidance in dealing with requests from staff in the matter.

ANNEXURE VI/1-13

Copy of Board's letter no. 86/RS (G)/164/C/1 dated 18th August 1987 addressed to General Managers All Indian Railway, Production Units etc.,

Sub : **Receipt, Accountal and Refund of EMD / S.D.**

A copy of Procedural Office Order No. G/17 of 1987 issued by Central Railway on the above subject sent herewith for information.

Sd/-
(**Joginder Singh**)
Dy. Director Railway Stores (G)
Railway Board

ANNEXURE I

Copy of Central Railway Stores Department's Office Order No. G/17 of 1987.

Sub : **Receipt, Accountal and Refund of EMD / S.D.**

1.0 As per extant I. R. S. conditions of Contract, Tenderers not registered with the Railway as approved suppliers and also not exempted from payment of EMD are obliged to lodge requisite amount of E M. D. along with their offers. Similarly Security Deposit from such Tenderers are obtained before an order is released in their favour.

1.1 The EMD/ S.D. are payable by the Tenderer/ Supplier either in cash or in the form of Acceptable Government Securities and/or Demand Draft, Bank Guarantee etc., issued by Scheduled Nationalised Banks. Cheques are not to be accepted.

2.0 The instructions exist for the receipt/accountal of the E M.D. / S.D. and where the Deposits have not been received in cash but in the form of Securities and/ or Demand Drafts, etc., they are required to be lodged with F. A. & C. A. O. or Chief Cashier for safe custody or realisation of Demand Draft amount as the case may be. Latest Office Note No. 2 & 5 of 1987 may be connected.

3.0 It is noted that no system however, prevails for automatic refund of the deposits unless the Tenderers/ Suppliers claim for the same. Many a time on account of delay in receipt of such claim for refund of the EMD/S.D. relevant papers are found difficult to be connected resulting in delay in arranging refund of the EMD/ S.D. which in turn invites complaint from the Tenderers/Suppliers, causing avoidable inconvenience to the Administration.

4.0 In order to avoid such eventuality, it is decided that the refund of the EMD/SD. should be automatic and need not wait for the claim being preferred by the Tenderer/ Suppliers.

4.1 In this connection, the following procedure should he followed: -

4.1.1 Earnest Money Deposit: -

EMD is received/obtained to prove earnestness of the offer on the part of the Tenderer and thus, the same need to be refunded to all the unsuccessful Tenderers, immediately on finalisation of the Tenders.

The purchase Officer, signing the order should ensure that the case has been thoroughly reviewed and action has been taken for the refund of the E. M. Ds. to the unsuccessful Tenderers wherever applicable. This should he continuously watched till the deposit is refunded to the Tenderers/Suppliers.

4.1.2 Security Deposit: –

S.D. is obtained towards Security for due fulfilment of the contract by the Supplier and thus it is incumbent on the part of the purchaser to refund the same immediately, on successful completion of the contract.

It is the responsibility of the purchase section to watch for expiry of delivery date, as amended from time to time, in each case and call for Completion Report from the consignee. On receipt of the completion Report the case should be thoroughly reviewed for recovery, if any due from the Supplier and arrange refund of the deposit, if no recovery is due, after obtaining "**No Claim Certificate "** in the prescribed *proforma*, as per following Specimen: -

No Claim Certificate

Contract No ----------Date----------

For Supply of----------Quantity----------
(Brief Description of material)

The above Contract has been completed and I/We have no claim on the Railway in respect of the said contract. The Security Deposit Amount of Rs------- (Rupees----------) lodged by us vide Receipt No----------dated----------with Chief Cashier Central Railway Bombay V. T., Station Master---------- may therefore please be refunded to me/us.

Place:

Date: Signature and Full address of the

Contractor.

4.1.3 Many a time Security Deposit is obtained to cover Warranty period and satisfactory Performance of the material/ equipment during the Warranty period. In such cases, it is advisable to record a note on the order itself for the attention of the consignee to advice performance of the material equipment during the Warranty period and making it clear that if no such advice is received within 2 months from the expiry of the Warranty period, it shall be deemed to have no complaint for the performance of the material / equipment and the refund of the Security Deposit obtained on this account shall be suitably dealt with as such.

Where the Deposits were received in the form of Government Securities and/or Bank Guarantees and tendered to the F. A. & C. A. O. for safe custody, the same should be obtained from the Accounts and returned to the Tenderer/Supplier by Registered A. D. and the acknowledgement received should be carefully preserved on file.

5.1 In case of the deposits received in the form of Bank Guarantee, validity of the same should be sufficient to cover the delivery period, stipulated in the order plus 6 months for administrative purposes. The validity of the Bank Guarantee should be kept in mind before the delivery date is extended either with or without liquidated damages.

5.1.1 On finalisation of the Tender or satisfactory completion of the contract the Bank Guarantee should be called back from Accounts and returned to the Tenderer / Supplier by **Regd. post A. D.**

6.0 In order to ensure that the instructions, as above are followed strictly, all the purchase sections should maintain a Register with the following details for the various kind of deposits-received and refund there of:

PROFORMA FOR REGISTER

Sr. No	Case No.	Tender No	Nature of Deposit.	Amount	Cash or Security or B.G.	Money receipts No. and date for Security/ B.G. Ref.	Date to Chief cashier or F. A. & C.A.O.	Date of Tender finalised or Dely. Date	Date of Refund/ return of the Deposit/Security /B.G.
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**

6.1 The register should be checked by Section In Charge every fortnight and put up to ACOS / SSO once in a month.

7.0 The Instructions, as above, should be strictly followed by all concerned.

Sd/-
Chief Material Manager (G)

ANNEXURE VI/1-14

Copy of Board's letter No. 86/RS (G) 155/1 dated 11th September 1987 addressed to General Manager Northern Railway, New Delhi and others.

Sub : **Waiver of Earnest Money.**

Ref. (1) Northern Railway letter No. 129-S/O/3/Pt. II/PG dated 16th June 1986.
(2) Railway Board's letter No. 56/148/ I/RE dated 17th December 1956.
(3) Railway Board's letter No. 57/155/1/RS (G) dated 13th April 1961.
(4) Railway Board's letter No. 56/WI/CT-22 A dated 20th May 1967.

Ministry of Railways (Railway Board) have considered your request regarding restoration of delegation of powers to other purchase officers to waive earnest money in respect of unregistered firms in consultation with F.A. & C.A. O. upto the limit of their powers of purchase but regret that the same cannot be acceded to. In this connection however, attention

is drawn to Para 3 of this office letter No. 57/155/1/RS/(G) dated 13th April 1961 wherein it is stipulated

"In case of Stores contract where the unregistered firms are unwilling to pay earnest money and Security Deposits and registered firms are usually to pay Security Deposit in respect of the items for which they are not registered, the Controller of Stores may, in consultation with the FA&CAO exercise powers vested in the General Manager vide para 3 of Board's letter no. 56/148/1/RE dated 17th December 1956".

The above powers may also be exercised by C. M. Ms. in consultation with FA&CAO/WST.

ANNEXURE VI/1-15

Contents of Rly. Bd's letter No. 90/RS (G) 775/1 Dt. 07.05.1990 are reproduced below for information, guidance and necessary action.

"Clause 0500 of the Indian Railway Standard conditions of Contract stipulates the following provisions to deposit by the Contractor of a certain amount of money as security for the due fulfilment of the contract entered in with the Contractor: -

The contractor shall, within 14 days after written notice of acceptance of the tender has been posted to the contractor, deposit with the railway concerned (in cash or the equivalent in Government securities or approved Banker's guarantee Bond) a sum equal to 5% of the total value of the stores detailed in the contract for which the tender has been accepted, subject to a maximum of Rs. 1,00,000 as s security for the due fulfilment of the contact.

In case the contractor fails to make and to maintain a security deposit within the specified period, it shall be lawful for the purchaser to recover from the contractor the amount of such security deposit by deducting the amount from the pending bills of the contractor under the contract or any other contract with the purchaser or the Government or any person contracting through the purchaser.

Vide para 3.5 of the C&AG's report for the year 1987-88, a case of rejection of the contractor's request for deduction of the security deposit from his bills resulting in cancellation of the contract and the consequent risk purchase involving an extra expenditure of Rs. 2.91 lakhs has been highlighted.

It is reiterated that the procedure outlined in clause 0500 of the IRS conditions of contract should be observed scrupulously. The paying authorities should ensure that a watch is kept on whether the security deposit has been deposited within 14 days of the contract and if not recover the same in accordance with clause 0502 (a) of the IRS conditions of contract. In other words in cases where the Contractor has not deposited the prescribed Security Deposit either in cash or through Bank guarantee, the same should be recovered from the pending bills of the contractor."

ANNEXURE—VI/1-16

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. F (X) 1-93/18/2 New Delhi Dated 5th November 1993

Chairman & Managing Director,
KONKAN Railway Corporation Ltd.,
Belpur Bhavan,
Sector 11, CBD Belapur,
New Bombay.

Dear Sir,

Sub. : Acceptance of KRCL Bonds as Security

Ref. : Your letter No. KR/CO/F/7/1/6 dated 20th August 1993.

* * *

Your proposal for acceptance of 10.5 per cent tax free KRCL Bonds of Rs. 1,000/- each —1 st Series—proposed to be issued by your organisation—as 'Security' in lieu of Bid Bond Guarantee/Earnest Money/Bank Guarantee by the Railway Organisatior in respect of Mechanical, Engineering, Stores, Traffic, Commercial, Electrical an Signaling tenders/contracts, has been approved by this Ministry.

It is understood that KRCL Bonds can be purchased by an indvidual only when there is a public issue or at any other times from financial institutions or banks already holding them by way of Transfer. If a tenderer wishes to give the Bonds as Security Guarantee etc., he has to be in possession of the Bonds through this process only.

A copy of the prospectus/Brochures etc. containing the exact clause/provision in this regard may please be made available to this Ministry.

Sd/-
(P. C. Nautiyal)
Dy. Director, Finance (Exp.),
Railway Board.

ANNEXURE V1/1-17

Government of India
Ministry of Railways
(Railway Board)

No.2003/RS(G)/779/5 dated.10.09.2004

Sub : **Report of the committee on issue of Earnest Money and Security Deposit from Public Sector Undertakings (PSUs)**

A Committee of 3 SAG level officers viz. EDRS(G),EDF(S) & EDCE(G) was nominated to make recommendations on the issues of Levy/ Waival of Earnest Money and Security Deposit from PSUs. Accordingly, the committee have gone through the existing instructions on

the subject & practice being followed in other major Government departments in detail and submitted its recommendations which have been approved by the Board (ME,MM, FC).

Accordingly, in respect of matter of levy/waival of Earnest money & Security Deposit from Public Sector Undertaking Units in Stores contracts, the following instructions shall henceforth be applicable:-

(a) **Earnest Money : -** The requirement of earnest money is recommended to be waived for PSUs for the group of items that are manufactured by them, also for PSUs owned by Ministry of Railways, PSUs that are registered with Production Units of Railways, Zonal Railways, CORE/ALD. RDSO or with NSIC, Further, in cases, where PSU is not willing to or unable to pay the earnest money, the same may be considered for waiver in consultation with the Associate Finance.

(b) **Security Deposit :-** Security Deposit should generally be called from PSUs except those which are owned by Ministry of Railways, registered with Production Units of Railways, Zonal Railways, CORE/ALD, RDSO or NSIC, for supply of those specific items for which they are registered with them. Waiver of security deposit can also be considered in other deserving cases in consultation of Associate Finance.

The instructions would be applicable with prospective effect. However, it will exclude the contracts, which have already been entered into or have been called and under process of finalization.

The recommendation in connection with Work contracts has already been issued separately in terms of Board's letter No.2001/CEI/CT/19 dt. 9-7-2004.

This issues with the concurrence of the Finance directorate of Ministry of Railways.

-Sd-
(P.S.Meeena)
Dy. Director, Rly.Stores (G)
Railway Board

ANNEXURE V1/1-18

Government of India
Ministry of Railways
(Railway Board)

RBA No: 52 / 2005
No. 2005/AC-II/25/19 Dated 08.09.2005

The General Managers/ All Indian Rlys/ PUs, etc

Sub : Guarantee Bonds submitted by Contractors- Streamlining of procedure reg.

A case has come to the notice of the Railway Board wherein a contractor has submitted fake bank guarantee bonds as security deposit. The fraud came to notice when the bank concerned was approached to en-cash bank guarantee in wake of termination of the contract. Preliminary investigations revealed that the contractor had himself brought the Guarantee Bonds and also the confirmation letter from the bank and handed them over to officials dealing with BGs / agreements in the Engineering Department. Independent verification for confirming the genuineness of guarantee bonds by deputing staff or verification with the bank through

formal written reference as per required procedure was not done by the Railway. Appropriate action against the contractor involved in this case is under progress. However, it is seen that the non-compliance of the codal provision for verification of the guarantee bonds from bank etc has facilitated the fraud. Therefore, it is considered necessary to review and streamline the procedure in regard to receipt, custody, renewal and disposal etc of the securities in both Executive as well as Accounts wings to preclude any such instance in future. Accordingly, the following instructions are reiterated for strict compliance by the Railways:

Executive Office

1. The guarantee bonds issued by Banks in connection with execution of contracts, etc will be received in the Executive Office concerned and the following checks shall be exercised:
   a. It is in the prescribed form,
   b. It is correctly drawn up and stamped,
   c. The bond is valid for the period provided for in the contract and covers security for such period as might be necessary with reference to the relevant work and any subsequent maintenance/ period / relevant supply order so that the need for extension of a bond is not felt,
   d. The *bonafide* of every guarantee bond accepted should be ascertained by the Executive Officer concerned by addressing the concerned banks by registered post and written confirmation also obtained by registered post under the seal of the bank. This procedure should not be diluted in any circumstances.
2. The guarantee bond shall thereafter be sent to the contract signing authority for acceptance. The executive officer shall ensure that the above requirements are fully met with before acceptance. After carrying out the above checks and acceptance as prescribed above, the particulars of the guarantee bond shall be noted in a register in the following form:

Sl. No.	Date	Name of the Depositor	Reference to agreement No/date/purpose	Due date of completion of Work/Completion of delivery as per contract	Name & address of the Banker furnishing the G.B
1	2	3	4	5	6
Amount for which the Guarantee is offered	Date of expiry of Guarantee bond	Initial of the Officer in charge	Remarks	Date & no of release letter	Initials of the officer in charge
7	8	9	10	11	12

In case the department has computerized monitoring mechanism for the guarantee bonds, the report format be modified suitably to ensure the above check.

3. The guarantee bond along with the confirmation of the bank shall thereafter be forwarded to the associate Accounts Officer, indicating clearly that the checks mentioned in para 1 above have been carried out.
4. The register of guarantee bond ibid shall be reviewed every month in respect of guarantee likely to expire in the third subsequent month and the result put up to

the Executive Officer in charge, to ensure that a close track is kept on the currency of the guarantee bonds and that they are extended from to time, wherever necessary, for such period as might be necessary with reference to completion of the relevant contract and subsequent maintenance periods as may be provided for in the particular contract, or obtaining security deposit in one of the acceptable forms for an equal amount from the contractor/vendor concerned. As and when a guarantee bond is extended or security deposit in one of the acceptable forms is obtained from the contractor/vendor in lieu of guarantee, particulars thereof shall be intimated to the Accounts Officer concerned. Likewise, where a guarantee bond is cancelled or validity period has expired and the bond is not required to be renewed, necessary advice shall be given to the concerned Accounts Officer.

5. The Executive Officers shall, exchange with Accounts Officer a statement of bank guarantees every month, so that the position is reconciled with the record maintained by the Accounts Department and variations, if any, brought to light are rectified. The results of the reconciliation shall be put up to the Executive Officer and the Accounts Officer concerned.

6. In case a guarantee bond is required to be encashed, the Executive Officer concerned will advise the associate Accounts Officer under clear acknowledgement sufficiently in advance before expiry and the latter shall take immediate action for its encashment by the Bank concerned.

Accounts Office

1. On receipt of the guarantee bonds in the concerned internal check section of the Accounts Office, inter alias it will be seen that the certificate mentioned in para 3 (that the checks mentioned in para 1 above) is given. Accounts Office shall not accept any bank guarantee for safe custody unless the *bonafide* thereof has been verified by the Executive Officer concerned and written confirmation as contemplated in the para referred to above has been obtained. After necessary scrutiny the particulars of the guarantee bonds shall be noted in a register in the following form:

Sl no.	Contract no./Order no and Date	Name of the depositor	Due date of completion of Work/delivery as per contract	Name &address of the Bank furnishing the G.B
1	2	3	4	5
Confirmation Advice No& Date from the Schedule Bank in token of verification of Genuineness of the Guarantee Bond	Amount for which guarantee is offered	Date of expiry of guarantee bond	Month of reviews (3 months prior to the date of Col.8)	Date & no. of release letter
6	7	8	9	10
Remarks	Date & no. of release letter	Date & no of release letter issued by Accounts	Date & no. of release letter	Remarks
11	12	13	14	15

A separate page of the register may be allotted for each month for entering in it the bank guarantee expiring in the particular month. In case the department has computerized monitoring mechanism for the guarantee bonds, the report format be modified suitably to ensure the above check.

2. The guarantee bond shall be sent to the concerned branch / branch officer for safe custody in a sealed cover. The details of the guarantee bond shall be recorded in register as per the following *proforma* by the branch / branch officer:

   a. Date
   b. Sl No
   c. Name of the party
   d. Name of the bank
   e. Guarantee bond no and date
   f. Period of validity
   g. Amount Rs.
   h. Initials of the Branch Officer
   i. Account Unit
   j. Reference to release letter no. and date
   k. Date of return
   l. Signature of the staff of the dealing section
   m. Initials of branch Officer.

3. The register of guarantee bonds shall be reviewed by the internal checking section every month in respect of guarantees likely to expire in the third subsequent month and the result of the review shall be put up to the Sr. DFM / Head of the Accounts Office concerned. In case the department has computerized monitoring mechanism for the Guarantee Bonds, the report format be modified suitably to ensure the above check.

4. The executive Officer concerned shall then be addressed to initiate action to get the bank guarantee extended where necessary as long as may be required with regard to the date of completion of the contract and subsequent maintenance period as may be provided for in the relevant contract, date of completion of delivery or obtain security deposit in one of the acceptable forms for an equal amount from the contractor / vendor concerned.

5. Irrespective of whether action has been taken for renewal/ extension of validity of the existing guarantee bond, if the Accounts Officer, considers that the action taken by the executive for renewal, extension is not likely to materialize before the actual date of expiry and that there may be some delay as a result of which the Accounts Officer may not be left with adequate time to advise the concerned bank to deposit the amount due under the guarantee, he will advise the concerned bank to deposit the amount due under guarantee. Similar action will be taken in cases where no advice is received from Executive Office for extension / release of the guarantee bond 15 days before the expiry of its validity period. This will ensure that contingency of the Railway having inadequate security deposit after expiry of the guarantee Bond does not arise. The action, if any, taken by the Accounts Officer under this clause can not be questioned because in the event of any delay in getting the bond extended or any dispute

arising with the contractor, the Railway will lose the security in terms of the guarantee bond.

6. In any case, if the bank guarantee is not renewed, bills should not be passed for payment and the position should be brought to the notice of the Executive Officer concerned demi-officially. In the case of works contracts, the Accounts Officer concerned should ensure that, where bank guarantee bonds are nearing the expiry period, payments still due to the contractors are examined so that sufficient amounts are retained with the Railway in case the bank guarantee bonds are not renewed in time.

7. As and when a guarantee bond is cancelled or its date of validity has expired and the bond is not required to be renewed by the Executive Officer, the same should on receipt of an advice from the Executive Officer, returned to that office for being sent to the party concerned. It should be noted that the date expired guarantees are returned within reasonable period after fulfillment of the contract or on expiry of the guarantee period.

The Executive Officers and FA&CAOs may supplement/ complement the above instructions as per local requirements and issue detailed joint procedure orders for guidance of staff concerned and ensure strict compliance thereof through test-checks/ field inspections periodically. Kindly acknowledge receipt. A copy of JPO issued in the matter may also be sent for Board's information.

Sd/-
(Sudhir Mathur)
Executive Director Accounts
Railway Board

Copy for information and necessary action to

CAOs

HODs – All Zonal Rlys / Pus.

ANNEXURE V1/1-19

Government of India
Ministry of Railways
(Railway Board)

RBA no: 61 / 2005

No. 2005/AC-II/25/19 Dated 05.10.2005

The General Managers/ All Indian Rlys/ PUs, etc

Sub : Guarantee Bonds submitted by Contractors-streamlining of procedure reg.

A case of forgery in bank guarantee has been brought to the notice of Board wherein a contractor got the genuine bank guarantee issued from the bank but kept the originals with himself and submitted fake ones with the same details but forged signatures and seal of the bank, to the Railway authorities. As a result, although the bank guarantees were got confirmed from the bank concerned through usual procedure of sending a letter quoting particulars of the guarantee, genuineness thereof could not be ascertained. Suitable action is being arranged against the contractor. However, to preclude such instances in future, it may be ensured that a copy of bank guarantee received from contractor, is also enclosed with the letter addressed to

the concerned bank, by registered post and a written confirmation obtained by registered post under the seal of the bank.

Executive officers and FA&CAOs may also kindly take note of the above while framing the JPO as contemplated in Board's letter of even no. dated 8.9.2005 on above subject and send a copy thereof for Board's information.

Kindly acknowledge receipt.

Sd/-
(Sudhir Mathur)
Executive Director Accounts,
Railway Board

ANNEXURE V1/1-20

Government of India
Ministry of Railways
(Railway Board)

RBA no: 68 / 2005
No. 2005/AC-II/25/19 Dated 02.12.2005

The General Managers/ All Indian Rlys/ PUs, etc

Sub: Guarantee Bonds submitted by Contractors-streamlining of procedure reg.

Please refer to Board's letter of even no. dated 8.9.02 wherein detailed guidelines were issued on the above subject. It is noticed that certain columns have been repeated in the format of the register of Guarantee Bonds suggested for Accounts Office due to typographic error. Therefore, the format of the register referred to above may be revised as under:

Sl no	Contract no./Order no and Date	Name of the depositor	Due date of completion of Work/delivery as per contract	Name &address of the Bank furnishing the G.B	
1	2	3	4	5	
Confirmation Advice No& Date from the Schedule Bank in token of verification of Genuineness of the Guarantee Bond	Amount for which guarantee is offered	Date of expiry of guarantee bond	Month of reviews (3 months prior to the date of Col.8)	Initials of the Accounts Officer in-charge	Remarks
6	7	8	9	10	11

Kindly take note of the above change while framing the JPO contemplated in Board's letter ibid. A copy thereof may also be sent for Board's information at the earliest.

Sd/-
(J. Srinivas)
Director Finance(CCA)
Railway Board

ANNEXURE V1/1-21

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS **RBS No: 22/2006**
(RAILWAY BOARD)

No. 2004/RS(G)/779/11 New Delhi, Dated: 30.11.2006.

General Managers,
All Indian Railways/PUs

Sub : Recommendation of the Task Force on Tendering Procedure-regd. Avoiding handling of cash in submission of Earnest Money (EMD) and Security Deposit (SD).

Ref: (i) No. F(X)II-63/BN-2(Pt) Vol. II of 6 Dt.9-12-1974
(ii) No. F(X)I-82/8/2 Dt. 18.2.1987
(iii) No. F(X)I-93/18/2 Dt.05-11-1993.
(iv) No. 86/RS(G)/164/C/1 dated 18-08-1987.

In Supply Contracts on Railways, the matter regarding mode of payment of EMD and SD by the tenderers/suppliers was under consideration of the Board.

A Task Force of three Executive Directors of Railway Board, which was constituted to examine the various issues related to tendering procedures, has examined the above matter and recommended, inter alia, that " payment of Earnest Money Deposit/Security Deposit by the Tenderers / Suppliers in cash should be avoided".

The above recommendation has been approved by the Board. As such, the Earnest Money and Security Deposits in supply contracts should be in any one of these forms viz., Deposit receipt, Pay Orders, Demand Drafts, Guarantee Bonds issued by nationalized or Scheduled Commercial Banks, Bonds of Indian Railway Finance Corporation and KRCL Bonds.

In addition to above mentioned forms of payment, Security deposit may be paid in the form of Government Securities and a deposit in the Post Office Saving Banks also.

The payment of Security Deposit and Earnest Money in the form of Pay Order / Demand Draft should be made in favour of FA&CAO/Sr. DFM.

The terms and conditions attached with the above mentioned form of payment, in the Board's letters under reference above will remain the same.

Further, in regard to the mode of payment of EMD and SD, no relaxation in the above provisions will be given to any one.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director Railway Stores (IC)
Railway Board

ANNEXURE V1/1-22

GOVERNMENT OF INDIA **RBS no: 12/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.2004/RS(G)/779/11 New Delhi, Dated:24.07.2007.

General Manager/ All Rlys & PUs

Sub **: Earnest Money Deposit & Security Deposit for Stores Tenders.**

The existing instructions on the matters of Earnest Money Deposit & Security Deposit issued vide Board's letter no:57/155/1/RS(G) dated 12.04.1961 have been reviewed by Board and it has been decided that for procurement of goods including Safety items but excluding M&P, following guidelines should be followed with immediate effect except in case of PSUs where these will be governed as per Board's letter no: 2003/RS(G)/779/5 dated 10.09.2004:

SN	Items	Instructions
1.	Earnest Money Deposit	(i) The Earnest Money Deposit (EMD) shall be taken from all tenderers against advertised tenders subject to following exemptions: a. Vendors registered with NSIC upto the monetary limit of their registration for the items tendered. b. Vendors registered with Railways upto the monetary limit of their registration for the items tendered/trade groups of the items tendered.
		c. Vendors on approved list of RDSO/PUs/CORE/Railways etc. for those specific items for which they are on approved list. d. Manufacturers and their accredited agents. e. Other Railways, Govt. Departments. (ii) The amount of EMD to be taken in advertised tenders, wherever applicable, will be 2% of the estimated tender value subject to an upper limit of: a. Rs. 5 lakhs for tenders valuing upto Rs. 10 crores and b. Rs. 10 lakhs for tenders valuing above Rs. 10 crores.
2.	Security Deposit	Safety Items: The Security Deposit (SD)/Performance Guarantee shall be taken from all firms for contracts for all safety items placed against advertised tenders and Global tenders subject to following exemptions: Vendors registered with NSIC upto the monetary limit of their registration for the items ordered. Other than Safety Items: The Security Deposit (SD) shall be taken from all firms for contracts for items other than safety items placed against advertised tenders and Global tenders subject to following exemptions: a. Vendors registered with NSIC upto the monetary limit of their registration for the items ordered. b. Vendors registered with Railways upto the monetary

		limit of their registration for the items ordered / trade groups for items ordered or vendors on approved list of RDSO/PUs/CORE/Railways etc. for those specific items for which they are on approved list or other Railways, Govt Departments on their specific request and on merits of the case as considered by tender committee. The usual security deposit , should however be taken in case the contracts are placed on unregistered / unapproved firms or for items for which a particular firm is not registered/approved. The amount of SD to be taken, wherever applicable, will be 10% of the total value of contract subject to upper ceiling of Rs. 10 lakhs for contracts valuing upto Rs. 10 crores & Rs. 20 lakhs for contracts valuing above Rs. 10 crores.
3		Upper limit on amount of EMD &SD may be enhanced suitably for tender cases/contracts valuing beyond the acceptance powers of GMS/AMs. However the same should be clearly specified in tender documents and purchase orders/contracts.
4	Validity of EMD	EMD should remain valid for a period of 45 days beyond the final bid validity period.
5	Validity of SD	Security deposit should remain valid for a minimum period of 60 days beyond the date of completion of all contractual obligations of supplier.
6	Return of EMD	(i) EMD of the unsuccessful bidders should be returned to them within 30 days after expiry of final bid validity. (ii) EMD should be refunded to the successful tenderers on receipt of security money
7	Return of SD	After completion of all contractual obligations, SD should be returned to the successful supplier within 60 days.

I. For global tenders the instructions issued vide Board's Letter No: 93/RS(G)/779/9 dated 19.05.1994 will continue to be followed. However, upper limit could be enhanced suitably as indicated in Point 3 above.

II. For procurement of M&P, the detailed guidelines / instructions as contained in Board's letter N.98/RS(G)/709/1 dated 30.05.2006 may continue to be followed.

Above instructions should be followed scrupulously.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Kindly acknowledge the receipt.

Sd/-
(Trilok Kothari)
Director, Railway Stores (IC),
Railway Board

ANNEXURE V1/1-23

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

RBSNo.06/2008

No. 2004/RS(G)/779/11 Dated 19.02.2008.

The General Manager/All Rlys/PUs.

Sub: **Earnest Money Deposit (EMD) & Security deposit (SD) for Stores Tenders.**

Subsequent to the issue of Board's instructions as contained in Board's letter of even no. dated 24.7.2007, on the subject of EMD & SD, the issue of SD has further been reviewed for single tender, limited tender and special limited tenders, on a reference from a Zonal Railway.

On the issue, it is clarified on the similar lines that:

(1) For procurement of Safety items above Rs. 10 lakhs, Security Deposit is mandatory in Single Tender, Limited Tenders & Special Limited Tenders also, subject to the exemptions as applicable in case of advertised & global tenders I.e vendors registered with NSIC upto the monetary limit of their registration for the items ordered.

(2) For procurement of Safety items upto Rs. 10 lakhs existing rules on SD shall apply.

(3) For procurement of items other than Safety items, the existing rules on SD shall apply *i.e* SD shall be taken from all firms subject to existing exemptions as given for advertised & global tenders *i.e*

i) Vendors registered with NSIC upto the monetary limit of their registration for the items ordered.

ii) Vendors registered with Railways upto the monetary limit of their registration for the items ordered / trade groups for items ordered or vendors on approved list of RDSO / PUs / CORE / Railways etc. for those specific items for which they are on approved list or other Govt. Departments on their specific request and on merit of the case as considered by tender committee.

This issues with the concurrence of finance Directorate of Ministry of Railways.

(This disposes of Central Railway's letter No. S.220.G/O1 dated 13.11.2007)

Sd/-
(Trilok Kothari)
Director, Railway Stores (IC)
Railway Board

ANNEXURE VI/1-24

GOVERNMENT OF INDIA **RBS NO.11/2008**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

NO: 2008/RS(G)/779/2 Dt.29.04.2008

The General Manager/All Rlys & PUs

Sub : **Acceptance of Bank Guarantee submitted by Contractors/ Suppliers.**

Ref : CVC's letter No. 02-07-01-CTE-30 dated 31.12.2007.

Central Vigilance Commission vide their letter under reference above (copy enclosed) have circulated guidelines for streamlining the system of acceptance of bank guarantee submitted by contractors/suppliers in order to eliminate the possibility of acceptance of any forged / fake Bank Guarantees. In view of these guidelines, it is advised that in addition to existing guidelines on the issue, following guidelines shall also be added in the system wherever such guidelines do not exist, in order to ensure that Bank Guarantees submitted by Contractors / Suppliers are genuine and encashable.

a. Copy of proper prescribed format for Bank Guarantees (BGs) to be accepted from the contractors should be enclosed with the tender documents and it should be verified verbatim on receipt with original document.

b. It should be insisted upon the contractors, suppliers etc. that Bank Guarantees (BGs) to be submitted by them should be sent to the concerned authorities directly by the issuing bank under Registered Post (A.D.) .

c. In exceptional cases, where the BGs are received through the contractors, suppliers etc., the issuing branch should be requested to immediately send by Registered Post (A.D.) as unstamped duplicate copy of the Bank Guarantee directly to the Railways with a covering letter to compare with the original BGs and to confirm that it is in order.

d. As an additional measure of abundant precaution, all BGs should be independently verified by the Railways.

e. Depending upon the requirement, one or more officers should be specifically designated with responsibility for verification, timely renewal and timely encashment of BGs.

Further, following tender condition may also be invariably included in tender documents for insisting upon the contractors, suppliers etc. for submission of BG directly by issuing bank to the concerned Railway authorities.

"Bank Guarantees (BGs) to be submitted by suppliers / contractors, should be sent directly to the concerned authorities by the issuing Bank under registered Post A.D."

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

DA: As above.

Sd/-
(Aruna Jain)
DDRS(G)-II, Railway Board

NO. 02-07-01-CTE-30
Government of India
Central Vigilance Commission

Satarkata Bhavan, Block 'A',
GPO Complex, INA,
New Delhi-1100023.
31st Dec 2007

OFFICE MEMORANDUM

Circular No. 01/01/08

Sub : **Acceptance of Bank Guarantees.**

A number of instances have come to the notice of the Commission where forged / fake bank guarantees have been submitted by the contractors / suppliers. Organizations concerned have also not made any effective attempt to verify the genuineness / authenticity of these bank guarantees at the time of submission.

2. In this background, all organizations are advised to streamline the system of acceptance of bank guarantees from contractors / suppliers to eliminate the possibility of acceptance of any forged / fake bank guarantees.

3. The guidelines on this subject issued by Canara Bank provides for an elaborate procedure, which may be found helpful for the organizations in eliminating the possibility of acceptance of forged / fake bank guarantees. The guidelines issued by Canara Bank provides that-

> "The original guarantee should be sent to the beneficiary directly under Registered Post (A.D). However, in exceptional cases, where the guarantee is handed over to the customer for any genuine reasons, the branch should immediately send by Registered Post (A.D) an unstamped duplicate copy of the guarantee directly to the beneficiary with a covering letter requesting them to compare with the original received from their customer and confirm that it is in order. The A.D. card should be kept with the loan papers of the relevant guarantee.
>
> At times, branch may receive letters from beneficiaries, *viz.,* Central / State Governments, public sector undertakings, requiring bank's confirmation for having issued the guarantee. Branches must send the confirmation letter to the concerned authorities promptly without fail."

4. Therefore, all organizations are advised to evolve the procedure for acceptance of BGs, which is compatible with the guidelines of Banks / Reserve Bank of India. The steps to be ensured should include-

i) Copy of proper prescribed format on which BGs are accepted from the contractors should be enclosed with the tender document and it should be verified verbatim on receipt with original document.

ii) It should be insisted upon the contractors, suppliers etc. that BGs to be submitted by them should be sent to the organization directly by the issuing bank under Registered Post (A.D.) .

iii) In exceptional cases, where the BGs are received through the contractors, suppliers etc., the issuing branch should be requested to immediately send by Registered Post (A.D.) as unstamped duplicate copy of the guarantee directly to the organization with a covering letter to compare with the original BGs and to confirm that it is in order.

iv) As an additional measure of abundant precaution, all BGs should be independently verified by the organizations.

v) In the organization / unit, one officer should be specifically designated with responsibility for verification, timely renewal and timely encashment of BGs.

5. Keeping above in view, the organizations may frame their own detailed guidelines to ensure that BGs are genuine and encashable.

6. Receipt of the above guidelines should be acknowledged.

Sd/-
(Smt. Padmaja Varma)
Chief Technical Examiner

To
All Chief Vigilance Officers.

ANNEXURE VI/1-25

Government of India
Ministry of Railways/Railway Board

No.2004/RS(G)/779/11 Dated 06/08/08

RBS 20/2008

General Manager/All Indian Railways & Pus including NF(C)

CORRIGENDUM

Sub : **Earnest Money Deposit (EMD) & Security deposit (SD) for Stores tenders.**

Ref : Board;s letter of even No. dated 19/02/2008

In partial modification of Board's above referred letter, the word 'is Mandatory' as appearing in first and second line of sub-para (I) is hereby replaced with shall be taken'.

This issues with the concurrence of Finance Dte of Ministry of Railways.

SD/-
(Trilok Kothari)
DRS(IC)/Rly Board

ANNEXURE V1/1-26

Government of India
Ministry of Railways/Railway Board RBS 24/2008
No.2004/RS(G)/779/11 DT.15.10.2008

Sub : **Withdrawal of exemption from payment of Security deposit (SD) in supply contracts for procurement of Safety items, in case of SSI Units registered with NSIC.**

Ref : Board's letters of even no. dated 24-07-2007 & 19-02-2008

1 Attention is invited to Board's letters under reference above laying down, inter alia, that for Safety Items, Security Deposit from all tenderers against Advertised Tender shall be taken subject to exemption in case of the vendors registered with NSIC up to the monetary limit of their registration for the items tendered.

2.0 The matter has been reviewed in the light of extant provision as laid down in General Financial rules, 2005 and also in Manual of Policies for Purchase of Goods & Services as issued by Ministry of Finance, Government of India. According to these rules, "Performance security is to be obtained from every successful bidder irrespective of its registration status etc". Further, Multi-disciplinary Task Force on asset maintenance and failure for establishing near *"Zero Defect Regime"* had also recommended in Para 8.27 of their report that "it would be prudent to call for security deposit at 10% of the contract value from all such firms irrespective of their registration with Railway or NSIC or on the approved list of RDSO, Railway or CORE or PU and in case of delay or non-supply, their security deposit should be forfeited apart from taking note of their poor performance in future tenders". In view of all these, it has been decided by the Board that these guidelines shall also be implemented for safety items on Railways, to begin with.

3.0 It has, therefore been decided to withdraw the exemption from payment of Security Deposit by SSI Units registered with NSIC in supply contracts, for supply of safety items, valued above Rs. 10 lakhs.

4.0 This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
DDRS(G)-II
Railway Board

ANNEXURE VI/2-01

Copy of letter No. 74/RS (G)/379/1 dated 14th July 1980

Sub : **Effect of increase in prices in firm price contract**

Ref. : Ministry of Railway's letters of even no. dated 31st October 1974 and 25th June 1979

This subject has been engaging the Board's attention for quite some time for issuing further guidelines in this regard. The issue has been re-examined in detail by the Ministry of Railways and it has been decided to delete the following paras of the Board's letter of even November dated 25th June 1979.

"(iii) In other cases where the loss suffered by the Supplier was substantial after taking into account the possible mark up or cushion that has been provided by the Supplier towards profits and price increase during the currency of contract in the rates ex-gratia payments to cover their losses to some extent could be worked out in consultation with the Financial Adviser based on the documentary proof produced by the suppliers.

Ministry of Railways has now decided that where such ex-gratia amount payable falls within 5 per cent of the total value of contract, General Managers may sanction such ex-gratia

payments in consultation with their Financial Advisers. Payments of ex-gratia beyond 5 percent of the total value of the contract will require approval of the Railway Board. In order to avoid small claims in low value contracts, ex-gratia amounts less that Rs.500 should not be normally allowed. These powers should not be delegated to any lower authority".

This issues with the concurrence of the Finance Directorate.

Sd/-
(A. B. BANERJEE)

ANNEXURE VI/3-01

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 72/746/Track New Delhi, dated 11th May 1972

The General Managers All Zonal Railways (including C. L. W., D. L. W.).
The General Manager, I. C. F., Perambur, Madras.

Sub : **Recommendation No. 45 of the 11th Report (1971-72) on Para 17 of Railway Audit Report, 1970- Loss due to excess supply of Railway scrap to a sleeper manufacturer at the controlled rates.**

Against a contract placed in 1962 for the manufacture of C. I. sleepers, Railway C. I. scrap was to be supplied to the firm at the then control rate of Rs. 98 per tonne. The firm obtained C. I. scrap from the railway but did not supply sleepers. The quantity of excess C. I. scrap received by the firm was subsequently adjusted against a contract placed in 1965. In 1965 the rate of C. I. scrap was Rs. 400 per tonne. Although the scrap issued to the firm was at the rate of Rs. 98 per tonne, no security was obtained from the firm for the difference in the rates existing in 1965 and that at which it was issued to the firm in 1962. The firm did not make any supplies against the contract, placed in 1965 also and shortly afterwards went into liquidation.

2. The matter was included in the Audit Report for the year 1970 and after discussion, the Public Accounts Committee observed that there was no built-in provision for safe guarding the monetary interests of the Railways if the firm used the scrap for a purpose other than manufacturing C. I. sleepers and when a new contract with the firm was entered into in 1965, the Railways failed to obtain bank guarantee to fully safeguard their interests.

3. With a view to avoiding recurrence of such cases in future, the Board desires that whenever such railway material is supplied free of cost to manufacturers, the interests of the Government should be fully safeguarded by obtaining cash or bank guarantees from them, to cover the cost of material as would be applicable from time to time till the material is utilised for manufacture. Besides, the following declaration should invariably be obtained from the firms receiving material from the Railways:-

"I/we hereby solemnly declare that he.....(Material) obtained is required for the purpose of manufacturing .....(finished product) against contract No.....dated.....The..... (material) will not be utilised for any other purposes or otherwise disposed of without the prior approval of the purchaser or his nominee".

4. In addition, the following provisions should be incorporated in the contract: -

(i) Where any row materials for the execution of the contract are procured with the assistance of Government either by issue from Government stocks or purchased under arrangements made or permit(s) or licence(s) issued by Government, the contractor shall hold the said materials as trustee for Government and use such materials economically and solely for the purpose of the contract against which they are issued and not dispose of them without the permission of the Government and return if required by the purchaser all surplus or unserviceable materials that may be left with him after the completion of the contract or as its termination for any reason whatsoever, on his being paid such price as Government may fix with due regard to the condition of the material. The freight charges for the return of the materials according to the direction of the purchaser shall be borne by the contractor, in the event of the contract being cancelled, for any default on his part. The decision of Government shall be final and conclusive; and

(ii) In the event of breach of the aforesaid conditions, the contractor shall, in addition to throwing himself open to action for contravention of terms of the licence(s) or the permit(s) and/or for criminal breach of trust, be liable to account to Government for all moneys, advantages or profits resulting or which in the usual course would have resulted to him by reason of such breach.

5. The receipt of this letter may please be acknowledged.

Sd/-
(**J. K. MATHUR)**
Joint Director, Civil Engineering
Railway Board

ANNEXURE VI/3-02

Copy of letter from Ministry of Railways (Railway Board) No. F(X)I-72/BN/1 *dated 23rd November 1972 addressed to the General Managers, all Indian Railways, C. L. W., D. L. W. and I. C. F.*

Sub: **Furnishing of Bank Guarantee in respect of transactions between two Public Sector Enterprises or between a Public Sector Enterprise and Government Department**

A copy of Ministry of Finance (Bureau of Public Enterprise)'s O. M. No. BPE/1(4)/Adv (F)/69 dated 3rd November 1972 on the subject noted above is appended for information and guidance.

Sd/-
(**A. P. Chopra**)
Deputy Director, Finance (Exp.),
Railway Board.

Copy together with enclosure to all Officers and Branches of Works/ Civil Engineering, D. T. E., U. S. (G) and F (X) II Branch, Railway Board for information and necessary action.

Copy of Ministry of Finance (Bureau of Public Enterprise)'s O. M. No. BPE/I (4)/Adv. (F)/69 *dated 3rd November 1972 addressed to all Ministries, Government of India etc.*

OFFICE MEMORANDUM

Sub : **Furnishing of Bank Guarantees in respect of transactions between two Public Sector Enterprises or between a Public Sector Enterprise and a Government Department.**

The question of furnishing bank guarantees in respect of transaction between two Public Sector enterprises or between a Public Sector enterprise and a Government Department has been engaging the attention of the Government for some time. In some cases bank guarantees are insisted by other Public Sector enterprises or Governments in respect of the following: -

(1) To cover the advances paid against the order as a measure of security;

(2) In lieu of security deposit for the fulfilment of the contract and

(3) Performance guarantee for the Satisfactory Performance of equipment or the contract.

The question of furnishing such bank guarantees has been gone into in detail and it has been decided that-

(1) There is no need for insisting the bank guarantee in respect of advances paid by Public Sector enterprises or Government Department to another Public Sector-Enterprise as there is no risk of the advance being lost,

(2) Since the transactions between two Public Sector enterprises or between Public Sector enterprises and the Government Department are of commercial nature, it would not be appropriate, to exempt the Public Undertakings from the bank guarantees in lieu of security deposit for the fulfilment of the contract. In fact such guarantees show the earnestness of the Public Sector enterprises for the fulfilment of the contract and in such cases the normal commercial principles should be followed;

(3) It is necessary that proper bank guarantees are furnished by Public Sector Enterprises for the satisfactory performance of the equipment and / or prompt action for rectification in case of' deficiencies noticed in the execution of the contract or detective performance of the equipment.

In this connection it may also be mentioned that furnishing of these guarantees would not involve blocking of cash resources on the part of the enterprises as they can obtain a bond from L. I. C. on the basis of which the bank will issue a counter guarantee. In order to facilitate the issuance of bond by L.I.C., Government has agreed that L.I.C. would have a *pari passu* charge on the fixed assets of the company *vis-à-vis* the Government.

3. The Ministry of Industrial Development, etc. is requested to bring the contents of the above O.M. to the notice of the Public Sector enterprises wider their administrative control.

(**A. N. BANERJI)**
Addl. Secretary and Director General

ANNEXURE VI/3-03

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 73/RS (G)/779/51 New Delhi, dated 28th June 1976

The General Managers, All Zonal Railways and Production Units.

Sub : **Handing over Railway property to outside parties - Furnishing of Indemnity Bond instead of Bank Guarantee.**

Reference Board's letter of even number dated 9th October 1973 on the subject indicated above and your reply thereto. After a careful consideration of the matter, the Ministry of Railways have decided that where the firms do not agree to furnish Security Deposit/Bank Guarantee etc. to cover the cost of material handed over to them in the form of chassis for body building, Railway vehicles and other machinery for repairs the Railway may obtain Indemnity Bonds to ensure the safe custody and return of material as handed over to the firms. A specimen copy of the Indemnity Bond being adopted by the Board in fabrication of Wagon contracts is sent herewith. The Railways may make use of the same with appropriate modifications in consultation with Legal Adviser to suit local conditions.

2. In addition, the Railways may also consider obtaining Insurance Policy and arrange such other safeguards, as deemed appropriate in the matter in consultation with the Finance and Legal Adviser.

3. As regards raw materials such as scrap/steel handed over to contractors for refining and conversion work, the instructions contained in Board's letter No. 72/746/Track dated 11th May 1972 would continue to apply as before.

4. Please acknowledge receipt.

.

(This also disposes of, the General Manager, Eastern Railway's letter No. 94/72/6089 dated 16th/24th May 1973).

DA: As above.

Sd/-

(**S. N. PANDEY)**
Deputy Director, Railway Stores (G),
Railway Board

INDEMNITY BOND

Indemnity for safe Custody of 'Free supply' items mentioned in para 1(a) (ii) to (vi) of special Condition of Contract for Fabrication of wagons in terms of Railway Board's Order No. …….. Dated ……against …… programme.

We ……hereby undertake that we shall hold at our Works

…….for and on behalf of the President of India and in trust for him the stores/articles (mentioned herein below) which may he and/or which has been made over to us, in connection with the fabrication of wagons against the contract ……..

2. We shall be and remain absolutely responsible for the safe custody and protection of the said stores and articles against a risks whatsoever till those are assembled in the wagons to be fabricated against the above mentioned contract and duly delivered to the President of India or to his representative as he may direct and as such do hereby indemnity the President of India against any loss or and/or damage to the said stores and articles while in our possession/custody. The said stores and articles shall however, be at all times open to the inspection by officers who may be authorised in that behalf by Ministry of Railways or its nominee.

3. Should, however, at any time any loss or damage as aforesaid occur or a refund become otherwise due to the President of India he or his representative shall be entitled to recover from us compensation for and in respect of such loss or damage, if any, or the amount to be so refunded without prejudice to any other remedies which may be otherwise available to the said President of India by way of deduction from any sum due to/or any sum which at any time hereafter may become due to us under this or any other contract.

4. In the event of any loss or damage as aforesaid, the assessment of such loss or damage and the assessment of the compensation therefore would be made by the President of India or his authorised nominee and the said assessment would be final and binding upon us.

For ----------

ANNEXURE VI/3-04

MINISTRY OF RAILWAYS, (RAILWAY BOARD)

No. 73/RS (G) /779/51 New Delhi, dated 27th January 1978

The General Manager (S),
All Zonal Railways and Production Units.

Sub : **Handing over Railway property to outside parties Furnishing of Indemnity Bonds instead of Bank Guarantee.**

In continuation of Ministry of Railways letter of even number dated 28th June 1976, it is hereby clarified that the Railways should obtain Indemnity Bond from the firms necessarily to ensure the safe custody and return of materials, handed over to them. In addition, Railways

may also consider obtaining insurance Policy wherever possible, but need not be insisted upon as a matter of course.

Please acknowledge receipt.

(This also disposes of General Manager, South Central Railway's letter No. S/7/P/1 dated 2nd December 1977).

(B. P. Mehtani)
Deputy Director, Railway Stores (G),
Railway Board.

ANNEXURE VI/3-05

Copy of letter No. 76/RS (G)/753/2 dated 14th April 1978 received from Shri Om Prakash, Jt. Director, Railway Stores (P), Railway Board, New Delhi addressed to General Managers, All Zonal Railways.

Sub : **Procurement of Non-ferrous metal through Public Sector undertakings-Powers to General Manager for sanction of advance payment thereto.**

Reference Ministry of Railways letter of even number dated 9th March 1978 in which the General Managers were authorised to sanction advance payment up to a maximum of Rs. 25 lakhs to M. M. T. C. at a time for procurement of non-ferrous metals. On further review, the Ministry of Railways has decided to authorise the General Managers to sanction advance payment up to a maximum of Rs. 50 lakhs (Rs. Fifty lakhs) to M. M. T. C. Only at a time for the procurement of non-ferrous metals in relaxation of the provisions contained *vide* item 49 of Appendix VII-GII subject to the provision that these powers will not be delegated further to the lower authorities.

This has the sanction of the President.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE VI/3-06

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 79/RS (G)/753/1 New Delhi, dated 21st April 1979

The General Manager (S).

Sub: **Stores contract acceptance of conditions for payment of advance along with Orders Item No. 48, Appendix VII of General Codes Vol. II.**

The General Managers have been delegated with powers for acceptance of conditions for payment of advance along with orders up to Rs. 2 lakhs in each case as per codal provisions referred to above. However in respect of Stores contracts instructions were issued under Board's letter No. 74/RS (G) /148/2 dated 19th October 1974 that such requests of the

firm for payment of advances along with orders should be discouraged and not accepted as a rule except in exceptional circumstances justifying the departure from the rules and only when adequate safeguards exist in the contract to protect the interests of the Railways. The C.O. I. M. headed by M. S. R. had also examined this issue and recommended that advances along with orders should not be normally agreed to as these defeat the policy of Government with regard to credit squeeze etc.

Recently there had been a few references from Railways for sanctioning such advances along with the order. Ministry of Railways has therefore re-examined the matter *de novo* and in suppression of the instructions contained in Board's letter of 19th October 1974 quoted above the following guidelines are issued.

(i) Normally conditions stipulating payment of advances along with orders should not be agreed to for indigenous contracts. Where however it becomes unavoidable and it is found that procurement cannot be made without accepting those terms of payment of advances up to 80 per cent of the order may be considered on merits subject to levy of interest charges at a rate 2 per cent less than the prevailing bank's lending rate of interest (where the bank lending rate is a variable the upper limit is to be taken as the prevailing bank's lending rate) and further subject to the contractor furnishing adequate safeguards such as bank guarantee etc. to protect the interests of Railways.

(ii) In the case of imported contracts *i. e.,* contracts placed on foreign firms and contracts financed under I.D.A. agreements the standard payment terms adopted by the Railway should be clearly indicated in the terms and conditions of tender enquiry and it should be further stipulated that in cases where a variation from the standard payment terms including advances along with the order were asked for by the tenderer then his quotation will be loaded for the purpose of comparison of offers with interest charges on the basis of 12 per cent per annum for such advance payments. Even after such loading if the offer of the said tenderer becomes competitive and is otherwise acceptable then advance payment along with order may be agreed to after prescribing necessary safeguards such, as bank guarantee etc. for protecting the interest of the Railway Administration No interest charges for advance however need be levied in such cases.

(iii) Each purchase case should be dealt with on merits and in consultation with FA&CAO and where the value of the advance to be paid is over Rs. 2 lakhs prior approval of the Board will be necessary except in cases where specific relaxation and higher powers have been given such as for advances to M. M. T. C. etc.

(This issues with the concurrence of Finance Directorate). This dispose of General Manager, Wheel and Axle Plant, Bangalore's letter no. W&AP/ PR/12/ 78/ 3084 dated 4th January 1979).

Sd/-
Deputy Director,
Railway Stores (G)

ANNEXURE VI/3-07

Copy of letter from Ministry of Railways (Railway Board), No. 73/RS(G)/779/51 dated 28th June 1979 addressed to General Manager, Wheel and Axle Plant, Bangalore.

Sub : **Advances along with the orders**

Ref. : FA&CAO's letter No. WAP/Ac/S/Agreement dated 21st April 1979

In this connection, your attention is invited to Board's letter No. F (X) I/72/BN1 dated 23rd November 1972 (Copy appended) wherein it has been clearly laid down that where advances against orders are made to Public Sector Undertakings, there is no need for insisting on bank guarantees as a measure of security for the advance, as there is no risk of such advances being lost. Bank guarantees should however be invariably taken for satisfactory performance of equipment and / or contract.

2. In respect of State Government Undertakings however, the above relaxation are not applicable and in such cases Bank guarantees should be insisted upon for advance payments as for Private Sector Undertakings. However, in special cases like Westing house Saxby Farmer etc., where the undertakings are unable to furnish a bank guarantee, there is no objection to obtaining a guarantee from the State Government concerned as was followed in the case of Westing house Saxby Farmer, Calcutta vide Board's letter No. RS (Sig.)/06/78/C Reports WSF dated 21st April 1979 (copy appended).

3. In other cases relating to advances to Private Sector instructions contained in Board's letter No. 79/ RS (G)/753/1 dated 21st April 1979 will apply.

4. The cases reported by F. A. & C. A. O. in his letter dated 21 at April 1979 should be taken as an exception and not as a precedent for permitting State Governments Undertakings to draw advances on Indemnity Bond,

5. This issues with the concurrence of Finance Directorate.

DA: As above

sd/-
(**R. Krishnamurthy)**
Deputy Director, Railway Stores (G)

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. RS(Sig.)06/78/C. Reports/W. S. F. Dated 21st April 1979

The F. A. & C. A. O.
Eastern Railway Calcutta.

Sub : **Advance payments against Railway Board's contracts**

Ref. : Your D. O. No. E/CB/620/WSF/OB dated 27th May 1978.

The sanction of the President of India is hereby accorded to an advance payment of Rs. 40 lakhs (Rupees Forty lakhs only) to meet up to 90 per cent of the cost of indigenous purchases of raw materials and component by the firm against the outstanding quantities against the Railway Board contracts by debit to miscellaneous advance (Capital) to M/s.

Westinghouse Saxby Farmer Ltd., 17, Convent Road, Calcutta adjustable against supplies of stores or works to be executed for the Railways by M/s. Westinghouse Saxby Ltd., Calcutta, terms of the advance will be as follows: -

(i) The advance will be paid to the firm on submission of-

(a) A Guarantee from the Government of West Bengal as per *proforma* attached.

(b) A letter from M/s. Westinghouse Saxby Farmer Ltd., authorising the Railways to adjust the advance against supplies of stores made and/or works executed by the firm.

(c) An undertaking from the firm that the advance would be utilised only for the purpose of procurement of necessary raw materials and components for the manufacture of the stores ordered against the Railway Board's contracts and no part of it would be utilised for clearing statutory liabilities outstanding etc.

(d) An undertaking from the firm that the previous advances totalling Rs. 112 lakhs would be fully repaid by 31st December 1979.

(e) An undertaking from the firm that the supplies will be fully effected within a maximum of 18 months from the date of the advance payment, under all the other terms and conditions of the existing contracts including prices.

(ii) The advance shall be for one year.

(iii) Thereafter the advance shall be adjustable against stores to be supplied and/or works to be executed by M/s. W. S. F. Ltd., for the Railways at the rate of 15 per cent adjustment against each bill.

(iv) Interest charges will be levied at the rate the Railways pay Dividend to General Revenues. During the first year the interest will be recoverable on the full amount advanced. Thereafter the interest will be recoverable on the average of the amounts of advance outstanding at the beginning and end of the month.

2. For the present, funds may be found by re-appropriation. Additional funds, if any required may be asked for in the first/final modification.

3. Please acknowledge receipt.

Sd/-
(**N. Ramaswami)**
Joint Director, Railway Stores (G),
Railway Board

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

The President of India,
Through the Joint Director, Railways Stores (G),
Ministry of Railways (Railway Board), New Delhi.

WHEREAS M/s. Westinghouse Saxby Farmer Ltd., having their Registered Office at 17, Convent Road. Entally, Calcutta (hereinafter called the contractor) have agreed to fabricate and supply to the President of India (hereinafter referred to as the Purchaser) the stores indicated in the different contracts placed by the Purchaser with the contractor as per the annexed list, which forms the part of these presents, according to the terms and conditions of the said contracts.

AND WHEREAS the contractor has requested the purchaser for the grant of advance equal to 90 per cent of the cost of indigenous raw materials and components purchased by the contractor for the fabrication of the aforesaid stores against the aforesaid contracts.

AND WHEREAS the Purchaser has agreed, *vide* his letter No. RS (Sig.)/06/78/E-Report/WSF dated 9th October 1978 to grant advance payment equal to 90 per cent cost of the raw materials and components for the indigenous purchases against the aforesaid contracts subject to the contractor's furnishing a guarantee from Government of West Bengal in a form acceptable to the Purchaser valid for the period required for the execution of the said contracts together with the usual claim period.

AND WHEREAS the contractor has approached the Government of West Bengal to give the requisite guarantee on his behalf in favour of the Purchaser for an amount of Rs. 40,00,000 (Rupees Forty lakhs) equivalent to 90 per cent of Ro. 44,39,000 (Rupees Forty-four lakhs and thirty nine thousand) being the cost of raw materials and components for the indigenous purchases made by the contractor for executing the aforesaid contracts.

Now in consideration of the Purchaser, having agreed to advance a sum of Rs. 40,00,000 (Rupees Forty lakhs) to the contractor, the Government of West Bengal (hereinafter called the State Government) both hereby guarantee to the purchaser the due payment and discharge without demur on demand of all amounts paid by the purchaser as advance to the contractor together with interest and undertakes to hold the Purchaser safe, harmless and indemnified from and against all losses and damages, claims and costs, charges and expenses whatsoever arising out of or in connection with the failure of the contractor to pay back the aforesaid amount including interest at the prevailing rate of dividend payable by the Railways to the General Revenues from the date of payment of advance till the date of supply of finished stores under the aforesaid contracts or repayment of the advance as the case may be and/or on account of any default of the contractor in the performance, observance or discharge of the terms and conditions of the aforesaid contracts. The State Government both hereby further agrees with the Purchaser as follows: –

(1) This guarantee shall be in addition to any other indemnity or securities that the Purchaser may have from the contractor or from any other person or persons in respect of his claim or any part thereof. THE INTENTION BEING that notwithstanding any other indemnity, security or securities that the Purchaser may have as aforesaid, the State Governments liability shall stand independently

and shall extend to all aforesaid moneys payable by the contractor to the Purchaser.

(2) The Purchaser shall have full authority to take recourse to or enforce this guarantee at his sole and absolute discretion after the expiry of 60 days of the service of notice in writing to the State Government with regard to any default committed by the contractor in the performance, observance or discharge of the terms and conditions of the aforesaid contracts and had demanded payment as a result thereof.

(3) The decision of the Purchaser whether any default has occurred or has been committed by the contractor in the performance, observance or discharge of the terms and conditions of the aforesaid contracts shall be conclusive and binding on the State Government.

(4) The Purchaser shall be at liberty without knowledge or consent of the State Government to grant or allow extension of delivery period from time-to-time to the contractor or give indulgence to the contractor or to modify the terms and conditions of the aforesaid contracts without affecting or impairing the guarantee or the liability of the State Government hereunder.

(5) The advance payment given to the contractor will be adjusted by the purchaser on *pro rata* basis out of the bills submitted by the contractor claiming 90/95/98 per cent of the cost of stores supplied to the Purchaser on proof of despatch or delivery of the respective consignments of stores under the aforesaid contracts.

(6) The purchaser shall be at liberty to take other securities for the said amount of advance or any part thereof or to release or forbear to enforce all or any of his remedies on such securities and any collateral security or securities held by the purchaser and that no such release or forbearance as aforesaid shall have the effect of releasing the State Government from its liability or prejudicing the purchaser's right and remedies against the State Government and that the State Government shall have no right to the benefit of any other security that may be held by the purchaser until the claim of the Purchaser against the contractor in respect of the aforesaid advance together with the aforesaid interest shall have been fully satisfied and then in so far only as such security shall not have been exhausted for the purpose of realising the amount of the Purchaser's claim.

(7) This guarantee is a continuing guarantee during the period of its validity and will not be revised during such period if except with the prior written consent of the Purchaser.

(8) The guarantee herein before contained shall not be effected by any change in the constitution of the contract.

(9) Not withstanding anything stated above, the liability of the State Government under this guarantee shall be valid till such time all the contracts as listed in the enclosed list are fully executed by the contractor and/or the entire amount of advance together with the interest as aforesaid has been fully recovered by the Purchaser from the contractor and a discharge certificate has been issued by the Purchaser to that effect.

Signed, Sealed and Delivered for and on behalf of ....
Governor of West Bengal Signature

By.....
(Name and Designation) (i) Witness-
.....
To the Government of West Bengal, Department of
Public Undertakings, Calcutta, in the presence of (Name and Address)

(ii) Witness-
.....
(Name and Address)

Statement showing outstanding supplies against Railway Board contracts with M/ S. Westinghouse Saxby Farmer Ltd., Calcutta.

Sl. No	Contract No. and Date	Description of Stores	Delivery period in original contract	Extension granted up to
1.	70/363/Sig.30/RS/Sig. II/555dated 4th March 1972	Relays	6-7-1974	10-8-1979
2.	74/363/Sig. 87/RS/Sig./620dated 18th November1974	--do--	17-11-1976	3-7-1979
3.	75/363/Sig.90/RS/Sig./ 630	-do--	4- 3-1979	....
4.	RS (Sig.) 06/5001/635 dated 29th March 1978.	Electric point operating machine	28- 9-1979	....
5.	RE(S)II/76/8401/7/ 30012 dated 17th September 1976.	Relays	28- 2-1979	....

ANNEXURE VI/3-08

Copy of letter No. 64/RS(G)/385/1 dated 7th September 1979 received from the Dy. Director Railway Stores (G) Railway Board, New Delhi and addressed to the General Managers of All Indian Railways including L C F.

Sub : **Delegation of powers to Controller of Stores.**

1. Reference is invited to the Railway Ministry's letter no. F (X) I/77/PW/5 dated 7th December 1977 where with the revised Appendix VII to the Indian Railway General Code, Volume II has been circulated. In terms of item 48 of the aforementioned Appendix VII the General Managers have been delegated with powers to sanction advances to any single contractor up to Rs. 2 lakhs in all.

2. In view of the representations received from some of the Railways and production units in the matter and the present day market conditions, the Ministry of Railways have now decided to delegate powers to the Controller of Stores for allowing 100 per cent advance payment, with Finance concurrence, in respect of orders up to the value of Rs. 10,000 in each single case. The powers now delegated should, however, be used sparingly and will not be re-delegated to lower authorities. It should be ensured that sufficient safeguards are provided so that interests of Government are protected in the case of defective supplies and/or short receipts.

This issues with the concurrence of Finance Directorate in the Ministry of Railways.

Sd/-
(**R. Krishnamurthy)**
Dy. Director, Railway Stores (G),
Railway Board.

ANNEXURE VI/3-09

Copy of letter No. 64/RS (G) 385/1 dated 25th October 1980 addressed to General Managers (Stores), All Indian Railways including I. C. F. and others.

Sub : **Delegation of powers to Controller of Stores.**

The question of enhancing the limits of Controller of Stores in regard to 100 per cent advance payment as provided in para 2 of this Ministry's letter of even number dated 7th September 1979 has been engaging the attention of the Ministry of Railways for sometime past. After a careful consideration, it has now been decided to enhance the powers of Controller of Stores for allowing 100 per cent advance payment from the existing " orders up to the value of Rs. 10,000 ", to orders up to the value of Rs. 50,000 in each single case with Concurrence of the Associated Finance.

2. The above powers should be sparingly used. If, however, situations arise for resorting to the utilisation of the above powers, it should be ensured that sufficient safeguards like Bank Guarantee etc. are provided so that the interest of the Government is protected in the event of failure of supplies, defective supplies and short receipt etc.

3. The above powers are not to be re-delegated to the lower authorities.

4. This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

ANNEXURE VI/3-10

Copy of letter No. 76/RS(G)/753/2 *dated 15th November* 1980 *received from Shri S. C. Jain Dy. Director, Railway Stores (G), Railway Board, New Delhi, addressed to General Managers. All Indian Railways, I. C. F. etc.*

Sub : **Advance Payments to Public Sector undertakings**

Further to earlier instructions on the above subject, the following clarifications are issued: –

(1) **Bank Guarantee for advances to be made with the order: -** Against the advances to be paid to the Public Sector undertakings, no Bank Guarantee need be insisted upon.

(2) **Waival of interest charges on the advances made: -** interest charges against the advances to be paid to the Public Sector undertakings may be waived in individual cases in consultation with Associated Finance if the merits of the case so warrant. For this purpose, the offer may be evaluated by loading 12 per cent interest charges on the bid amount. In case of monopoly items, the offer may be evaluated by loading interest charges on the rates quoted and comparing in with the last purchase rates from the same source.

(3) **Bank Guarantee for Security Deposits: -** Normally, the question of submission of Bank Guarantee for Security Deposit may be dealt with in terms of the conditions of the contract. The question of exemption from furnishing Bank Guarantee where considered necessary may be dealt with under the General Manager's powers to accept unusual conditions of the contract.

(4) **Bank Guarantee for warranty obligations:** - The question of submission of Bank Guarantee for warranty clause should be dealt with in terms of the conditions of the contract. Where tenders do not stipulate Bank Guarantee for warrantee obligations, Bank Guarantee need not be insisted upon. In the case of tenders which stipulate Bank Guarantee to cover the warranty for supplies needing such a monetary safeguard, it may be insisted upon from Public Sector Undertakings also.

This issues with the concurrence of the Finance Directorate of Ministry of Railways.

ANNEXURE VI/3-11

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 76/RS (G)/ 753/2 New Delhi, dated 14th December 1981

The General Manager.
All Indian Railways / P. Units,
M. T. P. (Railways) Calcutta. W. & A. Plant, Bangalore

The Chief Administrative Officer.
M. T. P. (Railways).
Bombay-Delhi-Madras.

Sub: **Procurement of Non-ferrous metal through Public Sector Undertakings- Powers to General Manager for sanction of Advance payment thereto.**

Reference Ministry of Railway's letter of even number dated 9th March 1978 and 14th April 1978 in which General Managers, were authorised to sanction advance payment up to a maximum limit of Rs. 50 lakhs to M. M. T. C. and Rs.10 lakhs to other Public Sector

Undertaking at a time for procurement of non-ferrous metals. On further review, the Ministry of Railways have decided to authorise the General Managers to sanction advance payments up to a maximum limit of Rs. 50 lakhs for purchase of non-ferrous metals from other Public Sector Undertakings, as in the case of M. M. T. C. These powers may also be allowed to be delegated to Controller of Stores for sanctioning advance payments up to Rs. 10 lakhs including acceptance of unusual terms and conditions quoted by M. M. T. C. and other Public Sector Undertakings in their offers for the supply of non-ferrous metals.

This has the sanction of the President.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Sd/-
(R. Krishnamurthy)
Joint Director Railway Stores (P)
Railway Board.

ANNEXURE VI/3-12

Copy of Board's letter No. 79/RS (G)/752/1 *dated 17th August 1982 received from Sri R.. Krishnamurthy, JDRS (P) Railway Board New Delhi addressed to the General Managers All Indian Railways, P. Units etc.*

Sub: **Stores Contract- Acceptance of Conditions payment of advance along with the orders**

It is noticed that the proposals submitted by the various administrations seeking Board's sanction for the payment of advance along with the orders are not accompanied with the relevant papers i *e.* Tender Committee proceedings etc. Ministry of Railways desire that in future all proposals on the said subject to be submitted to them should be accompanied with Tender Committee proceedings, F. A. & C. A. O's comments and other relevant papers to enable them to issue the sanction in time.

Sd/-
(**R. Krishnamoorthy)**
Jt. Director, Railway Stores (P)

ANNEXURE VI/3-13

Copy of Board's letter No.86/RS (G)/753/2 dated 21st May 1986 addressed to General Managers, All Indian Railways and others

Sub : **Stores contract --Acceptance of condition for payment of advance along with orders.**

In partial modification of their letter No. 79/RS (G)/753/1 dated 16th January 1982, Department of Railway (Railway Board) have decided that advance payment to the extent of 25 percent of the ordered value may to be made to M/s. I. T. I. Bangalore without any ceiling limit. This will however, apply to all non-competitive products of M/s. I T. I. for which they are the sole suppliers.

This issues with the concurrence of Finance.

.ANNEXURE VI/3-14

Copy of Board's letter no. F(X) 1-86/19/1 dated 23rd February 1987 addressed to General Managers All Indian Railways and others.

Sub: **Furnishing of Bank Guarantees in respect of transactions between two Public Sector Enterprises or between a Public Sector Enterprise and Government Department.**

In the 41st C. O. Ss. meeting held in Board's Office in October 1985 one of the Railways had suggested that no Security Deposit need be obtained from Public Sector and Government of India Undertakings and also from firms from whom Stores of proprietary nature are purchased. In this connection, attention is invited to Board's letter No. F (X) 1-72/BN/I dated 23rd November 1972 wherewith a copy of Ministry of Finance (B.P.E.)'s O. M. No. BPE/ 1(4)/Adv (F)/69 dated 3rd November 1972 which deals with the procedure to be followed in such dealings was circulated to the Railways for information and guidance (copy enclosed for ready reference). The matter has again been taken up with the Bureau of Public Enterprises (Ministry of Industry) to ascertain as to whether there has been any change in this procedure and whether they have issued any fresh guidelines on the subject. The B. P. E. have since advised that the instructions contained in their O.M. dated 3rd November 1972 referred to above still hold good.

ANNEXURE I

Copy of Ministry of Finance (Bureau of Public Enterprises)' O. M. No. BPE/1(4) Adv (F)/69 dated 23rd 1972 addressed to all Ministries Government of India etc.

OFFICE MEMORANDUM

Sub : **Furnishing of Bank Guarantees In respect of transactions between two Public Sector Enterprises or between a Public Sector Enterprise and Government Department.**

The question of furnishing Bank Guarantees in respect of transaction between two Public Sector Enterprises or between a Public Sector Enterprise and Government Department has been engaging the attention of the Government for some time. In some cases Bank Guarantees are insisted by other Public Sector Enterprises or Government in respect of the following.

(1) To cover the advances paid against the order as a measure of Security.

(2) In lieu of Security Deposit for the fulfilment of the contract and,

(3) Performance guarantee for the satisfactory performance of equipment or the contract.

The question of furnishing such Bank Guarantees has been gone into detail and it has been decided that;

(1) There is no need for insisting the Bank Guarantee in respect of advance paid by Public Sector Enterprises or Government Department to another Public Sector Enterprises, as there is no risk of the advance being lost.

(2) Since the transactions between two Public Sector Enterprises or between Public Sector Enterprises and the Government Department are of commercial nature it would not be appropriate to exempt the Public Undertakings from the Bank Guarantees in lieu of Security Deposit for the fulfilment of the contract. In fact such Guarantees show the earnestness of the Public Sector Enterprises for the fulfilment of the contract and in such cases the normal commercial principles should be followed.

(3) It is necessary that proper Bank Guarantees are furnished by Public Sector Enterprises for the satisfactory performance of the equipment and or prompt action for rectification in case of deficiencies noticed in the execution of the contract or defective performance of the equipment.

2. In this connection it may also be mentioned that furnishing of these Guarantees would not involve any blocking of cash resources on the part of the enterprises as they can obtain a bond from L.I.C. on the basis of which the Bank will issue a counter guarantee. In order to facilitate the issuance of bond by L I. C. Government have agreed that L I. C. would have a *peri passu* charge on the fixed assets of the company vis-à-vis the Government.

ANNEXURE VI/3-15

Copy of Board's letter No. 85/RS (G)/779/21 dated 27th January 1988 addressed to General Managers All *Indian Railways and others.*

Sub : **Payment terms for Plant and Machinery contract involving erection and commissioning.**

Further to Board's letter of even number dated 2nd June 1987, a copy of the *proforma* of Bank Guarantee to cover Warranty obligations of the firm, which is used widely by the COFMOW in their Global and indigenous contracts, is appended for adoption on the Railways. It may, however, be stated that a reference to the Ministry of Supply on the above subject has been made. If any modification in the procedure and *proforma* is considered necessary, Railways will be advised accordingly.

2. This issues with the concurrence of Finance and Mechanical Directorates of this Ministry.

ANNEXURE I

ANNEXURE 13

(Please see clause 13 of instruction to Tenderers)

PROFORMA FOR WARRANTY GUARANTEE BOND

To
THE PRESIDENT OF INDIA
acting through the Controller of Stores
Central Organisation for Modernisation of Workshops,
Railway Offices Complex
New Delhi- 110 002, India.

Sub: Guarantee No----------for---------- (Amount) Covering Machine(s) Serial No----------supplied to (Consignee/s) ----------

Ref: Contract No----------dated----------Placed on M/ s ----------

1. WHEREAS M/s ---------- one of our constituents, hereinafter called the "Sellers" have agreed to sell to you (hereinafter referred to as the " Government") ---------- Nos. of ---------- (give description) as per contract No ---------- dated ---------- (hereinafter called "the said contract").

2. AND WHEREAS according to the terms of said contract, it has been stipulated that payment of 10 per cent of the value of the stores would be made, provided that the Sellers furnish to the Purchaser a Bank Guarantee from a recognised Bank, acceptable to the Purchaser for 10 per cent of the value of the said contract valid for a period covering in full the Guarantee Period as per the Warranty clause of the said conditions of the contract, being the conditions attached to and forming part of the said contract.

3. AND WHEREAS the Sellers have approached us to give the said Bank Guarantee on their behalf in your favour for an amount representing 10 per cent of the value of the contract which you have agreed to accept.

4. That in consideration of the promises and at the request, of the said Sellers, we hereby irrevocably undertake and guarantee to pay to the Government of India or at such other place as may be determined by you forthwith on demand and without any demur, any sum upto a maximum amount of ---------- (Rs. ----------) representing 10 per cent of the value of the Stores despatched under the said contract in case the Sellers make default in paying the said sum or make any default in the performance observance or discharge of the guarantee contained in the said contract.

5. We agree that the decision of the Government whether any default has occurred our has been committed by the Sellers in the performance, observance or discharge of the guarantee aforesaid shall be, conclusive and binding on us.

6. Government shall be at liberty, from time-to-time, to grant or allow extension of time or give other indulgence to the said Sellers or to modify the terms and conditions of the contract with the said Sellers without affecting or impairing this guarantee or our liability hereunder.

7. We undertake to pay to the Government any money so demanded notwithstanding any dispute or disputes raised by the Sellers in any suit or proceeding pending before any Court or Tribunal relating there to our liability under this present being absolute and unequivocal.

The payment so made by us under this bond shall be a valid discharge to our liability for payment there under and the Sellers shall have no claim against us for making such payment.

8. This Bank guarantee comes in to force when the balance ten percent of the value of the stores shipped per Vessel ---------- *vide* Bill of Lading No. ----------dated ---------- or R/ R No. ----------dated ---------- (in the case of indigenous contracts) under the said contract, has been paid and will remain in full force and effect up to ----------i.e. for ------ months counted from the date of placing the stores in services, and shall continue to be enforceable for further six months *i e*. upto ---------- (date), hereinafter called the said date.

9. This guarantee will not be discharged due to the change in the constitution of the Bank or the Sellers

10. That no claim under this guarantee shall be entertained by us unless the same has been preferred by the Government within the said date.

Date ---------- Signature ----------

Place ---------- Printed Name ----------

Witness ---------- ----------
(Designation)

(Banks common Seal)

ANNEXURE VI/4-01

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 68/DEV. CELL/IGRI/48 New Delhi, dated 1st July 1969

TO
The General Managers,
All Indian Railways (including C. L. W., D. L. W. and I. C. F.).
The Director General, R. D. S. O., Lucknow.

Sub : **Indigenous development of imported items**

With efforts made by the Indian Railways, considerable success has been achieved towards indigenisation but progress is held up as a stage has come where only 'hard core' items have been left. The manufacture of such specialised items is not easy firstly, because of manufacturing techniques involved and secondly due to comparatively small quantities required. Another reason lies in the reluctance of the manufactures for investment of fresh capital without any assurance of off-take and continuous flow of orders. Because of these factors the rate of indigenous development for these items has been rather slow.

2. With a view to sort out these difficulties, a Committee was set up by the Board to go into this matter and come up with some concrete proposals of the manner in which indigenous development particularly of difficult and sophisticated items can be encouraged. The recommendations of this Committee have been received and are, enclosed as Annexure 'A'.

3. Board has considered these recommendations and has accepted the same. It has also been decided that of the two alternatives at (a) and (b) of Para 2, alternative (b) should be followed. Your special attention is invited to the last sentence in Para 1 of the recommendations, which may kindly be noted for future guidance.

Kindly acknowledge receipt.

Sd/-

Recommendations made by the Committee nominated by the Board to examine the question of indigenous development of imported components

1. **Location of Sources. -**The Committee recommends that action should be taken to invite prospective manufacturers to undertake development through Regional and Central Railway Equipment Advisory Committees. This method will ensure that all parties concerned are given equal opportunity. Further, at the discretion of the Development Officers, attention of selected firms could be drawn, indicating the approximate annual requirements for 2 to 3 years. Discussions can then be held with the Firms who show interest and attempts made to choose preferably two manufacturers. They should be persuaded to enter the field and produce prototypes. In this connection, information may be obtained from the Director General of Technical Development regarding firms licensed for the same/allied items. Any reluctance on the parts of such licensee to undertake manufacture should be brought to the notice of Director General of Technical Development.

2. **Contracting for requirements in excess of one year. -** There would be items for which the Railways annual requirements may not be enough for an entrepreneur to develop and absorb his expenses. In such cases, there would be reluctance on the part of the firm to develop unless the quantity ordered is considered worthwhile. In such cases the Committee feels that two courses should be open to officers entrusted with development work. --

(a) Give an advance commitment to the firm giving an assurance to the effect that orders for following 2 or 3 years would be placed on them provided the prices are reasonable.

(b) Give a commitment to the Entrepreneur that he will get an order for 100 per cent of the requirements for the first year, 80 per cent for the 2nd year, 60 per cent for the 3rd year provided prices are reasonable. The remaining 20 per cent and 40 per cent requirements will be obtained by open tender. From the 4th year, there would be open competition.

3. **Prices. -**No hard and fast rules can be laid down for the prices to be paid which are to depend on the nature of the item, the development cost involved, annual off take, number of entrepreneurs involved, availability of foreign exchange, landed cost of the item ex-import etc. Even in the case of developed items, on the basis of the recommendations, made by the Stores Purchase Committee and accepted by the Government, a price preference up to 15 per cent and in specified cases, up to 25 per cent over the landed cost of the imported items is

being allowed in normal purchase. In fact the Government have also permitted price preference in excess of 25 per cent for lines of manufacture where unfair competition is feared or where special development is required.

3.1. It is, however, felt that any percentage increase over the landed cost need not be specified, as otherwise the manufacturer will claim higher price as a matter of right.

3.2. **Liquidated damages. -**This clause should not be incorporated in the case of Development Orders as already approved by the Board.

In cases of the late supplies and complete failures, the case should be decided on merits. Resort to 'Risk Purchase' should occur only in rare cases and generally if the Administrative Officer concerned is satisfied that the party has made sincere efforts and yet failed, the question of risk purchase should not arise. It is suggested that if before placing of a Development Order, the capability of the firm to undertake manufacture of the item/items is carefully examined by the Order Placing Authority, there would perhaps be very few such cases necessitating cancellation of the order.

3.3. **Extension in delivery period-** It is recommended that extension in delivery period should be granted on a more liberal basis in the case of Developmental Orders and the Officer on the spot should be given discretionary powers to deal with such problems.

3.4. **Price Escalation Clause. -** This clause may be incorporated to allow for variations in cost on account of Governmental action, *i.e.,* customs duty, sales tax as also basic raw materials such as ' Steel' But no wage escalation clause should be permitted.

3.5. To establish the indigenous manufacture of some items, import of some raw materials may be required. If the entrepreneur is not able to offer from his own open general licenses, the purchaser may provide foreign exchange and recommend actual user import licence for the requisite quantity of raw material.

ANNEXURE VI/5-01

Copy of letter No. 79/RS (G) /779/8 dated 30th May 1979 received from Deputy Director, Railway Stores (G), Railway Board, New Delhi, addressed to the General Managers, All Indian Railways and Production Units.

Sub : **Local purchase of materials of small value**

Ref : Board's letter No. 79/RS (G)/779/8 dated 30th January 1979.

Reference is invited to letter of even number dated 30th January 1979 wherein the procedure followed by all Railways for arranging local purchase as per 711-S, both in Headquarters as well as in depots was called for with a view to prescribe a uniform procedure for all Railway. Replies have been received, only from few units and due from Central Railway, Northern Railway, North Eastern Railways..... and South Eastern Railway, D. L. W., all these units are requested to expedite their reply for finalising the issue.

In this connection it is pointed out that in order to control the prices of essential commodities and enable consumer to get stores at fair prices, Government have established a number of super bazaars both in the state Capitals and in District Centres. A number of items which are being locally purchased by the various Railway Administrations are available in these super bazaars. After a careful consideration, Board has decided that when local purchase under 711-S is decided, such purchase may invariably be through such super bazaar to the extent stocks are available. Board have further decided that in such cases of local purchase from super bazaar a single quotation up to Rs. 2,000 per item could be accepted as against the normal procedure of restricting such single quotation purchase to Rs. 200 per item.

This issues with the concurrence of Finance Directorate.

ANNEXURE VI/5-02

Copy of letter No. 79F(S) I/PW-7/2 dated 12th November 1979 from Financial Commissioner, Railways, New Delhi, addressed to All General Managers, All Indian Railways, C. L. W., D. L. W. and I. C. F.

Advance Correction Slip No. 191-S

Para 711-

Substitute the following for the existing para: -

" Local Purchase of Materials of Small Value. -The Controllers of Stores may also make local purchase of' items of small value, both stock and non-stock up to Rs. 2,000 in each case, subject to the condition that in the case of stock items, the purchases are made only where-

(i) The normal annual recoupment quantity does not exceed Rs. 2,000 in value; or

(ii) The stock of the item is precariously low and the same is urgently required;

and that the quantity is nor deliberately reduced with a view to bringing the purchase within the scope of this provision. He will make no purchase without satisfying himself that the price paid is reasonable. For items costing up to Rs. 200, he may obtain single quotations but for items costing over Rs. 200 he should obtain quotations from more than one firm and maintain a proper record of such quotations. The current rates quoted should invariably be compared with the last purchase rates and any large differences checked up before making local purchases.

The powers referred to above or other powers of local purchases of stores delegated to the Controllers of Stores may be re-delegated to the Depot Officers in, consultation with the Financial Adviser and Chief Accounts Officer to the extent considered necessary in each case.

Such purchases may be paid for in cash from imprest cash.

N.B.- No non-stock article for which a standard pattern exists should be purchased, if it could be manufactured by the Railways.

Authority: Ministry of Railway's letter No. 79F(S)I/PW-7/2 dated 12th November,1979.

ANNEXURE VI/5-03

Copy of letter No. 69/RS(G)/779/3/KW dated 4th November1980 to General Managers, All Indian Railways

Sub : **Cash purchases- --Opening of Current Accounts against Cash Imprest By Stores Officers.**

The Ministry of Railways have in consultation with the Ministry of Finance, decided that Stores Officers at Major Stores Depots holding cash imprest for emergent purchases may open and operate " Current Accounts " with the Departmental Bankers or with other Nationalised Banks at places where Departmental Bankers do not have their paying branches, to deposit the unspent balances of cash including recoupments and to make disbursements there from for local purchases through cheques, subject to the following conditions:–

(a) Current Accounts should be opened only in cases where the imprest amount is more than Rs. 10,000 each.

(b) Current Accounts should be opened against the official designation of the imprest holders and not in their personal names.

(c) The amounts of imprest should be reviewed half-yearly so that these are kept at the minimum in all cases. At least one recoupment of expenditure in a month should be made compulsory and with this end in view, the amount of imprest should be fixed on the basis of 50 percent of the average monthly expenditure on emergent purchases in each case.

(d) Recoupments shall be made through Crossed cheques issued by the FA&CAO in favour of the imprest holder by his official designation only and not in favour of his personal name. Such cheques shall be deposited in the current accounts.

(e) It should be ensured that the imprest amount is utilised only for making payments for emergent purchases permissible under extant rules and not for making normal purchases which should be made through submission of Bills in the usual manner.

(f) All deposits into and withdrawals from the Current Accounts should pass through a subsidiary book and Imprest Accounts should be rendered with reference to the transactions recorded in that book.

Necessary procedure in this respect should be laid down in consultation with the FA&CAO who will also be responsible for necessary internal check as per extant rules/orders.

Sd/-
(**S. L. Saxena)**
Dy. Director, Finance (Accounts)
Railway Board

ANNEXURE VI/5-04

Copy of letter No.79/RS (G)/779/8dated 16th June 1982 addressed to General Managers, All Indian Railways including I.C.F. and others.

In a case investigated by Railway Vigilance it came to notice that for a local purchase of an item three quotations were collected from a single shop and as a result the purchase was made at a rate higher than the local prevailing market rate.

Ministry of Railways desire that this practice of collecting more than one quotation from a single shop for making local purchases must stop forthwith and a serious view should be taken of such practices. It is also desired that extent instructions in respect of maintenance of lists of approved suppliers, obtaining of quotations only from the approved/standard suppliers and checking up reasonableness of rates should be strictly followed.

With the decentralisation of purchase powers to divisional and Extra-Divisional Officers in addition to Officers of Stores Department, it is imperative that the extant instructions are brought to the notice of all concerned immediately for compliance.

Please acknowledge receipt and advise the action taken.

Sd/-
(SHIVENDRA KUMAR)
Jt. Director, Railway Stores (I.C)
Railway Board

ANNEXURE VI/5-05

Copy of letter No.79/RS (G)/779/8 dated 4th September 1982 from Shivendra Kumar, Jt. Director, Railway Stores, Railway Board, New Delhi to General Manager(s), All Indian Railways, C.L.W., D.L.W and LC.F.

Sub : **Local purchase of Stores through Cash imprest**

Ref : Ministry of Railways letter No.81/Secretary/G. M.'s meeting dated 5th October 1981, circulating the summary of decisions taken in the G. M.'s Conference.

A question has been raised by some of the Railways whether in the light of the instructions contained in Board's letter referred to above, there is a prohibition on the cash purchase of small value items in terms of **Para 711-S**. The matter has been examined and it has been decided by the Board that the existing system, whereby certain specified items are purchased through sanctioned cash imprest for stores purchase, may continue. However, no cash purchase is to be made outside the imprest specifically provided for the purchase of stores except in exceptional cases where the following conditions have to be satisfied: --

(1) The items proposed to be purchased directly relate to Motive Power or Roller Bearing stock.

(2) Non-procurement of the item will affect either safety or regular running of trains.

(3) Urgency is personally certified by the co-ordinating Head of the consuming Department.

Even in the above exceptional cases, no cash purchase should be made without the personal concurrence of the F. A. & C. A. O. and personal approval of the General Manager. In all such cases where these exceptional cash purchases are resorted to,

immediate follow-up action should be taken to prevent recurrence of the need for such exceptional purchase.

In the overall context of expenditure control and the need of discourage purchases outside the tender system, it has been decided by the Board that with immediate effect a quarterly report of such exceptional cash purchases should be sent to the Board indicating the item, the value of purchase and the urgency for cash purchase.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Receipt of this letter may please be acknowledged.

ANNEXURE VI/5-06

Copy of letter No.79/RS(G)/779/8 dated 22nd November 1982 addressed to General Managers, All Indian Railways and P. Units and others.

Sub : **Local purchases of materials other than petty purchases**

A reference is invited to Railway Board's letter of even number dated 16th June 1982 wherein it was brought to the notice of the Railways that in case investigated by Vigilance it came to notice that more than one quotation was obtained from a single supplier for local purchase of an item. This had resulted in purchase being made on rates higher than the local market rates. Instructions were therefore issued to ensure that this practice is stopped and a serious view taken wherever such practices came to notice.

With the decentralisation of local purchase powers to the Divisional and extra-divisional officers in addition to the officers of the Stores Department. Ministry of Railways has examined this subject with a view to streamlining the procedure. It has accordingly been decided that in case of local purchases where more than one quotation is required the following procedure shall apply: --

(1) The officer in charge of local purchase shall nominate the Railway employee by name for collection of quotations from the local market wherever the quotations are collected per bearer. The nominated employee shall be required to sign each cover of the quotations and subsequently on opening by the officer in charge each quotation in token of his having collected it personally.

(2) The officer in charge of purchase shall specify the firms from whom quotations for a particular item should be obtained. The employee nominated for collection of quotations may, however, be allowed to obtain quotations from other sources also. This will also enable the local purchase officers to add to their list of approved suppliers.

3. Ministry of Railways further desire that caution should be exercised by officers making local purchases and Ministry of Railway's extant instructions on various subjects like purchases from local Super Bazaars reasonableness of rates etc. should strictly be followed.

Receipt of this letter may please be acknowledged.

Sd/-
(**JOGINDER SINGH)**
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE VI/5-07

Copy of letter No. 79/RS (G) /779/8 dated 1st February 1983 from Dy. Director Railway Stores (G), Railway Board, New Delhi addressed to General Managers, Zonal Railways and Production Units.

Sub : **Local Purchase of Materials.**

In a case investigated by Vigilance it was observed that-

(1) Local purchases were made at exorbitant rates.

(2) Quotations were obtained from non-existent firms.

(3) The purchase officer over-stepped his powers of purchase.

It was noted by Vigilance that more than one quotations were obtained not with the basic purpose of obtaining a competitive rate but for merely complying with the rules. Quotations accordingly attained from non-existent and bogus firms and the lowest one accepted without ascertaining the reasonableness of the rate. Availability of Funds as certified by the indenting Department was taken to mean reasonableness of price. It was also observed that the powers of purchase were exceeded and the approval of the higher authority was taken to be just a formality.

Railway Board have already issued detailed instructions aside their letter dated 22nd November 1982 suggesting that the employees should be nominated for collection of quotations from specified firms. These employees should also be required to sign the sealed covers and subsequently the quotations. These provisions will be for meet the requirement of collection of quotations from genuine firms and it will be known to the Administration by any stage as to who collected the quotations. The Administration, has however to remain vigilant on the aspect of reasonableness of the lowest quoted rates obtaining of quotations from sister concerns and frequent over-stepping of powers.

In view of the observations of the Vigilance in the particular case, Board desire that suitable action for tightening departmental supervision of the local purchases be taken by the Railways and contents of this letter brought to the notice of Departmental heads of all the Departments that undertake local purchases.

ANNEXURE VI/5-08

Copy of letter No. 79/RS (G)/779/8 dated 6th April 1983 from Dy. Director, Railway Stores (G) to General Managers and F. A. & C. A. Os, All Indian Railways, C. L. W., D. L. W. and. I. C. F.

Sub : **Local purchase of Stores through Cash Imprest.**

Ref : M/s. Railway's letter of even number dated 4th September 1982, 22nd November 1982 and 1st February 1983.

Instructions on the above mentioned subject have been issued by Ministry of Railways under their letters of even number dated 4th September 1982, 22nd November 1982 and 1st February 1983. The matter has been further examined and it has been decided in partial supersession of the above referred instructions that –

(i) The existing system of local purchase of stores through sanctioned cash imprest may continue.

(ii) No cash purchase should be made outside the imprest specifically provided except in exceptional cases where the following conditions have to be satisfied: -

(a) The items proposed to be purchased directly relate to motive Power or Roller Bearing Stock.

(b) Non-procurement of the item will affect either safety or regular running of trains.

(c) Urgency is personally certified by the Co-ordinating Head of the Consuming Department.

(iii) Even in the exceptional cases of (ii) above, no cash purchase should be made without the personal approval of the F. A. & C. A. O. and personal approval of the General Manager.

(iv) In all such cases where these exceptional purchases are resorted to, a quarterly report of purchases made may be sent to the Board indicating the, item, value of purchase and the urgency for cash purchase.

2. In connection with collection of quotations for local purchase, it has been decided that where more than one quotation is required, the following procedure shall apply: -

The Officer-in-charge of local purchase, shall nominate the railway employee by name for collection of quotations from the loca1 market wherever the quotations are collected per bearer. The nominated employee shall be required to sign each cover of the quotations and subsequently on opening by the Officer-in-charge of each quotation in token of his having collected it personally. The Officer-in-charge of purchase shall specify the firms from whom quotations for a particular item should be obtained. The, employee, however, may suggest names of new firms coming to his notice to the Purchase Officer, who would consider including them for subsequent purchases.

3. The Ministry of Railways further desire that adequate precaution should be taken by the officers making local purchases regarding the reasonableness of lowest quoted rates, obtaining of quotations from sister concerns and over stepping of power. Suitable action for tightening departmental supervision of the local purchases be also taken by the Railways.

4. Contents of this letter should be brought to the notice of H.O.Ds. /Divisional and Extra Divisional Officers that undertake local purchases.

5. This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Receipt of this letter may be acknowledged.

ANNEXURE VI/5-09

Copy of Board's letter No. 79/RS (G)/779/8-Pt. Dated 19/24th February l987 addressed to General Managers All Indian Railway, Production Units. etc.,

Sub : **Local Purchase of materials**

It has come to the notice of the Board that indents have been split in order to bring them within the purview of Financial powers for local purchase as also reasonableness of the Rates was not properly verified in certain cases.

2. Board desire that the following instructions should be adhered to while dealing with the indents: -

(a). The indents should not be split up around the same period in order to bring them within the purview of local purchase.

(b). The reasonableness of the offer should be invariably and Properly verified by the Stores Officials in the case of stock items. In the case of non-stock items indentors should give a realistic estimate of the rate, and the last purchase rate wherever available.

(c). Material when received should be inspected carefully by the Consignee, before certifying suitability.

Sd/-
(**Joginder Singh**)
Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE VI/5-10

Copy of Board's letter No. 84/ RS (IC)/165/1/ RRC dated 3rd March 1987 addressed to General Managers All Indian Railways, Production Units etc.,

Sub : **Divisionalisation of Stores - Railway Reform Committee Recommendations Part XIII -Chapter VII -Materials Management – Infrastructure and Organisation**

Board vide their letter of even number dated 7th June 1984 have already conveyed the acceptance of RRC's recommendations on the subject to the Railways. The Railways were instructed to form a high level Committee under the Chairmanship of the AGM (EC) to go into the details of facilities required etc., and the Railways have also taken action in varying degrees in this direction. M.O.S.(R)'s observation on the subject are reproduced below. –

"Divisionalisation of Stores disciplines has been accepted as a policy. It should be implemented to improve efficiency and economy in the management of Stores."

Board vide their letter No. 86/ E (GC) 12-40 dated 1st December 1986 (Copy enclosed) have also issued detailed guidelines for the staffing of the Gazetted and Non Gazetted cadre for implementation of the RRC's recommendations.

2. Railway Reforms Committee *vide* their recommendations Nos. 49 and 51 have recommended that the Railways should graduate the Divisional Pattern of warehousing and distribution of Stores, with purchase functions also partly vesting with the Divisions. An adequately Senior Stores Executive should function under the DRM with charge of Divisional Stores Depot to be located at a centrally convenient place on the Division.

The Railways should therefore immediately post a suitable officer as Sr. D.C.O.S./ D.C.O.S. in term of Board's letter of 1st December 1986 and he should be given the duties of a Stores officer only.

3. As per recommendation No. 137 (1) of the RRC the Divisional system should be established within 2 years.

This 2 years limit would apply more in the case of Divisions where new depots have to be created. All other divisions where depots attached to redundant steam loco shed etc., exist or any existing facility are being converted to a Divisional Stores Depot should start functioning at the earliest. vide Board's letter of 7th July 1984 Railways have already been advised to make appropriate provision under the work/M. &P. programme for civil engineering and material handling facilities required

4. As per recommendation No. 55 with Divisionalisation the Railways should work to an imprest schedule of about 30 days, and even less as against three months as at present.

Although R.R.B. has recommended that Divisional Stores Depot should be stocking materials under Capital Stores suspense like any other stores Depots, the Divisional stores Depots should function as charged off Stores Depots to begin with taking the imprest quantity from their respective main depots and supply materials to the various feeding points on the Division. This will reduce the need for keeping a large quantity of materials with actual using points, as at present the materials with the feeding point is about 3 to 4 months requirements being the present imprest limit.

In addition to the imprest Stores now being collected, from the main Stores Depot, Divisional Stores Depots can also function as a warehouse for all non-stock items procured for the division and supplied to respective feeding points as and when necessary.

5. As regards recommendation No. 55 of the R.R.Cs report, regarding redeployment in the Divisional Stores Organisation of 50 percent of the staff presently involved in chasing of stores and holding with Stores in the Indenting Departments attention, is invited to Para 4 of Board's letter No. 86-E(GC)P12-40 dated 1st December 1986. It is clarified in this connection that till the guidelines indicating, inter-alia, the avenue of advancement of staff of Divisional Stores Organisation are laid down by the Board, while the staff of Indenting Departments may be deployed in the proposed Divisional Stores Organisation to the extent indicated but they will maintain their lien in the parent Department. Accordingly they may be allowed to progress in their respective parent cadres.

6. In the recommendation No. 130 of the RRC have proposed that the indents for Stores should be prepared at the Divisional Stores Depot.

This can be a long term objective but for the present the existing practice can continue. In this regard Board's instructions based on recommendation No. 41 (i) and 42 already circulated to the Railways may be kept in mind.

7. Vide recommendation nos. 135 and l36 the RRC have recommended that with the Divisionalisation, it will not be necessary to lay down the powers of Divisional Railway Managers for purchase; Divisional Stores Officers would assume powers, appropriate to their rank and fully exercise them subject to the governing conditions stipulated and Divisional stores Organisation should take over cash purchase handled by the individual Branches including emergency purchase of stock items.

In this connection it is clarified that with the Senior D. C. O. S. /D. C. O. S. in position they will have the same powers of purchase as other Depot Officers as per **Para 711-S**.

It is further clarified that for major workshops and Electric and Diesel Loco Sheds, and EMU Sheds, there are attached captive Stores Depots which are feeding the requirements of the workshops and sheds exclusively. These Depots although coming under Divisions, may not be brought under the Purview of the Divisional Stores Depots. Similarly, the P. Way items on the Divisions both for new / second-hand scrap P .Way items need not be brought under charge of the Divisional Stores Officers for the time being In other words, the Divisional Stores Depots will cater to the needs of Mechanical Department both C&W and Steam Loco, Elect. Deptt. such as general service, train-lighting, traction distribution, Signal Deptt. Civil Engg. For General items and requirements of other Departments such as Operating, Commercial and Security, Medical etc., Divisional Stores Depots will also arrange for stitching of uniforms in the Welfare Centres on the Division and arrange their distribution within the Division and dealing with all complaints regarding supply of uniform. As for disposal of scrap at the Divisional Level General Manager may delegate suitable powers to Depot Officers in consultation with C. O. S. and F. A. & C.A.O.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

(**Dr. J. P. Char**)

Executive Director, Railway Stores, Railway Board

ANNEXURE I

Copy of Board's letter No. 86 E (GC)/12-40 dated 1st December 1986 addressed to General Managers, All Indian Railways.

Sub: Divisionalisation of Stores Department - Setting up of Stores Organisation on each Division.

The Ministry of Railways have accepted the need for separate set-up to look after the Stores work on the Divisions and have decided that regular posts from various Departments should be transferred to the I. R. S. S. Cadre for setting up the Divisional Stores Organisation. For this purpose, regular posts *(i. e.* other than workcharged posts) that are at present being operated as E. A. /Sr. E.A. to D. R. M. should be transferred for operation as Sr. Divisional Controller of Stores(JA Grade)/Divisional Controller of Stores (Sr. Scale)in the Divisions. If, after transferring the regular posts of Sr. E.A./ E.A. to D.R.M., any Divisions still left without a Post of Sr. D.C.O.S./ D. C. O. S., the required post should be transferred from the regular cadre of a Department.

2. For implementing the above decision it has been decided that regular posts Sr. EAs / E.As to D.R.M. to the maximum extent possible) as indicated in the enclosed statement should be transferred from the various Departments to the IRSS Cadre.

3. The incumbent to the posts in the Divisional stores Organisation shall be progressively found from IRSS cadre. Till the time the posts are not filled by IRSS officers, these shall be manned by transfer of suitable officers from other than Stores Cadre that have contributed the posts to the Stores Department.

4. No additional Group 'B', 'C ' and 'D' posts shall be created. The requirement shall be met by transferring posts from the concerned consumer Departments and Stores Department to the Divisional Stores Organisation. This shall be decided by the respective General Managers of the Zonal Railways.

5. The particulars of the regular JA Grade and Senior Scale posts transferred to the Divisional Stores Organisation in pursuance of these instructions may please be advised early.

6. In the recommendation No. 130, the RRC have proposed that the indents for Stores should be prepared at the Divisional Stores Depot.

This can be a long term, objective but for the present the existing practice can continue. In this regard Board's instructions based on recommendation No. 41 (i) and 42 already circulated to the Railways may be kept in mind.

7. Vide recommendation No. 135 and 136 the R R C. have recommended that with the Divisionalisation it will not be necessary to lay down the powers of Divisional Railway Managers for purchase; Divisional Stores Officers would assume powers appropriate to their ranks and fully exercise them subject to the governing conditions stipulated and Divisional stores Organisation should take over cash purchase handled by the individual branches including emergency purchase of stock items.

In this connection it is clarified that with the Senior D. C. O. S. /D. C. O. S. in position they will have the same powers of purchase as other depot officers as per Para 711- S.

It is further clarified that for major workshops and electric and diesel loco sheds and E. M U. sheds, there are attached captive Stores Depots which are feeding the requirements of the Workshops and Sheds exclusively. These depots although coming under Divisions, may not be brought under the purview of the Divisional Stores Depot. Similarly, the P. Way items, on the Divisions both for new/ second hand scrap P. Way items need not be brought under charge of the Divisional Stores officers for the time being. In other words the Divisional Stores Depots will cater to the needs of Mechanical Department both C. & W. and steam loco, Elect. Deptt. such as general service, train lighting, traction distribution, signal Deptt. Civil Engg for General items and requirements of other departments such as Operating, Commercial and Security, Medical etc., divisional Stores Depots will also arrange for stitching of uniforms in the Welfare centres on the Division and arranging their distribution within the Division and dealing with ail complaints regarding supply of uniforms. As for disposal of scrap at the Divisional level General Manager may delegate suitable powers to Depot Officers in consultation with the C. O. S. and F. A. & C. A. O.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Sd/-
(**Dr. J. P. CHAR**)

Executive Director, Railway Stores
Railway Board

ANNEXURE II

Copy of letter No. 86 E (GC)/12-40 dated 1st December 1986 from Railway Board New Delhi, addressed to General Managers, All Indian Railways.

Sub : **Divisionalisation of Stores Department- setting up of Stores Organisation on each Division**

The Ministry of Railways have accepted the need for a separate set-up to look after the Stores work on the Divisions and have decided that regular posts from various Departments should be transferred to the IRSS Cadre for setting up the Divisional Stores Organisation. For this purpose, regular posts (i e. other than workcharged posts) that are at present being Operated as E.A. /Sr.E.A. to D.R.M. should be transferred for operation as Sr. Divisional Controller of Stores(J.A. Grade) / Divisional Controller of Stores(Sr. Scale) in the Divisions. If after transferring the regular posts of Sr. E A. /E A. to D. R.M., any Division is still left without a post of Sr. D.C. O. S. /D.C. O. S., the required post should be transferred from the regular cadre of a Department.

2. For implementing the above decision it has been decided that regular posts (Sr. E.As /E.As to D. R. M. to the maximum extent possible) as indicated in the enclosed statement should be transferred from the various departments to the IRSS Cadre.

3. The incumbents to the posts in the Divisional Stores Organisation shall be progressively found from IRSS Cadre. Till the time the posts are not filled by IRSS Officers, these shall be manned by transfer of suitable Officers from other than Stores Cadre that have contributed the posts to the Stores Department.

4. No additional Group 'B', 'C ' and 'D' posts shall be created. The requirement shall be met by transferring posts from the concerned consumer Departments and Stores Department to the Divisional Stores Organisation. This shall be decided by the respective General Managers of the Zonal Railways.

5. The particulars of the regular JA Grade and Senior Scale posts transferred to the Divisional Stores Organisation in pursuance of these instructions may please be advised early.

6. This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Sd/-
(**V. SIVARAMAN**)
Director Estt. Gaz. (Cadre)
Railway Board

ANNEXURE VI/5-11

Copy of Board's letter No. 87/RS (G)/779/27 *dated 26th May 1989 addressed to General Manager, All Indian Railways and others.*

Sub: **Local purchase of Stationery and other articles by Government office outside Delhi.**

Ref : Railway Board's letter of even no. dated 30th May 1988

In continuation of Boards letter referred to above a copy of O.M No. 14/2/89-Welfare dated 28th February 1989 received from the Department of Personnel and Training New Delhi addressed to All Ministries/ Departments of Government of India, on the above mentioned subject is sent herewith for information and necessary action.

2. In case the Central Government Employees Consumer Co-operative Society, Khadi Village Industries Commission Units/Khadi/Village Industries Commission do to exist at a particular Station the instructions contained in "Indian Railway Code for Stores Department", as amended from time-to-time may be followed for the purchase of stationery and other articles.

This also disposes of N.E Railway's letter No. S/222/0 dated 19th July 1988 and 4th January 1989.

ANNEXURE I

Copy of O. M. No. 14/2/89-Welfare dated 28th February 1989, from Department of Personnel and Training addressed to All Ministies / Departments of Government of India.

Sub : **Local purchase of Stationery and other articles by the Central Government Office -purchase of file covers.**

The undersigned is directed to refer to this Department's Office Memorandums No. 14/6/87 -Welfare dated the 19th August 1987 and 14/3/88-Welfare dated the 4th February 1988 wherein it has been decided that Central Government Departments and their attached and Subordinate offices and other organisations financed and/or controlled by the Government located at Delhi/New Delhi make all local purchase of Stationery and other items required by them either from the Kendriya Bhandar or the Super Bazar Delhi and such offices located outside Delhi shall make such local purchase from the local Central/Wholesale Consumer Co operative Society, Kendriya Bhandar (Central Government Employees Consumer Co-operative Society Limited) located therein if any.

2. The matter has been further reviewed. It has been decided that apart from the Super Bazar, Kendriya Bhandar and the local Central/Wholesale Consumer Co operative Societies, the Central Government Departments, their attached and Subordinate Offices and other Organisations financed/ or controlled by the Central Government located at Delhi /New Delhi and outside Delhi may make purchase of file covers from the Khadi and Village Industries Commission/ Khadi Village Industries Commission Units. Ministries, Departments and other Central Government Offices should make every effort to purchase upto 50 percent of their file covers requirements from K. V. I. C. / K V. I. C. Units or products of K V. I. C. from Super Bazar / Kendriya Bhandar.

3. All Ministries/Departments are requested to ensure compliance of these instructions and also bring them to the notice of their attached and Subordinate Offices, Autonomous bodies and Public Sector Undertakings etc., under their control for strict compliance.

Sd/-
(**HARSH BARDHAN**)

Under Secretary to the Government of India.

ANNEXURE VI/5-12

MINISTRY OF RAILWAYS,
\(RAILWAY BOARD)

No. 79/RS(G)/779/8/Pt. II New Delhi Dated 29.03.1993

GMs, All Indian Railways.

Sub : **Local Purchase of Stores through Cash Imprest.**

During the course of investigation Vigilance Deptt., it has been found that a Dy. COS on one of the Railways had drawn large amounts of cash of approx. Rs. 9.32 lakhs and kept with him for a period ranging from one month to six months for making payment against various local purchase orders. The amount was drawn by drawing pay order without obtaining competent authority's approval, violating the instructions contained in Board's letter No. 79/RS (G)/779/8 dt. 06.04.1983.

It is also reiterated that the instructions issued vide Railway Board's letter referred to above for Local Purchase of Stores through Cash Imprest be followed strictly.

Please acknowledge receipt.

(**R. S. Lahan**)

Dy. Director, Railway Stores (G)
Railway Board

ANNEXURE VI/5-13

MINISTRY OF RAILWAYS,
(RAILWAY BOARD)

No. 95/F(S)Pol/PW7/1 Dated 07.03.1997

The General Managers,
All Indian Railways including
Productions Units.

Sub : **Local Purchase of material of Small value.**

The Ministry of Railways have decided to enhance the powers of local purchase of items of small value both stock and non-stock by controller of Stores from the existing Rs. 10,000/- per item to Rs. 20,000/- per item subject to fulfilment of the conditions laid down in ACS No. 191-S to para 711-S.

The Ceiling limits for COSs to invite single quotation is enhanced from existing Rs. 500/- to Rs. 2,000/- each item.

Necessary correction slip to the code para will follow.

Please acknowledge receipt.

(M.P. Mall)
Joint Director, Finance (S)
Railway Board.

ANNEXURE VI/5-14

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 87/RS(G)/779/27 New Delhi, dated : 06.10.1997.

To
The General Managers,
All Indian Railways, & Production Units.

Sub : **Local purchase of Stationery & other Articles by the Central Govt. Offices located in Delhi/New Delhi and outside Delhi.**

Ref : Board's letters of even No. dt. 30.05.1988 & 26.05.1989.

A copy of O. M. No. 14/3/95-Welfare dt. 03.08.1995 from the Deptt. of Personnel & Training, New Delhi addressed to all Ministries/Deptts. of Govt. of India on the above mentioned subject is sent herewith for information and necessary action.

Please acknowledge receipt.

Sd/-
(**Ashok Kumar**)
Dy. Director, Rly. Stores (G),
Railway Board.

Encl: As above

Government of India
Ministry of Personnel, Public Grievances & Pensions,
(Department of Personnel and Training)
(Welfare Section)

No. 14/3/95-Welfare Lok Nayak Bhawan,
New Delhi, the 3rd Aug. 95.

OFFICE MEMORANDUM

Sub : **Local purchase of stationery and other articles by the Central Govt. offices located in Delhi/New Delhi and outside Delhi – instruction regarding.**

1. The undersigned is directed to refer to this department's O.M. No. 14/1/88-Welfare (Vol. ii) dated 11.4.1994 No. 14/2/89-Welfare dated 28.02.1989 and No. 14/3/88 – Welfare dated 04.08.1988 wherein it has been stated that Central Government Departments and their attached and Subordinate offices and other organisations financed and/or controlled by the Government located in Delhi and outside Delhi may make all local purchase of stationery and other items required by them either from the Kendriya Bhandar or the Super Bazar or NCCF, and offices located outside Delhi shall make such local purchase from the local Central / wholesale consumer Cooperative Societies, and branches of Kendriya Bhandar and NCCF located therein only if they are not able to supply a particular item, such purchases should be made from other sources as per rules after obtaining "NO OBJECTION CERTIFICATE" from them.

2. It was also stated therein that the Central Govt. office, etc. located in Delhi and outside Delhi may make purchase of file covers from the Khadi and Village Industries Commission Ministries/Departments and other Central Government offices should make every

effort to purchase upto 50% of their "File Covers" requirements from KVIC/KVIC units of products of KVIC from super Bazar/Kendriya Bhandar.

3. It has been brought to the notice of this Deptt. that a number of other cooperative societies/ stores set up by some Government employees in various Govt. offices located in Delhi/New Delhi and outside Delhi e.g. at AGCR Building, Udyog Bhavan, Hyderabad, Bangalore, Madras etc. are placing their orders on them covered by the instructions issued by this Department from time to time in this regard are not applicable to the societies/stores set up by the Govt. employees in their respective offices as they do not constitute a "Central/Wholesale Consumer Cooperative society as referred to in the instruction issued by the Department on the subject. The term has been defined as under: -

" The term 'Central / Wholesale Consumer Cooperative Society' means it is the second tier of the consumer cooperative structure, functioning at the district level in the states. These stores operate at the district level with the primary stores as their members. Its main functions are to assist the primary stores and arrange for sale of certain commodities to the member societies. These Central/Wholesale consumer cooperative societies are affiliated to the state level consumer cooperative federation as Members. Such stores Societies are not allowed/ Authorised to sale other articles required by the Central Government/State Govt. or undertaking etc.

4. It may also be clarified that Super Bazar, Kendriya Bhandar, KVIC and the NCCF are the only agencies approved by the Govt. for supplying stationery and other items to the Central Govt. offices etc. located in New Delhi/Delhi and for Government offices located outside Delhi, it is only the local Central/Whole sale Consumer Co-operative / Societies and branches of Kendriya Bhandar / NCCF located in such areas.

5. All Ministries/Departments are requested to ensure compliance of this instructions and also bring them to the notice of their Attached and subordinate offices, Autonomous Bodies and public Sector Undertakings etc. under their control located in Delhi and New Delhi and outside Delhi for necessary compliance.

Sd/-
(**J. S. Bhatia**)
Under Secretary to the Govt. Of India

To, All Ministries/Department of Govt. of India.

ANNEXURE VI/5-15

Ministry of Railways
(Railway Board)

No. 97/RS(G)/779/16. New Delhi, dt: 12.10.1998.

The General Managers (Stores),
All Indian Railways & Production Units.
Metro Railway/Calcutta.

Railway Electrification, Allahabad.
Officers on Special Duty,
All New Zones.

Sub : **Local Purchase of Materials.**

Ref : Board's letter Nos. 79/RS(G)/779/8 Dated 22.11.1982 and Nos. 79/RS(G)/779/8 Dated 01.02.1983.

The Stores Code (Para 711S) provides that for local purchase of items costing above a specified value, Controller of Stores, "should obtain quotations from more than one firm and he should make no purchase without satisfying himself that the price quoted is reasonable." However, Vigilance Investigations, from time-to-time, have revealed that more than one quotation are obtained from a single shop/firm and the two other firms whose quotations are also placed on record are either non-existent or happen to the sister concerns.

After the decentralisation of local purchase powers with the Divisional and extra Divisional Officers in addition to the Officers of Stores Department, detailed instructions were issued to the Zonal Railways in case of local purchases, vide Board's letter dated 22.11.1982 and these instructions need to be followed scrupulously. Board also desire that departmental supervision of the local purchases should be strengthened and all concerned should be properly counseled.

Board also desire that a periodic review of purchase of 'non-stock' items be carried out so as to bring them under the purview of 'stock items' depending upon their frequent requirements so that there are less occasions for resorting to 'local purchases'.

Please acknow ledge receipt.

Sd/-
(**Ashok Kumar**)
Dy. Director, Rly. Stores (G),
Railway Board.

ANNEXURE VI/5-16

Government of India
Ministry of Railway
(Railway Board)

No. 2001/F(S)-I/PW7/2 New Delhi dt 05.09.03.

Sub : Local purchase of material of small value.

Ref : Board's Lr.No. 95/F(S)Pol PW7/1 Dt.07.03.97.

In supersession of Board's letters referred to above, the Ministry of Railways have decided to enhance the powers of local purchase of items of small value both stock and non-stock by Controller of Stores from the existing Rs.20,000/- per item to Rs.50,000/- per items subject to fulfillment of conditions laid down in para 711 – S.

The Ceiling Limit to invite single quotation for local purchase remains unchanged at Rs.2,000/- each item.

The above referred powers of local purchase of stores delegated to Controller of Stores may be redelegated to Depot Stores Officers / Divisional Stores Officers in consultation with FA&CAO to the extend considered necessary.

Necessary correction slip to the code para will follow.

Please acknowledge receipt.

-Sd-
(SURESH KUMAR)
Executive Director Finance (Stores)
Railway Board.

ANNEXURE VI/5-17

GOVERNMENT OF INDIA **RBS NO.1/04**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

NO: 99/RS(G)/779/22/Pt.II New Delhi dated.02.01.2004

The General Manager/All Rlys & PUs

Sub : **Recommendations of High level Committee on Disaster Management regarding Purchase power to Divisional and HQ Mechanical for ART/ARME rolling stock.**

Under Recommendation No.36 of the 'High Level Committee on Disaster Management' it has been recommended that the purchase power of Stores Officers may be delegated to Divisional and Headquarter Mechanical and Medical officers for ART/ARME rolling stock and all equipments contained therein in line with such power already given to Engineering officers.

The matter has been considered by the Board in consultation with the Associate Finance. It is found that under Para 711A of Indian Railway Stores Code (Edition 1990) there is already the provision for re-delegation of existing purchase powers by the DRMs to officers under them to the extent considered necessary subject to the overall limit of power prescribed for the Divisional Railway managers. Further Divisional Stores Officers and Depot Officers (Sr. Scale and above) have been given enhanced power of purchase upto Rs.1.0 lakh for non-stock items through normal mode of tenders in terms of Para 328 S of Stores Code (Volume-I). The above said enhanced power to Divisional COSs & power already available to DRMs /other Divisional Officers under Para 711A of stores Code, do meet the requirement of purchase of ART/ARME equipments recommended by the subject committee. Hence no further delegation is needed from Board.

This issue with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(P.S. Meena)
Dy. Director, Railway Stores(G)
Railway Board

ANNEXURE VI/5-18

Ministry of Railways,
(Railway Board)

No. 87/RS(G)/779/27Pt.I New Delhi, dated. 27/01/2004.

Sub : **Local purchase of stationery & other articles by Central Government Offices located in Delhi/New Delhi and outside Delhi- Instructions regarding**

It has come to Board's notice that existing instructions regarding local purchase of stationery from Kendriya Bhandar / Super Bazar / NCCF are not strictly complied with.

In this reference, the instructions on the subject were last issued vide Board's letter of even no. dt. 31/7/2000 (copy enclosed). These instructions should be followed scrupulously.

Please acknowledge receipt.
DA: As above

-Sd-
(P.S.Meena)
Dy. Director, Railway Stores (G)
Railway Board.

Government of India
Ministry of Railways (Railway Board)

No. 87/RS(G)/779/27 New Delhi, dated. 31/07/2000.

Sub : **Local purchase of stationery & other Articles by Central Govt. Offices located in Delhi/New Delhi and outside Delhi**

Ref : Board's letter of even number dated 30-5-88, 26-5-89 and 06-10-1997.

Please refer to Board's letter quoted above on the subject, wherein it has been stated that Railways/Production Units and other subordinate offices under M/o Railways in Delhi/ New Delhi may make all local purchase of stationery and other items required by them either from the Kendriya Bhandar, Super Bazar or NCCF, and offices located outside Delhi shall make such local purchases from the local Central/Wholesale Consumers Co-operative Societies, and branches of Kendriya Bhandar and NCCF located therein. Only if they are not able to supply a particular item, such purchases should be made from other sources as per rules after obtaining "NO OBJECTION CERTICATE" from them.

It may also be clarified that Super Bazar, Kendriya Bhandar, KVIC and the NCCF are the only agencies approved by the Govt. for supplying stationery and other items to the Central Govt. offices etc., located in Delhi/New Delhi and for Govt. offices located outside Delhi, it is only the local Central/Wholesale Consumer Co-operative Societies and branches of Kendriya Bhandar/NCCF located in such areas. These instructions may be followed scrupulously.

Receipt of this letter may be acknowledged.

-Sd-
(V.K.Jain)
Director, Rly. Stores (IC)
Railway Board.

ANNEXURE VI/5-19

GOVERNMENT OF INDIA **RBS NO.25/04**
MINISTRY OF RAILWAYS (RAILWAY BOARD)

NO: 99/RS(G)/779/22/Pt.IV New Delhi dated.22.12.2004

The General Manager/All Rlys & PUs

Sub : **Enhancement of Purchase powers for Local Purchase of Stores under Para 711(A)**

In reference to Board's letter No.99/RS(G)/779/22 PartII dated 2.1.2004, some of the Railways have requested to enhance the power delegated to DRMs under Para 711(A).

The matter has been considered and examined in Board's office and decided to enhance the purchase power of DRMs for local purchase of Stores as contained in Para 711A (i) for non-stock items of the Indian Railway Stores Code, Volume-I (Edition 1990), from Rs.5000/- per item to Rs.10,000/- per item but not exceeding Rs.1,00,000/- (Rs.one lakh) aggregate per month.

Local purchases may be paid for in cash from imprest cash.

This issue with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(P.S. Meena)
Dy.Director, Railway Stores(G)
Railway Board

ANNEXURE VI/5-20

GOVERNMENT OF INDIA **RBS NO.19/2005**

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

NO: 87/RS(G)/779/27 New Delhi dated.12.12.2005

The General Manager/All Rlys & PUs

Sub : **Local Purchase of Stationery & other articles by the Central Government Offices located in Delhi/New Delhi and outside Delhi.**

Ref : Board's letter of even No. dt.30.05.88, 26.05.89, 06.10.1997 & 31.07.2000

In pursuance of the Policy of Government of India, Board's instructions were issued to Railways vide heir letters referred above, to make local purchase of stationery and other items required by them either from the Kendriya Bhandar, Super bazaar or NCCF, and for offices located outside Delhi, local purchase are to be made from local Central/Wholesale Consumer Co-operative Societies and from branches of Kendrya Bhandar and NCCF located therein.

Recently, Ministry of Finance, Department of Expenditure has issued instructions to all Ministries/Departments of Government of India vide their O.M. No.1/12/"E/11(A)/94 dt.29.7.2005 (copy enclosed) that the special dispensation from the procedure of inviting tenders/quotations provided to Kendrya Bhandar and NCCF in the OMs dated 14.7.1981 & 11.04.1994 was under Chapter 8 of the General Financial Rules, 1963, which are no longer in force after the issue of New General Financial Rules, 2005 effective from 1st July, 2005. Accordingly any purchase/procurement of stationery and other items will now be guided by the relevant provisions of the General Financial Rules 2005.

This is for your information and necessary action please.

Please acknowledge the receipt.

Sd/-

(Aruna Jain)

Dy. Director,

Railway Stores(G)II

Railway Board

No.1/12/E.II(A)/94

Government of India
Ministry of Finance
Department of Expenditure
E.II(A) Branch

New Delhi, the 29th July, 2005

OFFICE MEMORANDUM

Sub: **General Financial Rules, 2005 – Purchase/procurement of goods for use by Govt. of India offices there under.**

…

The undersigned is directed to invite attention to DOPT's OM No.14/14/80-Welfare dated 14.7.1981 and OM No.14/1/88-Welfare dated 11.4.1994 and to say that the special dispensation from the procedure of inviting tenders/quotations provided to Kendriya Bhandar and NCCF in the OMs ibid, was under Chapter 8 of the General Financial Rules, 1963, which are no longer in force after the issue of New General Financial Rules, 2005 effective from 1st July 2005. Accordingly, any purchase/procurement of goods for use by all Govt. of India offices will now be guided by the relevant provisions of the General Financial Rules, 2005.

Sd/-
(R.K. Arora)
Director

To

The Secretaries and Financial Advisers of all Ministries/Departments.

ANNEXURE VI/5-21

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

NO: 87/RS(G)/779/27 New Delhi dated.29.03.2006

The General Manager/All Rlys & PUs

CORRIGENDUM

Sub : **Local Purchase of Stationery & other articles by the Central Government Offices located in Delhi/New Delhi and outside Delhi.**

Ref : Board's letter of even No. dt.12.12.2005

Please substitute the last sentence of Para 2 of Board's letter of even no. dated 12.12.2005 *i.e*

"Accordingly any purchase/procurement of stationery and other items will now be guided by the relevant provisions of the General Financial Rules, 2005" with the following:

" Considering the relevant provisions of General Financial Rules, 2005, the procurement of stationery and other items will be made by following the procedure of competitive bidding as laid down in Stores Code & Board's various instructions issued from time to time. No special preference to NCCF/Kendriya Bhandar/Super Bazar shall now be given in view of Ministry of Finance's Office Memorandum No.1/12/E/11(A)/94 dt.29.07.2005.

Please acknowledge receipt.

Sd/-
(Aruna Jain)
Dy. Director, RS(G)-II
Railway Board

ANNEXURE VI/6-01

MINISTRY OF RAILWAYS ,
(RAILWAY BOARD)

No. 75/RS (G)/754/8 New Delhi, dated 27th August 1978

G.M. / I.C.F.

Sub: **Recommendations No. 1-5 of the Committee on Inventory Management, on Railways - Implementation regarding**

An extract of the Recommendations number 1-5 of the Committee on inventory Management is reproduced below-

(1) The re-order level system of recoupment and provisioning should be continued for all the items other than those procured through D.G.S.&D., JPC, Railway Board and imported sources. The annual reviews system should continue to be adopted for Stores procured through D. G. S. & D., Railway Board, JPC and imported sources.

(2) A regular and periodical review of actual consumption, the forecast consumption, revision of limits the quantities to be declared as surplus or excess and the rephrasing of deliveries required should be done by officers stated against each of the categories of the items listed below-

  (a) For 'A' category items- monthly review personally by the Controller of Stores, irrespective of the method of recoupment *viz.* annual review of re-order level.

  (b) For 'B' category items- Half yearly review by Deputy Controller of Stores personally.

  (c) For 'C' category items- Annual review at the level of the A. C. O. S.

(3) The recoupment sheets and annual estimate sheets will be examined in detail at the depot level; consumption level and provisioning required will be finalised at the depot level in consultation with the associated finance for demands exceeding Rs. 10,000. The Depot Officer will make the provisioning for 'A' and 'B' category items and A. C. O. S. and Senior Depot Supervisors for 'C' category

items. Except for A category items, the provisioning made for 'B' and 'C' categories by the Depot Officer shall be accepted by the Purchase Officers for purchase action. There shall be no additional scrutiny of these items unless the purchase officers have information of new factors necessitating changes in the forecasting made at the depot level.

(4) For only 'A' category items the Controller of Stores at the Headquarters will examine the scrutiny and provisioning made at the depot level before initiating purchase action.

(5) Consequent on the implementation of the foregoing recommendations the provisioning time in the Headquarters Office is fixed at a maximum of 39 days, and it shall be the responsibility of the Controller of Stores to ensure that This time is not exceeded.

Board after careful examinations have accepted these recommendations and desire that these should be implemented early and instructions issued to all concerned under advice to, the Board.

(**S. N. Pandey)**
Deputy Director, Railway Stores (G),
Railway Board

ANNEXURE VI/6-02

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 76/RS (G)/779/36 New Delhi, dated 6th January 1979

G.M./I. C. F.

Sub : **Approval of quantities required before initiating purchase action**

Reference is invited to Ministry of Railway's letters No. 70/FSI/PW/7/1 dated 14th August 1978 and No. 76/RSG)/779/57 dated 14th March 1978 wherein delegation of powers to accept tenders for purchase of stores has been communicated to all for implementation. Ministry of Railways have been considering whether there is a need on the analogy of works expenditure where administrative approval is given for going ahead with the work, to lay down proper delegation in the Stores Department for according approval to quantities to be purchased either by placement of indents on Central Purchase Organisation or by direct purchase. In this connection, reference is also invited to Recommendations No. 2 and 4 of the COIM Implementation ordered in letter No. 75/RS (G)/754/8 dated 27th August 1975.

2. After careful consideration, Ministry of Railways have decided that before an indent is placed on the Central Purchase Organisation for procurement of stores or tenders are floated for direct purchase of the item approval to the quantities proposed for purchase both in the case of stocked and non-stocked items should be accorded at the following levels in the Stores Department: –

(i) C.O.S.- All purchases above Rs. 5 lakhs per item.

(ii) Additional C.O.S.-All purchases between Rs. 2 and 5 lakhs per item.

(iii) Deputy C.O. S. - All purchases between Rs. 25,000 to Rs. 2 lakhs per item.

(iv) D.C.O.S.- All purchases between Rs. 10.000 to Rs. 25,000.

(v) A.C.O.S. - All purchases below Rs. 10,000.

3. In Board's letter No. 69/FS (I)/PW-4-3 dated 8th August 1969, C.O.S. have been empowered to exercise emergency powers of purchase without finance concurrence up to Rs. 50,000 per item. These powers have been further delegated to lower officers in Board's letter No. 69/FS (I)/PW4/3 dated 6th January 1971. In partial modifications of these letters, Ministry of Railways have further decided that emergency powers of purchase without finance concurrence viz., deciding the quantity to be purchased under emergency and the manner in which such purchases should be made, could also be delegated to officers of Stores department up to Senior Scale as per limits indicated in para 2 above. It would, however, be open to these purchase officers to seek the advice of associated finance wherever considered desirable by them.

4. This is issued with the concurrence of the Finance Directorate of the Ministry of Railways.

Sd/-
(**B. P. Mehtani**)
Deputy Director, Railway Stores (G),
Railway Board.

ANNEXURE VI/6-03

Copy of Board's letter No. 86/RS (G)/779/7 dated 30th September l988

Sub : **Vetting of purchase orders**

Ministry of Railways have reviewed the subject of quantity vetting limit in respect of stock items and have decided that the limit in respect of such items may be raised from Rs. 25,000 to Rs. 40,000. Splitting of quantity to be purchased to bring them within this limit would however, be viewed very seriously. This supersedes this Ministry's letter No. 79/RS (G)/779/34 dated 17th April 1984.

This issues with the concurrence of the Finance Directorate of this Ministry.

ANNEXURE VI/6-04

Copy of Board's letter no. 88/RS (G)/779/43 dated 11th December 1989 addressed to General Managers, All Indian Railways, Production Units etc.,

Sub : **Quantity vetting of Stock Items by Associate Finance- Estimate Sheets.**

Ref : Item 4 (ii) of Minutes of 47th Periodical Meeting of Controller of Stores held on 22nd and 23rd August 1988.

The quantity vetting by Associate Finance in respect of stock items valued at Rs. 40,000 and above has been stipulated vide Board's letter No. 86/RS (G)/779/7 dated 30th September 1988. As per the present practice on many of the Railways, Estimate Sheets after generation on the mainframe computer installed at H. Q. of' Railways and Production units are sent back to the individual Depots for validating the data and obtaining vetting of the quantity by the Associate Finance and then returned to the Stores HQrs for initiating action for purchase/ placing of indents etc.,

2.0 The subject of the quantity vetting as included in the Estimate Sheets was discussed during 47th Periodical Conference of Controller of stores with Railway Board held on 22nd and 23rd August 1988 in Railway Board's office and as decided during the meeting Central Railway and Western Railway were asked to submit a joint report to consider the possibilities of reducing the lead time.

3.0 Based on the joint report of Central and Western Railways the matter has been examined by the Board and in order to cut down the lead time and to improve forecasting of the requirements realistically, it has bee n decided by the board that the vetting of the Estimate Sheets by Associate Finance for 'C' category items (as per extant instructions for ABC categorisation), which constitute only 10 percent of the total annual usage value may be dispensed with and such Estimate Sheets generated on the mainframe computers may be directly sent to the Purchase Office for arranging procurement. It should, however, be ensured that data before entering into the computer is properly validated and is free from mistakes and inaccuracies.

4.0 As regards the quantity vetting for A and B category items, existing procedure should continue, However, Board has no objection if the quantity vetting in respect of such items is done by H.Q. Finance instead of by the Associate Depot Finance if the same is feasible otherwise For this purpose, the Railway should make available to Finance Branch the Data of past consumption and dues (as validated by the H. Q. Purchase Office) from the computer to enable the H. Q. Finance to vet the average Annual Consumption Figures (A. A. C.). This vetted Annual AAC should be used by the computer for generation of consolidated estimate sheets for all Depots, together separately for each item. The estimate sheets so generated may then be sent to the H.Q. Purchase Office for arranging procurement. However, Railways must ensure that the Tender Committees continue to review the quantities required to be procured based on the latest stock and dues position at the time of making recommendation for finalisation of purchase.

5.0 a report on the working of the revised system as above may be sent in due course for Board's appreciation, for considering extension of the 'C' Category procedure to B-2 Category also.

This issues with the concurrence of Finance Directorate of this Ministry.

(**H. S. Suri**)
Director, Railway Stores (I. C.)
Railway Board

ANNEXURE VI/6-05

Copy of Board's letter No. 89/RS (G)/779/17 *dated 15th December 1989 addressed to General Managers* All *Indian Railways, Production Units etc.,*

Sub : **Indication of Estimate/last Purchase rates on Indents**

It has come to the notice of Railway Board that in some cases of indents of non-stock items the figures relating to the estimated cost or the last purchase rates mentioned in the indents were found tampered with. The estimated cost/ last purchase rate indicated in non-stick indents is very important factor in ensuring purchases at reasonable prices. In order to obviate the possibility of malpractices, it has been decided by Board that in future the estimated value, last purchase rates and quantity must be indicated in the indents both in

figures and words as well as for non stock items. You are requested to please ensure the compliance of the aforesaid instructions.

(**R. S. Lahan**)
Dy. Director, Railway Stores (G)

ANNEXURE VI/6-06

Government of India
Ministry of Railways
(Railway Board)

No.2000/RS(G)/779/16 New Delhi, dt.8.3.2002

The General Managers (Stores),
All Indian Railways & PUs.

Sub : **Buffer Stock**

Ref : Railway Board's letter No.88/RS(WTA)-149/MTC Ltd. Dated 7.6.1988.

Board vide above referred letter has fixed the Buffer Stock limit of (3) three months for indigenous WTA items but no instructions have been issued for other items. References have been received from Railways/PUs for fixing of buffer stock limit.

The matter has been considered and it has been decided that buffer stock limit for other items may be decided by the COS in consultation with finance. However, it should be ensured that vital and safety items should be available at the level of one month stock requirement all the time and at the same time inventory balances should remain within the laid down targets.

Sd/-
(V.K. Jain)
Director, Rly.Stores (IC)
Railway Board

ANNEXURE VI/6-07

Government of India
Ministry of Railways
(Railway Board)

No.88/RS(G)/779/43/Part Dated 21/10/02.

Sub : **Quantity Vetting of Stock Items by Associate Finance - Estimate Sheets – "B" category items.**

Ref : 1)Board's Letter. No 88/RS(G)/779/43 Dated 11/12/89.

Railway Board vide letter dated 11.12.89 referred above had dispensed with vetting of 'C' category items by Associate Finance. It was also stated that there is no objection if the quantities in respect of 'A' & "B' category items are vetted by Headquarters Finance and such vetted AAC used by computer for generation of consolidated Estimate Sheets for all depots together for each item and sent directly to Purchase Office for arranging procurement.

With a view to simplify procedure and reduce lead time of procurement, Railway Board have considered above procedure regarding vetting of estimate sheets for 'B' category items and decided that the EAC (estimated annual consumption) for 'B' category items may be

approved at the level of CMM. If the proposal EAC of "'B' category item is more than 10% of last 3 years average annual consumption, the same will also require vetting by HQrs. finance. These approved EACs will be used by computer for generation of consolidated estimate sheet for all depots together separately for each item and sent directly to purchase office for arranging procurement. There will be no need for finance vetting of quantities on estimate sheets of 'B' category stock items before invitation of tender.

Railways, however, may ensure that the data fed in the computer system are properly validated. Railways also must ensure tender committee/competent authority continue to review the quantity required to be procured based on latest stock and dues position at the time of finalising of purchase.

A report on working of the above revised procedure may be sent for Board's appreciation after one year for review, if necessary.

This issues with the concurrence of the finance directorate of Ministry of Railways.

(Hindi Version will follow)

-sd-
(P.C.Sharma)
Executive Director Rly. Stores(G)
Railway Board.

ANNEXURE VI/6-08

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No.76/RS(G)/779/36/Pt.I(4/03) New Delhi, dated 8-6-2003

The General Manager(Stores)
All Indian Railways/PUs

Sub : **Monetary Limits for approving quantity for purchase before initiating Purchase action.**

In partial modification of letter of even number dt.19-11-1997, Ministry of Railways have now decided that before an indent is placed for procurement of Stores or tenders are floated for direct purchase of the items, approval to the quantities proposed for purchase both in the case of Stock and non-stock items should be accorded at the following levels in the Stores Department:–

Officers	Quantity approval
AMM	Rs.75,000/-
SMM	Above Rs.75,000 and upto Rs.2 lacs.
Dy.CMM	Above Rs.2 lacs and upto Rs.10.00 lacs
CMM	Above Rs.10.00 lacs and upto Rs.40.00 lacs
COS (Co-ord)	> Rs.40.00 lacs – Full powers

This issues with the concurrence of Finance Directorate of Board's Office.

Please acknowledge receipt.

Sd/-
(P.S. Meena)
Dy.Director, Rly.Stores(G)
Railway Board.

ANNEXURE VI/6-09

No.76/RS(G)/779/36/Pt.I New Delhi, dated 2-9-2003

The Controller of Stores
Diesel Components Works
Patiala.

Sub : **Monetary Limits for approving quantity for purchase before initiating Purchase action. – Board's letter of even no. dt.9.6.03**

Ref : DCW's letter No. S/DCW/Purchase Policy/72 dt.24.7.03 regarding approval authority in the absence of CMM

In this connection, it is clarified that when there is no post of CMM, the powers of quantity approval for stock and non-stock items beyond Rs.10.00 lacs and upto Rs.40.00 lacs, which are to be exercised by CMM in terms of Board's above mentioned letter of even No. dated 9.6.03 may be exercised by Controller of Stores.

Sd/-
(P.S. Meena)
Dy. Director, Rly.Stores(G)
Railway Board

ANNEXURE VI/6-10

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No.76/RS(G)/779/22/Pt.III New Delhi, dated 27.11.2003

The Controller of Stores
Eastern Railway
Kolkata.

Sub : **Clarification regarding vetting of Non-stock requisitions for Safety items valuing more than Rs.40,000/- but less than Rs.1 lakh**

Ref : Eastern Railway's letter No.S.550/P/O/Pt.XIII dt.23.9.03.

With reference to above, it is clarified that instructions as contained in Board's letter No.2001/F(S)/I/PW7/2 dated 5.9.03 are applicable for all safety items as defined vide Board's letter No.99/RS(IC)/165/SRC dated 19.4.2000 whether stock items or non-stock item.

This issue with the concurrence of Finance Dte. of Ministry of Railways.

Sd/-
(P.S. Meena)
Dy. Director, Rly.Stores(G)
Railway Board

ANNEXURE VI/6-11

GOVERNMENT OF INDIA **RBS No: 08/2007**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2005/RS(G)/779/7 New Delhi, Dated: 28.05.2007.

The General Managers/ All Rlys & PUs

Sub : **Revision of Power of User Departments for signing of Non-Stock demands / requisitions.**

Ref : Board's letter No: 84/RS(G)/645/9 dated 24.05.1985.

Board has been receiving references from Railways and Production units to revise the Powers delegated for signing of Non-Stock demands / requisitions at various levels of consuming departments. It was further reported that different Railways have delegated different powers at various levels. Board have reviewed the issue and in supersession of earlier instructions on the matter, revised powers for signing of non-stock demands / requisitions are delegated as detailed below:

		Level of signing of Non-stock requisitions / indents for procurement through		
SN	Value of Non-stock Requisition *	Local Purchase/ Spot Purchase	Tenders at divisional/ depot level	Tenders at HQ level * *
1.	Non-stock requisition valuing upto Rs.10,000/- only	JS Officers. SS officers in absence of JS officer.		
2.	Non-stock requisition exceeding Rs. 10,000/- but not exceeding Rs. 50,000/- only in value	SS Officer. JAG/SG officers in absence of SS officer.		
3	Non-stock requisition exceeding Rs. 50,000/- but not exceeding Rs. 2 lakhs.	JAG / SG Officer * * *		
4	Non-stock requisition exceeding Rs. 2 lakhs but not exceeding Rs. 10 lakhs.	Should be countersigned by CWM/ ADRM / SAG Officer of the user department		
5	Non-stock requisition exceeding Rs. 10 lakhs	Should be countersigned by CWM / ADRM / SAG Officers and the same should be personally approved by PHOD / CHOD of the user department in HQ.		

* * * In case JAG / SG Officer is not posted then non-stock requisition to be signed by:

ADRM for divisional requirements

CWM for workshop requirements

SAG Officer for construction and other requirements.

* Non-stock requisitions will require vetting as per extant instructions.

* * All non Stock purchase at Headquarter will require consolidation & essentiality of purchase to be certified by at least SAG level Officer of consuming Department in Headquarter.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director, Railway Stores (IC)
Railway Board.

ANNEXURE VI/6-12

Government of India
Ministry of Railways
Railway Board

No. 2007/RS(G)/779/1 New Delhi, dated: 16/10/08
RBS-25/2008

The General Manager/All Indian Railways & PUs including NF(C).

Sub : **Enhancement in vetting limits of non stock demands/requisitions.**

Ref : Board's letter of even number dated 04/04/2008

Ministry of Railways have reviewed the existing powers delegated to Railways on the subject and have decided to enhance them in partial super session of Board's letter under reference above for item as detailed below with immediate effect.

No	Item	Delegation
1.	Vetting of non stock demands/requisitions	For safety items – above Rs.2.0 lakhs (safety items as defined in Board's letter No.99/RS(IC)/165/SRC dated 19/04/2000) subject to 10% test check by accounts. Essentiality certification for requisitions valuing up to Rs.2.0 lakhs by field level officer at JAG/SG level & for requisitions exceeding Rs.2.0 lakhs by field officer at SAG level (ie) CWM/ADRM/DRM etc will be needed. For items other than safety items-above Rs.1.0 lakh. Essentiality certification for requisitions valuing up to Rs.1.0 lakh by field level officer at JAG/SG level & for requisitions exceeding Rs.1.0 lakh by field officer at SAG level (ie) CWM/ADRM/DRM etc will be needed

In addition to the above, all non stock purchase at Head quarters through tenders will require consolidation and certification for essentiality of purchase as laid down in Board's letter No.2005/RS(G)/779/7 dated 28/05/07 as amended from time to time.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
DDRS(G)-II

ANNEXURE VI/7-01

Copy of letter No. 76 RS (G)/779/55 dated 21st May 1982 received from Shri A. K. DasGupta, Dy Director, Railway Stores (G), Railway Board, addressed to General Managers, All Indian Railways, P. Units and M. T. Ps.

Sub : **Procurement of proprietary Articles,**

Ref : Board's letter of even No. dated 20th July 1979, 11th September 1979, 26th May 1980 and 27th January 1981.

Ministry of Railways have issued instructions from time-to-time stipulating the procedure to be followed by the Railway in the matter of procurement of proprietary articles. The matter has been reconsidered and the Ministry of Railways have now decided that in supersession of previous orders, the following instructions on the subject will be followed: -

(1) The proprietary articles certificate shall be issued as per *proforma* given in the Annexure.

(2) The proprietary article certificate shall be signed by an officer of the consuming department, for whom the stores are procured, of the appropriate level depending on the value of the material intended. The value limits are indicated at the foot of the Annexure.

(3) (i) The powers of purchase of a Stores Officer in the case of proprietary articles through single tender where it is certified that a similar article, which could be used in lieu, is not manufactured/sold by another firm *(vide* item 6(C) of the Annexure) will be limited to his normal purchase powers.

(ii) The power of purchase of Stores Officers in the case of proprietary articles through single tender where item 6(c) is deleted and the certificate as required against item 6(c) of the Annexure is not given, is up to Rs. 10,000. The purchase of proprietary articles on single tender beyond Rs. 10,000 in each such case would require the sanction of General Manager as prescribed in sub para (c) of Para 331-S.

(4) Procurement of stores on proprietary basis completely eliminates competition and could lead to higher prices. The indenting authorities before indenting for proprietary articles and certifying them so, should therefore fully satisfy themselves that no acceptable substitutes are available.

(5) The proprietary articles should not be accepted by Purchase Officer as a matter of course and indenting officer should be advised to carefully evaluate the merits before signing such a certificate.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

Annexure to letter No. 76/RS (G)/779/55 dated 21st May 1982.

Certificate for Purchase of Proprietary Article

(1) Description of Article ----------
---
(2) Quantity ----------
(3) Approximate cost, if known ----------
(4) Maker's name and address ----------
(5) Name of Local Agents ----------
---

(6) I approve the above purchase and I certify that: --
(a) No other make/brand will be suitable.
(b) This is the only firm who is manufacturing/stocking this item.
(c) A similar article is not manufactured/sold by any other firm, which could be used in lieu.

Note- Delete (a) or (c) whichever is not necessary.

Signature ----------
Date ---------- Designation of Officer ----------

To be signed: --

- For items valuing upto Rs. 2,000 by the Indenting Officer.
- **For items valuing beyond Rs. 2,000 to Rs. 10,000 by Dy. Head of Consuming Department.**
- For items valuing beyond Rs. 50,000 to Rs. 50,000 by Addl. Head of Consuming Department.
- For items valuing beyond Rs. 50,000 by the Head of Consuming Department.

ANNEXURE VI/7-02

Copy of letter No. 76/RS (G)/779/55 dated 18th April 1983 to General Manager/All Indian Railways/P. Units, M.T. P. (Railways)/Calcutta W. &A. Plant, Banglore.

Sub : **Procurement of proprietary articles.**

Ref : Board's letter of even No dated 20th July 1979, 11th September 1979, 26th May 1980, 27th January 1981 and 21st May 1982.

The matter has been reviewed by the Ministry of Railways and it has been decided to amend the Para 6 (c) of the Certificate for P. A. C. circulated with the above noted letters, as under-

6 (c) “similar article is not manufactured or sold by any other firm which could be used in lieu”

Sd/-
(**JOGINDER SINGH)**
Dy. Director, Railway Stores (G).
Railway Board.

ANNEXURE VI/7-03

Copy of Board's letter No. 82-BC-PAC/ VII/ 102 dated 25th March 1985 addressed to General Managers, All Indian Railways and others.

Sub : **Laying down procedure and policy of procurement in cases where a sole Indigenous manufacturer of equipment is involved- 02nd report of P. A. C. (7th Lok Sabha)**

Ref : Board's letter No. 82/RS (G)/777/2 dated 18th March 1983

Instances have come to light of cases involving purchase of proprietary nature where the concerned firms have not agreed to the 'Book Examination Clause'. With a view to deal with such situations on a uniform basis in all Government Department, this matter has been examined in consultation with the Department of supply and the Department of Law, Justice and Company Affairs and it has been decided to adopt the following Procedure in future.

(i) In all cases involving purchase of material from a single monopoly source, it should be the endeavour of the Railway Administration to prevail upon the firms to formally accept the Railway's Book Examination clause'. If they are not inclined to agree, it should be made clear to them that under section 209-A of the Companies Act the government have got the powers to examine the books of the company.

(ii) The 'Book Examination clause can be invoked wherever it is felt that the rate quoted by the firm is unreasonable with due regard to the previous purchase rates, price trends and intrinsic worth of the item. However, where the Zonal Administration considers the rate to be unreasonably high with the differences in value being, in excess of Rs. 1 lakh in each case and are unable to persuade the firm to reduce the rate through negotiations, such cases may be referred to the Board for deciding on invoking the book examination clause, in consultation with M. R. T. P. Commission and the Ministry of Industrial Development along with the following details.

   (a) Whether the item under procurement was imported in the past and if so**,** whether efforts were made by the Railway to obtain the current international prices, Department of Supply have suggested that to discipline any monopolist supplier, imports can be resorted to.

   (b) Whether negotiations were held with the firm indicating the remedies available to the Government for examination of books including the possibility of import at cheaper international price.

(iii) Whether the requirement is operationally very urgent and cannot wait for the detailed procedure mentioned in Sub-para (ii) above, the tender could be finalised for an appropriate minimum quantity duly reporting the position to the Railway Board.

ANNEXURE VI/7-04

Copy of Board's letter No. 84/RS (G) 363/EC 83/Rec. No. 1.24 dated 20th November 1985 addressed to General Manager (S) Southern Railway, Madras 23, and others.

Sub : **Purchase of proprietary items--Publishing the details in the Railway Stores Bulletins/Indian Trade Journal**

Ref : Your Dy. C. O. S. / I.C s letter No. S/93/EC/ 12/ Policy dated 25th October 1985

It is clarified that instructions issued under Boards letter of even number dated 17th August 1985 supersedes instructions issued vide letter No. 84/RS (G) 363/1/EC 79/Pt. XIV dated 29th May 1985. The details of proprietary items purchased by Railway should be published once in every six months *i. e.* during April and October.

ANNEXURE VI/7-05

Copy of Board's letter No. 73/RS (G)/779/30 *Pt. II dated 30th March 1987 addressed to General Managers, All Indian Railways and others.*

Sub : **Procurement of spares for Diesel and Electric locos**

It has come to the notice of the Board that in the case of certain items obtained on proprietary Article Certificate, the same firm has quoted different rates to different Railways. Also, when items formerly procured on proprietary Articles Certificate were instead procured against limited Tenders, the rates quoted by some firms were lower than those quoted by them against Tenders on proprietary Certificate basis. There have been complaints from the Members of Parliament and Parliamentary Committees on these issues as also the practice on the Railways of restricting the purchase to a few firms approved by the Consumers without keeping the door open for new entrants having merit and capabilities.

2. The matter was, therefore, discussed in a meeting of Mechanical and Stores Officers held on 28th January 1987 with the Board. In the light of these discussions, the Board have decided as under:--

(i) All Railways shall ensure Publication of rates of P. A. C. purchase (in accordance with the instructions contained in the Board s letter **No. 84/RS (G)/363/EC 63/Rec. No. 124 dated 20th November 1985)** and that items procured on P. A. C. basis are separately grouped while Publishing particulars in the Indian Trade Journal.

(ii) Railway will invariably issue advertised Tenders in cases exceeding Rs. 1 lakhs including even sophisticated spares certified as single source items. The bulk procurement will however, be restricted to firms approved by either D. L W/C. L W. or by the concerned Railways. The Tender should specified that material should be to C. L W./ D. L W./ R. D. S. O. Drawing or any other drawing authenticated by the Railways.

(iii) The purchase Officers concerned should invariably list the approved firms on the file before issuing the Tenders.

(iv). The following condition should be mentioned in the Tender notice.

"The Railway reserves the right to order either the entire or the bulk quantity on approved firms and only consider other firms for educational orders."

(v). The offers of the firms whose drawing have been authenticated by any Railway other than the one which has issued the Tender should also be considered, at least for an educational order, if their rates are competitive and their credentials are known to the Tendering Railway. Further, the credentials of such firms should be considered and decided in the next quarterly meeting of the Railways to be convened in accordance with item (vi) below. The Railways while authenticating any supplier's drawing should consider the capability of the firm thoroughly, including inspection standards, manufacturing processes etc., to ensure broad basing of approved sources. The instructions contained in the Board's letter **No. 73/RS (G)/779/30 dated 8th January 1986** authorise firm to approach C. O. Ss. for getting approval for supply of sophisticated spares. C. O. S. after satisfying himself on the firms credentials/capabilities should send the standard questionnaire prepared by R.D.S.O. to the firm. On receipt of the same duly filled up it should be sent to C.M.E/C.E.E. for taking action in regard to Inspection of the firm either by their own Organisation or by R I. T. E S. Thereafter C. M.E/C.E E should give clear reasons for approving or not approving a particular firm. It is to be clearly understood that placement of educational orders should not be at the cost of quality or competitiveness.

(vi) There should be a quarterly meeting of Stores/Mechanical/Electrical Officers of the Railways in the 4 Metropolitan cities by rotation where information regarding firm approved during the previous quarter for various items should be exchanged. In addition the subject would be discussed in detail in the annual D.M.G/E.M.G as well as in the discussion of which subject the concerned Stores Officers would also participate.

(vii). P. A. C. purchases would continue only in the case of fuel injection spares obtained from M/s. M. I. C. O. for Diesel Locos and a few spares components rows of D. J. Tap Changer, Pantograph, Relays of Electric Locos until further orders. For all other items limited/weekly bulletins/ advertised Tenders should be adopted. In all cases below Rs. 1 lakhs Railways may follow the mode of weekly bulletins or limited Tenders. In case of limited tenders, besides the firms borne on the approved list of the concerned Railway/D. L W/ C. L W., exchange of information during the quarterly meeting regarding sources of supply on other Railways may prove helpful. Specific attention of approved firms may be drawn to the weekly bulletins wherever this mode is employed. As mentioned earlier, bulk procurement in these cases will however, continue to be restricted to the approved sources of the concerned Railway and even educational orders should be placed only offers received from unapproved sources are competitive and otherwise satisfy the standards required for the purpose.

3. The procedure outlined in Para 2 (ii) to (v) and (vii) will be reviewed after 1 year based on the experience gained by feedback received from the Railways.

4. This supersedes all previous instructions issued by the Board on the subject and issues with the concurrence of Mechanical and Electrical Directorate.

ANNEXURE VI/7-06

Copy of Board letterNo.73/RS (G)/779/3O/Pt Il dated/17th February l989 addressed to General Managers, All Indian Railways and others.

Sub : **Procurement of spares for Diesel and Electric Locos**

Ref : Board's letters of even No. dated 30th March 1987 and 20th July 1997

Based on the reports received from Zonal Railways/Production Units; the instructions issued vide Board's letter of even number dated 30th March, 1987 have been reviewed and keeping in view the difficulties experienced by Railway/Production Units it has been decided that instead of issuing advertised Tender in each case, every year as mentioned in Para 2 (ii) of the said letter, the advertised Tender need be issued only once in two years.

2. Your attention is also drawn to Railway Board's letter No. 83/FS (I)/PW-7/1 dated 14 th February 1989 *vide* which existing limit of Rs. 1 lakh for issue of advertised Tenders has been enhanced to Rs. 2 Lakhs.

3. Boards also desire that to enable frequent exchange of information the current list of approved sources maintained by each Railway/ Production Unit, be regularly circulated to all other Railway/Production Units.

ANNEXURE VI/7-07

Copy of Rly. Board's letter No. 88/RS(G)/779/39 dated 17.06.1992 from Dy. Director, Railway Stores (G), Railway Board, New Delhi to GMs (Stores), Southern Railway and others.

Sub : **Procedure for procurement of items supported by Proprietary Article Certificate.**

A copy of OM No. P-III-1 (13) 91 dated 01.05.1992, received from the Ministry of Commerce, Deptt of Supply of the above subject is sent herewith for information and guidance.

Consequent upon Govt's decision to transfer the work of procurement against ad-hoc indents to user departments the item supported by PAC hitherto being purchase by DGS&D will also not be procured by the DGS&D. It has, therefore, been decided that hereinafter the item supported by Proprietary Articles Certificate earlier procured through the agency of DGS&D may be purchased directly by the Zonal Railways/Production Units. All extent instructions relating to purchase of proprietary stores will be applicable for such direct purchase.

This supersedes the earlier instructions issued vide Bd’s letter of even number dated 19.12.1988 circulating Ministry of Commerce, Deptt of Supply’s letter No P.III (21)88 Dated 24.10.1988 on the above subject.

This issues with the concurrence of Finance Directorate of Bd’s Office.

Please acknowledge the receipt.

Copy of O.M. No. PIII-I(13)/91 Dt. 01.05.1992 from Ministry of Commerce, Deptt. of supply, Govt. of India, NDLS addressed to all Ministries/Deptts of Govt. of India.

Sub : **Procurement of Stores on the basis of proprietary Article Certificate**.

The undersigned is directed to refer to this Department's O.M. No. I.III-I (21)/88 dated 24.10.1988 regarding the role of the DGS&D and the procedure to be followed with regard to procurement of items supported by Proprietary Article Certificate.

2. Consequent upon work of procurement against *ad-hoc* indents having been transferred from the DGS&D to the indenting Ministries/Departments, it has been decided that henceforth DGS&D will not entertain any indent supported with PAC. All the indenting Ministries/Departments etc. are authorised to make purchase of Proprietary Articles directly with immediate effect.

ANNEXURE – VI/8-01

Copy of Dy. Director, Railway Stores (G) Railway Board, New Delhi letter No. 87/RS/(G)/ 779/11 dated 12.01.1990 addressed to the General Manager All Indian Railways; CLW and others.

Sub : **Simplification of the procedure of finalisation of contracts placed by the Railway Board submission of completion reports.**

The need for timely compilation and submission of 'Completion Report' relating to Railway Board contracts by condign Railways, to enable early finalisation of contracts and arrangement of necessary payment to the supplier, was repeatedly stressed on the Zonal Railways. Unfortunately not much progress or improvement in this direction has been achieved. As a result, several complaints are being received in Railway Board from suppliers for delay in finalisation of cases even though deliveries have been affected by them long back board fells that it will not be correct hold back payment of balance dues to the suppliers indefinitely for lack of necessary response on the part of consignees in granting receipted note or submission of completion report within reasonable time - frame.

To overcome the above situation, a decision, a decision has been taken to formalise closing of Railway Board contracts and release balance payment pending receipt of necessary report from the consignee Railways, subject to observance of program given below: -

(a). Suppliers will be advised to furnish, within 15 days of the completion of supplies, a statement showing full details of supplies made. Further, within 90 days of the date of detach of the last consignment, the supplier should furnish a statement of supplies in respect of which they have not received a receipted copies of the Inspection Certificate.

(b). In case no Completion report is received from to Railways/ production units whiten 4 months from the date excerpt, of last consignment on 6 months from the date of despatch, action will be taken in Board's office for finalisation of the contract assuming that the supplies have been received in full by the consignees and no loss has been suffered by them.

(c). The authorisation for release of balance payment to the suppliers will also subject to their accepting the following stipulation.

" Supplier will make good any defect or deficiency that the a consignee may report within 6 months after release of payment. An undertaking in this required has to be furnished by the contractor in the prescribed format (copy enclosed) in respect of the material for which he has not received a receipted copies of the Inspection Certificate."

(d). Stores Directorate in Board's Office would seed in each case a list or supply transactions, or which CRs have not been received, to COSs of the concerned Railways for their prompt regularisation.

e) The defaulting Railways will be responsible for regularisation of the issue within one year of the issue of the aforesaid list by issue of appropriate CR to the paying authority. A periodical compliance report should be sent to the Stores Directorate in Board, which will monitor the regularisation of such transactions. These instructions will cover all existing cases.

This issues with the concurrence of Finance Directorate of the Ministry of Railways.

(**R.S. Lahan**)
Dy. Director, Railway Stores (G)
Railway Board.

ANNEXURE – VI/8-02

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

New Delhi,
No. 69/RS (G)/645/1 (B) Dated 8th February 1990.

The COSs/All Indian Railways,
RE and Production Units & R.D.S.O., Lucknow.

Sub : **Centralising of Procurement in the Railway Board**.

As you are aware, following items of Brushless alternators, TL Cells and Fans re at present centralised for procurement by the Board.

1. Alternators-3 KW and 4.5 KW (including 110 V).
2. Cells -210-AH, 320-AH, 400-AH, 525-AH & 120-AH (for 110 V system)
3. D. C. Railway Carriage fans-Both for 24V and 110 V.

2. The matter has been reviewed and it has been decided that the following allied items will also be procured centrally by the Board for the next contract period and onwards;

(i) Brushless Alternators	12 kW (for M.G. A.C.) and 18 kW (for B.G. A.C.) as are at present procured by ICF.
(ii) T.L. Cells	450-AH (for M.G. A.C.) and 800-AH (for B.G. A.C.) (for CP 1st October 1991)
(iii) Railway Carriage Fans	All A.C. Railway carriage fans 110 V for Rajdhani coaches and 140 V for EMU coaches as also 110 V Swiveling D.C. fans (C.P. 1st January 1991 to 31 st December 1991)

3. To ensure the timely procurement of the items indicated above it is therefore, essential that all the demands for the contract period indicated above are received in this office latest by 31st March 1990 for items (I) and (ii) and by 31 st May 1990 for item (iii) by placement of regular indents duly certified for funds. In case therefore, no indents are received by the said date (s) it will be presumed that the Railways/ Production Units do not have any demand for the said items for the contract period indicated above. For subsequent CPs., however the indents should be received as follows:

1. Cells	1st November of the year preceding the Cont. year
2. Alternators	30th of November of the year preceding the Cont. year
3. R.C. Fans	28th of February of the year preceding the Cont. year

Sd/-
(S. C. Sehgal)
Joint Director, Railway Stores (E & S),
Railway Board.

ANNEXURE – VI/8-03

Government of India
Ministry of Railways
(Railway Board)

No.RSP/90/4100 Dt.01.03.90

Sub : **Finalisation of Stores Tenders beyond the accepting powers of General Managers.**

At present Tenders of the value above Rs.2 crores involving foreign exchange and above Rs.5 Crores not involving foreign exchange, are referred to Board's office for approval of Board/MR.

It is clarified that General Managers of the Zonal Railways may accord approval for negotiations, where considered necessary, even in respect of tenders the value of which is beyond their powers, subject to such approval being accorded on the basis of recommendations of the Tender committee and following the guidelines laid down for conducting negotiations. Only final recommendations of the TC may be referred to the Board for their approval, as usual.

This procedure is however not applicable to tenders to be finalized under he Work Bank Loan, which will continue to be dealt with in accordance with the procedure prescribed there for.

(A.K. Malhotra)
Executive Director, Rly.Stores (G)

ANNEXURE – VI/8-04

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 89/RS(G)/645/1(B) New Delhi, Dated 26.09.1990.

The General Mangers (Stores) & (Signaling)

(1) All Indian railways & Production Units,
(2) M.T.Ps. Bombay / Madras / New Delhi
(3) Railways Electrification and
(4) Director General, RDSO. Lucknow.
(5) Metro Rail Calcutta.

Sub : **Signaling items – Centralised for procurement in the office of Railway Board.**

The list of the centralised items in respect of the above was last circulated in Board's Letter No. 87/W3/SGB/1 dt. 24.11.1988 and included the following; -

(i) Electric Point Operating Machine.
(ii) Point Contractor Unit, Shelf Type and Plug-in-type.
(iii) Relay DC Shelf and Plug-in Type.
(iv) Single Line Tokenless Block Instruments.
(v) Track Circuit Equipments, Jeumont Type.
(vi) Lenses for Colour Light Signals.
(vii) Axle Counters.
(viii) Axle Counter Cables.
(ix) Signal Lamps.
(x) Automatic Warning System Equipments.

The position has been further reviewed and it has been decided to delete from the above list items (v), (vii), (viii) and (ix) – which may henceforth be procured by the Railways direct, as per the existing procedure and guidance.

While the indents already received in the office by Signals Directorate for item (vii) viz. 'Axle Counters' are being processed for coverage and the decision in respect of items (ix) 'Signal Lamps' will be applicable only for the request of the Contract Period – 01.03.1992 onward, the indents received for other items are being returned to the indenting units for necessary action at there end. No further indents, except for the requirements of Signal lamps for the contact period 01.03.1991 to 28.02.1992 items (i) to (iv) (vi) and (x) of the list in para 1 may thus be sent to this office hereafter.

Please acknowledge receipt.

Sd/-
(**R. S. Lahan**)
Deputy Director Railway Stores (G)
Railway Board.

ANNEXURE – VI/8-05

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

New Delhi
No. 87/RS (G)/779/11. Date: 23.06.1992.

The General Manager (Stores),
All Indian Railways, CLW, DLW, WA&P, DCW, ICF, RCF.

Sub : **Submission of Completion Reports against Railway Board Contracts.**

Ref : (1) Rly. Board's letter No. 76/RS (G)/779/37 Dated: 08.09.1976.
(2) Rly. Board's letter No. 87/RS(G)/779/11 Dated : 12.01.1990.
(3) Rly. Board's letter No. 87/RS(G)/779/11 Dated : 17.07.1990.

Detailed instruction were issued vide Board's letter dated 08.09.1976 referred to above in regard to submission of completion Reports by the consignee Railways against the Board's contracts for the purpose of timely finalization of the contract cases in the Board's office. In terms of these instruction the consignee Railway are required to furnish completion reports to the Boards within 3 1/2 months from the dated of receipt of last consignment by the consignee.

To minimize the delays in finalization of the contract cases resulting from the delay submission of the completion Reports the Board had vide letter dated 12.01.1990 referred to above issued instruction for finalizing the cases on the basis of assumption of no loss having been suffered by the consignees and supplies having been received in full by them for such of the consignee Railway/ Production Units which fail to furnish the completion Reports within 4 moths from the date of receipt of 6 month from the dispatch of the last consignment.

With the simplification of the procedure introduced vide Board's letter dated 12.09.1990 there is a need to reduce the delays in the submission of completion reports by the consignee Railway with a view to avoid non-recovery of quantities if full. The Board desire that the submission of Completion Reports against Board's contracts may be monitored closely by a nominated officer and the monthly PCDO being sent by the COSs to the board / Advisor (stores) should include a para on the progress in this regard.

Receipt of this letter may please be acknowledged.

Sd/-
(**R. S. Lahan**)
Deputy Director Railway Stores (G)
Railway Board.

ANNEXURE – VI/8-06

Copy of Dy. Director, Rly. Stores (G)/Railway Board, NDLS's letter No. 93/RS (G)/779/5/Pt. dated 08.09.1997 addressed to the General Manager (Stores), All Indian Railways & P. Units and others.

Sub : **Operation of Option Clause in Stores contracts.**

The subject of Operation of option clause in Stores Contracts has been under consideration of Railway Board for quite some time. In order to streamline the procedure for operation of Option Clause on the Railways and Production Units in respect of Railway tenders approved by MR/ MOS(R), it has been decided that: -

(a). For purchases valued up to the powers of GMs, Option Clause (wherever included in the contract) shall be operated as per existing schedule of powers.

(b). For purchases valued up to Rs. 25 crores but above the powers of GMs, Option Clause (wherever included in the contract) shall be operated with the personal approval of GM

(c). for purchases valued above Rs. 25 crores, operation of Option Clause (wherever included in the contract) shall be undertaken only with the approval of MOS (R)/M.R. In such cases Railways will submit proposal for operation of Option Clause to Railway Board with the recommendations of the General Manager. The Clause shall be exercised by the Railway/Production units only after approval of the MOS (R)/M.R. has been received.

This issues with the concurrence of Finance Directorate of Board's office.

Sd/-
(**Ashok Kumar**)
Deputy Director Railway Stores (G)
Railway Board.

ANNEXURE – VI/8-07

Government of India
Ministry of Railways
(Railway Board)

No. 93/RS (G)/779/5 Pt. Date 15.12.1998

The General Managers (Stores),
All Indian Railways & Production Unit
Metro Railway, Calcutta.

Railway Electrification, Allahabad, OSD/New Zonal Railways.

Sub : **Operation of Option Clause in Stores Contracts.**

Further to this office letter of even number dated 08.09.1997 in regard to operation of 30% Option Clause in Stores Contracts, it has been decided that for minus operation of option Clause, wherever included in the contract, approval of MR/MOS(R) is not required. The minus operation of the option clause may be done with the approval of the accepting authority in case

of purchases falling within the powers the Railways and with the approval of the GM in case of purchases approved at the level of the Board/ MOS (R) MR.

This issues with the concurrence of Finance Directorate of Board's office.

(**Ashok Kumar**)
Dy. Director, Rly. Stores (G)
Railway Board.

ANNEXURE-VI/8-08

MINISTRY OF RAILWAYS,
RAILWAY BOARD

No.99/RS(G)/779/13 New Delhi, 16.2.2000

The General Manager(Stores)
All Indian Railways/PUs

Sub : **Decentralization of procurement of Electric Loco Cables**

It has been decided by Railway Board to decentralise procurement of Electric Loco Cables conforming to RDSO Specification No.SPEC/E-14/01(Pt.II)1992 Rev.I table-I for Class 5/6. CLW has been authorized to arrange centralized procurement of the above item directly for Indian Railways beyond 31-12-2000. The tender for the requirement upto 31-12-2000 has since been decided and contracts are under issue. Being safety related matter, it is advised that purchase of these cables may be done from the approved suppliers (list of approved suppliers is enclosed) as per RDSO's letter No.E-1/8.1 25.1 dt.22.3.99.

Please acknowledge receipt.

Sd/-
(Indra Swarup)
Exe. Director, Rly.Stores(G)
Railway Board

Encl. as above

List of Regular Approved Suppliers

Sl. No.	Name and address of the firm
1.	M/s RPG Cables Ltd., (Unit M/s Asian Cables & Industries), 2nd Pokharan Road, PB No.11, Thane – 100061
2.	M/s Cable Corpn., of India, Poonam Chambers, Shivsagar Estate, Mumbai-400 078
3.	M/s Fort Gloster Industries, 31, Chowranghee Road, PB No.9126, Calcutta – 700 016.
4	M/s INCAB Industries Ltd., 9, Hare Street, Calcuta – 700 001 – Jamshedpur Unit, Pune Unit.
5	M/s nicco Corpn Ltd., PB No.594, NICCO House, 2, Hare Street, Calcuta-700001
6.	M/s Skystone Electricals (I), 42-43, Industrial area, NIT, Faridabad-1
7.	M/s Universal Cables Ltd., PB No.9, Satna – 485001, M.P
8.	M/s Victor Cables Corpn., Delhi Iron & Steel Co., Ltd., 4/4-B Asaf Ali Road, New Delhi – 110 002.

9.	M/s Industrial Cables (I) Ltd., Industrial Area, Rajpura I, Dist.Patiala(Punjab)
10.	M/s Uniflex Cables Ltd., 11, Jorawar Bhavan, 3rd Floor, 93, M Karve Road, Marine Lines, Mumbai – 20.
11.	M/s Torrent Cables Ltd., Torrent House, Off.Ashram Road,Ahmedabad-380 009

List of Developmental Approved Sources

Sl. No.	Name and address of the firm
1	M/s United Cables Industries, A-14, Sector-4, NOIDA – 201301
2	m/S Continental Telepower Industires Ltd., A-25, H.Nizamuddin, New Delhi-13

ANNEXURE-VI/8-09

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.RE(S)11/98/9300/7/1 New Delhi, 7.4.2000

Controller of Stores
CORE/ALD & All Zonal Railways

Sub : **Dispensation for direct procurement of urgent requirements of 4&6 Quad 0.9 mm Railway Signaling Cable by the Railways.**

Ref : This office letter of even no. dt.18.11.99& 15.2.2000.

In continuation to Railway Board's letter referred to above, wherein you were advised to procure 4/6 Quad 0.9 mm cable at your end to meet your urgent requirements, it is further advised that this should be to specification No. IRES:TC 30/96 only.

No procurement should be made for jelly filled cable to specification No.IRS;TC:30/97, till a decision on techno-economic considerations is taken on this subject. Accordingly, tenders opened/issued with specification No.IRS:TC:30/97 (jelly-filled cables) may be cancelled.

Compliance may be advised to Railway Board immediately.

(Sd/-)
(Lt.Col.V.P.Raheja)
Exec.Director, RE (Stores)

ANNEXURE-VI/8-10

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.99/RS(G)/779/13 New Delhi, dt.26.7.2000

The General Manager(Stores)
All Indian Railways & Production Units.

Sub : **Decentralisation of procurement of Electric Loco Cables conforming to RDSO Specification No.SPEC/E-14/01 (Rev.II) Pt.II-1993.**

Ref : Board's letter of even no. dt.16.2.2000.

In modification to Railway Board's letter dt.16.2.2000 cited above, the Railways/PUs are hereby authorized to arrange procurement of the above item directly instead of through CLW, for the period beyond 31.12.2000. The RDSO's specification mentioned in Board's letter dt.16.2.2000 quoted above, may be read as "SPEC/E-14/01(Rev.II)Pt.II-1993".

Being safety related matter, it is advised that purchase of these cables may be done from the approved suppliers (list of approved suppliers is enclosed at Annexure-A) as per RDSO's letter No.EL/8.1.25.1 dt.12/16-10-1999.

The name of M/s Continental Telepower, New Delhi has been deleted from the list of developmental approved sources due to non-compliance of minimum requirements as laid down in RDSO's guidelines.

Sd/-
(Indra Swarup)
Exe.Director,Rly.Stores(G)
Railway Board

Encl. As above

Annexure - A

List of Regular Approved Suppliers

Sl. No.	Name and address of the firm
1.	M/s RPG Cables Ltd., (Unit M/s Asian Cables & Industries), 2nd Pokharan Road, PB No.11, Thane – 100061
2.	M/s Cable Corpn., of India, Poonam Chambers, Shivsagar Estate, Mumbai-400 078
3.	M/s Fort Gloster Industries, 31, Chowranghee Road, PB No.9126, Calcutta – 700 016.
4	M/s INCAB Industries Ltd., 9, Hare Street, Calcuta – 700 001 – Jamshedpur Unit, Pune Unit.
5	M/s nicco Corpn Ltd., PB No.594, NICCO House, 2, Hare Street, Calcuta-700001
6.	M/s Skystone Electricals (I), 42-43, Industrial area, NIT, Faridabad-1
7.	M/s Universal Cables Ltd., PB No.9, Satna – 485001, M.P
8.	M/s Victor Cables Corpn., Delhi Iron & Steel Co., Ltd., 4/4-B Asaf Ali Road, New Delhi – 110 002.
9.	M/s Industrial Cables (I) Ltd., Industrial Area, Rajpura I, Dist.Patiala(Punjab)
10.	M/s Uniflex Cables Ltd., 11, Jorawar Bhavan, 3rd Floor, 93, M Karve Road, Marine Lines, Mumbai – 20.
11.	M/s Torrent Cables Ltd., Torrent House, Off.Ashram Road,Ahmedabad-380 009

List of Developmental Approved Sources

Sl.No.	Name and address of the firm
1	M/s United Cables Industries, A-14, Sector-4, NOIDA – 201301

ANNEXURE-VI/8-11

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.99/RS(G)/779/13 New Delhi, 02.02.2001

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Decentralisation of procurement of Railway Board's Centralised items..**

It is has been decided by Railway Board that items given hereunder should now be procured centrally by GM/CORE for CORE as well as other Railways with effect from 26.9.2000 in placed of Railway Board.

(a) SS Wire Ropes
(b) Auto-tensioning device
(c) Steel Beams
(d) Interruptors
(e) Circuit breakers
(f) PTFE Neutral Section Assemblies

However, tenders already opened for PTFE Neutral Section Assemblies and Auto-tensioning device will be decided by Railway Board. Future requirements for these items, however, may be procured by CORE/Allahabad. All Railways should submit indents for these items to GM/CORE directly. Indents pending with Railway Board are being transferred to GM/CORE. These instructions have already been issued to Railways/PUs vide Board's letter No.RE(S)/11/82/0012 dt.26.9.2000 issued from Railway Electrification Directorate of Board's office.

This has been issued with the concurrence of Finance Dte. Of Board's office. Kindly acknowledge receipt.
(Hindi version will follow)

Sd/-
(V.K. Jain)
Director, Rly.Stores (IC)
Railway Board

ANNEXURE-VI/8-12

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/13 New Delhi, dt.26.3.2001

The General Managers (Stores),
All Indian Railways & PUs.

Sub : **Decentralisation of procurement of Loco Batteries 110V, 75AH and Transformer Oil for Electric Loco EMU and Traction sub-station Transformers.**

Ref : Board's letter No.97/Elect.(TRS)/113/4 dt.7.7.99

Board have decided to decentralize the procurement of Loco Batteries 110V, 75AH and Transformer Oil for Electric Loco EMU and Traction sub-station Transformers, hitherto being procured by Railway Board with immediate effect. These items may now be procured by Zonal Railways/Production Units themselves. RDSO's specification and approves sources for these items are available. Such decentralization has to be with adhering to instructions contained in Board's letter quoted above (copy enclosed). Indents, already received for these items in Board's office will be finalized by Board.

This has the concurrence of Finance Dte. of Ministry of Railways.

Sd/-
(P.S. Meena)
Dy.Director, Rly.Stores (G)
Railway Board

ANNEXURE-VI/8-13

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.99/RS(G)/779/13 New Delhi, 18.04.2001

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Decentralisation of procurement of Loco Batteries 110V, 75AH.**

Ref : (i) Board's leter No.97/Elect(TRS)/113/4 dt.7.7.99
(ii) Board's letter of even number dated 26.3.2001.

Please refer to Board's letter quoted at (ii) above, wherein Loco Batteries 110V, 75 AH and Transformer Oil have been decentralised and are to be procured by Railways themselves with effect from 26-3-2001.

However, it may be noted that the decentralization of these Loco Batteries 110V 75 AH is on a trial basis for a period of two years only. It may also be noted that issue of developmental orders will be with CLW only and Railways have to procure these items from approved sources only. Such decentralization has to be with adhering to instructions contained in Board's letter quoted above at (i).

This has the concurrence of Finance Dte. of Ministry of Railways.

Sd/-
(P.S. Meena)
Dy.Director, Rly.Stores (G)
Railway Board

ANNEXURE-VI/8-14

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.99/RS(G)/779/10(CS) New Delhi, Dt.30.5.2001

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Procurement of hard coke for Zonal Railways – Amendment of Stores code.**

Para 702 of Indian Railways (Stores) Code, Volume –I (revised edition, 1990) be amended as per advance Correction Slip No.12 enclosed herewith.

Encl: As above.

Sd/-
(P.S. Meena)
Dy. Director, Rly. Stores(G)
Railway Board

ADVANCE CORRECTION SLIP TO THE INDIAN RAILWAY STORES CODE, VOLUME – I (REVISED EDITION, 1990)
ACS No.12

Replace Store Code Para 702/II – (ii) - deleted

(Authority – Railway Board letter No.2000/Fuel/119/4 dt.12.2.2001)

ANNEXURE-VI/8-15

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.2000/RS(G)/777/1 New Delhi, 13th July, 2001

Sub : **Role of Appreciation Committee.**

Ref : Board's letter No.90/CE-I/CT/27 dt.10.5.93.

Board in its meting held on 19th April, 2001, have decided that the instructions contained in the above quoted letter regarding role of Appreciation committee, may be reiterated to all concerned. Some important aspects of the instructions issued on the subject are reiterated below:-

1. The Role of Appreciation Committee would broadly be to highlight the important points for the benefit of the Accepting Authority. Any gross irregularity/mistake/deviations from the standard procedures/rules may be commented upon and Appreciation Note recorded for the benefit of the Accepting Authority.

2. After receipt of the Minutes, the Exe. Director of the concerned Nodal Dte. Will give a copy of the minutes to Associate Finance and ED of Technical Dte. Thereafter, ED

concerned 9convenor) will call for a meeting of the Appreciation Committee and their commends will then be put up to the accepting Authority.

3. where a clarification is necessary, the Appreciation committee will decide the items of reference and time period of three weeks may be kept for obtaining necessary clarifications. There after the Appreciation Committee will finalize the comments within 7 days. Where the clarifications received are not considered adequate by the Appreciation committee, no second, back reference will be made, instead the representatives from the concerned Railway as considered necessary will be called to Board's office, giving another 7 days' notice. The Appreciation Committee's final note shall be prepared in another 7 days' time after meting the representatives of the Railways.

The above procedure should be followed by all concerned with a view for expeditious settlement of tenders

Sd/-
(P.S. Meena)
Dy. Director Rly.Stores(G)
Railway Board

ANNEXURE-VI/8-16

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.99/RS(G)/779/13 New Delhi, dt.4-9-2001

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Decentralization of procurement of Electrical items.**

It has been decided by the Railway Board to centralize the procurement of the following Railway Electrification items, hitherto being procured by Railway Board, to be procured by CORE:-

HDGCC Contact wire
Catenary wire

The Railways may send their future indents to CORE. As regards the tenders which have already been floated and opened in the Board, will be decided in Board's office and in other cases, indents will be forwarded to CORE, Allahabad for procurement.

Please acknowledge receipt (Hindi version will follow).

(sd/-)
(P.S. Meena)
Dy.Director, Rly.Stores(G)
Railway Board

ANNEXURE-VI/8-17

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/13 New Delhi, dt.4.9.2001

The General Managers
All Indian Railways & PUs.

Sub : **Decentralisation of procurement of Electrical items.**

It has been decided by the Railway Board to de-centralize the procurement of the following Electrical items:-

Lead Acid Batteries 8 Volt/450 AH for BG Diesel Locos.

Lead Acid Batteries 8 /Volt/290 AH for MG Diesel Locos.

Lead Acid Train Lighting batteries 120 AH & 800 AH for coaches

Lead Acid batteries 210 AH for AC coaches

Brushless Alternators 4.5 K.W for Train Lighting.

Brushless Alternators 25 KW for AC coaches

Train Lighting Lamps for coaches and Loco Headlight lamps.

RC Fans (all types) for coaches.

Power Transformer.

The Railways are hereby authorized to arrange procurement of the above items directly. It may please be ensured that the above items should be procured from approved sources as per latest instructions with appropriate inspection as per instructions issued from time to time.

As regards the tenders which have already been floated and opened in the Board will be decided in Board's office and in other cases, indents will be returned to the Railways for making their own procurement.

Please acknowledge receipt. (Hindi version will follow).

Sd/-
(P.S. Meena)
Dy. Director, Rly. Stores(G)
Railway Board

ANNEXURE-VI/8-18

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/13 New Delhi, dt.4.9.2001

The General Managers
All Indian Railways & PUs.

Sub : **Decentralisation of procurement of Air Brake & CBC.**

It has been decided by the Railway Board to de-centralize the procurement of the following items:-

1. Air Brake Equipments
2. CBC Components i.e., Knuckle, Coupler Body, Yoke, Striker Casting, Lock & Draftgear.

The Railways are hereby authorized to arrange procurement of the above items directly. It may please be ensured that the safety items should be procured from RDSO approved sources with RDSO inspection wherever so stipulated as per latest instruction.

As regards the tenders which have already been floated and opened in the Board will be decided in Board's office and in other cases. Indents will be returned to the Railways for making their own procurement.

Please acknowledge receipt.

Sd/-
(P.S. Meena)
Dy. Director, Rly. Stores(G)
Railway Board

ANNEXURE-VI/8-19

Government of India
Ministry of Railways
(Railway Board)

No99/RS(G)779/13 New Delhi, dt.4.9.2001

The General Managers
All Indian Railways & PUs.

Sub : **Decentralisation of procurement of Clothing, Petroleum & Lubricant items.**

It has been decided by the Railway Board to de-centralise the procurement of the following items:-

Cloth Cotton

a. Drill: Cloth IS 177/89 or latest for fabrication
b. Cellular: Cloth to IS 1144/80

Cloth Woolen :

	Item		Specification
a.	Serge V No.1	-	IS 2319/87
b.	Serge V No.4	-	IS 2319/87
c.	Angola Shirting	-	IS 8331/93
d.	Great Coat Cloth	-	IS 679/74
e.	Blanketing Blue	-	IS 895/57
f.	Water Resistant Cloth	-	IS 679/74

Cloth Polyester cotton

a.	Shirting	-	IS 11815/86
b.	Suiting	-	IS 11248/95

Lubricating Oils for Machinery Plant and Automotives application.

Branded oils for Locos and Rolling Stock Applications.

Servo System – 81,100 Servo Press 150, Servo Torque 10,Servo Super 40 and

servo gear HP 90, 140, SM-140, Servo Lube 100 and Servo Mesh SP-257

The Railways are hereby authorized to arrange procurement of the above items directly. It may please be ensured that POL items should be procured from RDSO approved sources as per latest instructions.

As regards the tenders which have already been floated and opened in the Board will be decided in Board's office and in other cases, indents will be returned to the Railways for making their own procurement.

Please acknowledge receipt.

Sd/-
(P.S. Meena)
Dy. Director, Rly. Stores(G),
Railway Board

ANNEXURE-VI/8-20

Government of India
Ministry of Railways
(Railway Board)

No99/RS(G)779/13 New Delhi, dt.4.9.2001

The General Managers
All Indian Railways & PUs.

Sub : **Decentralisation of procurement of Signaling & Telecommunication items**.

It has been decided by the Railway Board to de-centralise the procurement of the following Signaling & Telecommunication items:-

(i) Electric Point Machine
(ii) Point contractor unit and Relays
(iii) DC Shelf & Plug-in type Track Relays
(iv) Lamp proving relays, Metal to Metal & Metal to Carbon
(v) Mini group Relays – Plug-in type metal to metal contact line relays.

(vi) Three position polarised, time element & Twin relays.
(vii) Tokenless Block Instrument for RE area.
(viii) Signal lenses.
(ix) Signal Lamps
(x) Sitel Cell
(xi) Digital Microwave Trans Receivers.
(xii) DC Miniature Plug-in Line Relays (Q series Relays)
(xiii) Signaling Cables – all cores (sizes)
(xiv) Optical Fibre Cables
(xv) 4 Quad Cables.

The Railways are hereby authorized to arrange procurement of the above items directly.

It may please be ensured that the safety items should be procured from RDSO approved sources with RDSO inspection wherever so stipulated as per latest instruction.

As regards the tenders which have already been floated and opened in the Board will be decided in Board's office and in other cases, indents will be returned to the Railways for making their own procurement.

Please acknowledge receipt. (Hindi version will follow).

Sd/-
(P.S. Meena)
Dy.Director, Rly.Stores(G),
Railway Board

ANNEXURE-VI/8-21

Ministry of Railways
(Railway Board)

No. 99/RS(G)/779/13 **New Delhi, dated 11.10.2001.**

Sub : Decentralisation of procurement of Electrical items.

It has been decided by the Railway Board to de-centralise the procurement of the following Electrical items: -

25 KVA Inverter.
1100 AH VRLA Batteries
Roof Mounted Package Unit (RMPU)
25 KV Vacuum Circuit Breaker
Dynamic Braking Resistor.

The Railways are hereby authorised to arrange procurement of the above items directly. It may please be ensured that the above items should be procured from approved sources as per latest instructions with appropriate inspection as per instructions issued from time to time.

As regards the tenders which have already been floated and opened in the Board will be decided in Board's office and in other cases, indents will be returned to the Railways for making their own procurement.

(P.S. Meena)

Dy. Director, RS(G)/ Railway Board.

ANNEXURE-VI/8-22

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/13 New Delhi, dated 28.01.2002

The General Manager (Stores)
All Indian Railways & Production Units.

Sub : **Decentralisation of procurement of Electrical Items.**

Please refer to Board's letter of even number dated 11.10.2001 on the above subject, wherein Dynamic Braking Resistor was erroneously mentioned to be procured by Railways, which may be read as under:-

"Board have decided that Dynamic Braking Resistor will be procured by Chittaranjan Locomotive Works for all the Railways".

Therefore, future indents may be sent to CLW for procurement of DBR.

Please acknowledge receipt

Sd/-
(P.S. Meena)
Dy. Director, Rly. Stores(G)
Railway Board

ANNEXURE-VI/8-23

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/10 New Delhi, dated 23.07.2002

The General Manager (Stores)
All Indian Railways & Production Units.

Sub : **Procurement of Steam Coal for Zonal Railways – Amendment of Indian Railway Stores Code – Volume I (Revised edition 1990)**

It has been brought to the notice of Board that Railways are facing difficulty in the Procurement of Steam Coal. The matter has been considered in Board's office and it has been decided to de-centralize the procurement of Steak Coal, Small Coal and soft Coke to Railways. Railways should follow the laid down standard purchase procedure as in the case of other items as per extant rules.

As a follow up to the above, Indian Railway Stores Code – Volume I (Revised Edition, 1990) may be amended as per Advance Correction Slip No.13 enclosed.

Sd/-
(P.S. Meena)
Dy. Director, Rly. Stores(G)
Railway Board

ADVANCE CORRECTION SLIP TO THE INDIAN RAILWAY STORES CODE, VOLUME – I (REVISED EDITION, 1990) ACS No….13
Stores code para – 702/II-(I) deleted
(Authority File No.98/RS(G)/779/10/CS)

ANNEXURE-VI/8-24

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No.2002/RS(WTA)/149/MTC New Delhi, 18.11. 2002

The General Managers
All Indian Railways & Pus

Sub : **Submission of Indents for WTA items to Railway Board.**

It is mentioned that as per existing instructions as contained in Board's letter No.91/RS(WTA)-149/MTC dated 28.11.1991, Railways/Production Units are required to send a review statement signed by three SAG level officers of Stores, Finance and the user departments while sending the indents for all the WTA items (Wheelsets/wheels, Tyres & axles) to Railway Board in view of critical position of foreign exchange at that time. The issue regarding the requirement of sending review statement signed by three SAG level officers along with the indents for WTA items has been reviewed at this end as there is no foreign exchange crisis during the last several years and the fact that most of the WTA items are now indigenously available to meet the requirement of Railways.

It has been decided by Board to dispense with the need for sending the review statement duly signed by three SAG level officers, along with the indents for WTA items in view of present scenario of foreign exchange etc. You are, therefore, advised that indents for all the WTA items may now be sent to Railway Board, as indents for other items. Necessary action may kindly be taken accordingly.

Sd/-
(R.K. Sinha)
DIRECTOR, RAILWAY STORES(F)
RAILWAY BOARD

ANNEXURE-VI/8-25

MINISTRY OF RAILWAYS ,
(RAILWAY BOARD)

No.RS(POL)58/91/501/2002(2/03) New Delhi, 18.02.2003

COS (All Zonal Railways and PUs)

CME (All Zonal Railways and PUs)

Sub : **Supply of Ultra Low Sulphur Diesel.**

M/s IOC have approached Railway Board for issuing necessary clarification to the zonal railways in view of Ministry of Petroleum and Natural Gas's letter dated 1.1.2003 regarding supply of diesel of .05% maximum sulphur content in the mega cities. MOP & NG vide their letter dated 1.1.2003 has given the following directives to the oil companies:

1. In the mega cites where .05% maximum sulphur diesel has been/is being mandated ahead of rest of the country on account of high air pollution, only .05% maximum sulphur diesel needs to be supplied by the oil companies to all

consumers including the state transport undertakings, industries, stationery agricultural engines etc.

2. As regards Railways, they pick up diesel from the metro cities terminals/depots but use it out side the mega cities. In metro cities mainly electric locomotives are being used. Therefore, the oil companies may sell 0.25% maximum sulphur diesel to the railways for use outside the mega cities after discussing a mechanism with them to ensure that wherever diesel locomotive supply within the mega cities, railway should use only 0.05% maximum sulphur diesel.

To sort out the issue a meeting was held at Railway Board with the Mechanical Directorate and IOC officials.

`Following clarification is made to the Zonal railways:-

a) For Non-traction use:

Zonal railway should procure for use in Metro cities, Ultra Low Sulphur Diesel containing sulphur 0.05% in view of Ministry of Petroleum and natural gas guidelines applicable for the Metro Cities.

b) **For traction use**:

For diesel shunters plying in the metro cities, zonal Railway to use Ultra Low Sulphur Diesel *i.e,* containing sulphur 0.05%.

For the line locomotives, which are not plying in the mega cities for most of the time, normal sulphnur diesel *i.e,* containing sulphur 0.25% may be used.

As the specification IS:1460 – 2000 of HSD in the rate contact already has the provision for sulphur content as 0.25% for other areas and 0.05% for notified area with a provision that the supply of products is subject to deviations/relaxations as may be authorized by MOP & NG from time to time and prices are to be paid as per the MPL of the oil companies, no amendment of the rate contract is required.

Railways to procure HSD accordingly.

This letter is issued with the concurrence of Finance Directorate.

Receipt of this letter may please be acknowledged.

(V.K. Langan)
Director Railway Stores (POL)
Railway Board

ANNEXURE-VI/8-26

Government of India
Ministry of Railways
(Railway Board)

No.2003/RS(G)/779/4(7/03) New Delhi, dated 25.05.2003

The General Manager (Stores)
All Indian Railways & Production Units.

Sub : Supply **of items centralized a DLW directly from the vendors to DCW.**

Ref : CAO/DCW's D.O.letter No.DCW/CAO/All Rlys/Genl. Dated 07-05-2003 addressed to AM(RS)/Rly. Board.

The matter has been examined in Board's office and it is decided that for major items centrally procured by DLW, the purchase orders should indicate DCW as separate consignee for direct supply of their requirements to them. This will avoid delays/double handling etc. and will ensure regular supply of critical items to DCW.

Further, DCW will submit progress/completion report of orders to DLW as is done against Railway Board's contract.

Please acknowledge receipt.

(P.S. Meena)
Dy. Director Railway Stores(G)
Railway Board

ANNEXURE-VI/8-27

Government of India
Ministry of Railways
(Railway Board) / New Delhi-110001

No. 99/RS(G)/779/13(5/03) **Dated 02/06/2003.**

Sub : Decentralisation of procurement of Motor Spirit (Petrol) item.

It has been decided by the Railway Board to de-centralise the procurement of Motor Spirit (MS) for the requirement beyond 1.1.2004.

Thus the Railways are hereby authorised to directly arrange procurement of the above item for their requirement beyond 1.1.2004.

This issues with the concurrence of the Finance Dte., Railway Board.

Please acknowledge receipt.

-Sd-
(P.S.Meena)
Dy. Director, Railway Stores(G)
Railway Board

ANNEXURE-VI/8-28

Government of India **RBS 10/2003**
Ministry of Railways
(Railway Board)

No.2003/RS(G)/777/I Pt.I New Delhi, dated 09.07.2003

Sub : **Routing of Stores Tenders and Accepting Authority in Board's Office**

Ref : Board's letter No.2000/RS(G)/777/1 dated 10.10.2001.

…

As per the present procedure laid down in Board's above referred letter, the tender proceedings (Tender Committee/Appreciation Committee proceedings) for stores tender cases requiring approval at AM's level, are routed through the concerned ED/Finance for his views.

To streamline the system and to expedite the settlement of Tender cases it has been decided that routing of Stores Tender Committee/Appreciation Committee cases through

ED/Finance should be dispensed with. Thus in respect of stores tender cases requiring approval at the Additional Member's level, Tender Committee/Appreciation Committee proceedings should be directly put up to approving authority *i.e,* concerned Additional Member.

Sd/-
(P.S. Meena)
Dy. Director Railway Stores(G)
Railway Board

ANNEXURE-VI/8-29

Government of India **RBS 22/2003**
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/13Pt.I New Delhi, dated 23.12.2003

The Controller of Stores
Northern Railway, New Delhi
South Central Railway, Secunderabad
DLW, Varanasi

Sub : **Procurement of 12 cylinder crankshaft (PL 10142680) for WDP1 Locomotive**

Procurement of 12 cylinder crankshaft (PL 10142680) for WDP1 locomotive was discussed during Bulk indent Meeting on 4th and 5th Dec., 2003 at DLW Varanasi. As these crankshafts are required only by two sheds on Indian railway (TKD/Northern Railway and KZJ/South Central Railway),DLW suggested decentralization of its procurement to one of these Railways.

It has, therefore, been decided that Northern Railway should make centralized procurement for WDP1 crankshaft for their locomotives as well as locomotives homed in KZJ shed of South Central Railway for contract period 2005 – 06 onwards. South Central Railway should send vetted indent to Northern Railway for necessary action in this regard.

Sd/-
(Trilok Kothari)
Joint Director Railway Stores(IC)

ANNEXURE-VI/8-30

Government of India
Ministry of Railways
(Railway Board)

No.2005/SIG/CA-III/26 New Delhi, dt.18.08.2005

The General Managers (Stores),
All Indian Railways & PUs.

Sub : **Procurement of IPS through supply contract**

The matter regarding procurement of SMPS based Integrated Power Supply System, batteries and cables have been examined in Board's office.

It has been observed that the cost of such systems being procured through works contracts is higher as compared to the stores procurement. This may be due to following factors:-

(i) Profit margin of the works contractor.

(ii) Additional taxes & duties in case of procurement through works Contracts.

(iii) Unavailability of concessional duties like CST @ 4% against Form 'D' incase of procurement through works contracts.

In view of the above, it has been decided by Board (ML) that IPS, batteries and cables will now be procured through indents placed on stores deptt.

Sd/-
(Arun Saksena)
Exec. Director(Signal)
Railway Board

ANNEXURE-VI/8-31

Government of India
Ministry of Railways
(Railway Board)

No.2005/RS(G)/779/12 New Delhi, dt.06.09.2005

The General Managers (Stores),
All Indian Railways & PUs.

Sub : **Procurement of IPS, cables and Batteries through supply contract.**

Please find enclosed herewith a copy of Board's letter No.2005/SIG/CA-III/26 dated 18.08.2005, wherein it has been decided by Board to procure Integrated Supply System (IPS), cables and batteries through indents placed on stores deptt.

Kindly acknowledge the receipt.

DA: as above.

(Aruna Jain)
Dy.Director Rly.Stores(G)-II,
Railway Board

ANNEXURE-VI/8-32

RBS No.7/06

Government of India
Ministry of Railways
(Railway Board)

No.2005/RS(G)/779/12 New Delhi, dt.19.04.2006

The General Managers (Stores),
All Indian Railways & PUs.

Sub : **Procurement policy for Signaling, Telecommunication and Electrical Cables.**

While studying Action Taken Report (ATN) on one of the Audit Paras, it has come to Board's notice that Railways are incurring undue extra expenditure in procurement of cables through works contracts. This issue has been examined by Board in details & after due

deliberations, Board have decided that all types of cables *i.e,* signaling , telecom and electrical cables should be procured as a part of Stores Contracts.

In view of this, the following instructions should be followed scrupulously:-

(1) The supply of cables needed for construction activity or maintenance activity should not be included in the works contract and should be procured only through Stores Supply Contract.

(2) If in any eventuality, the need for including the supply of cables (signaling/telecom/electrical) in a particular works contract is felt absolutely necessary in the over all interest of the railway, such decision should be taken after giving appropriate justification which should be agreed to by COS & FA&CAO and personally approved by GM.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Aruna Jain)
Dy. Director, Railway Stores(G)-II
Railway Board.

ANNEXURE-VI/8-33

RBS No.08/2006

Government of India
Ministry of Railways
(Railway Board)

No.99/RS(G)/779/2 New Delhi, dt.19.04.2006

The General Managers (Stores),
All Indian Railways & PUs.

Sub : **Purchase of 64 KBPS Modems against RC.**

Please find enclosed a copy of letter No.G.157/2006/020/010/P/V3/C/HQ dated 23.3.2006 issued on behalf of General Manager, Vigilance, Eastern Railway for information and necessary action at your end.

DA: as above.

Sd/-
(Aruna Jain)
Dy. Dir. Rly. Stores(G)-II
Railway Board

No.G.157/2006/020/010/P/V3/C/HQ Dt.23.03.2006

Sub : **Purchase of 64 KBPS Modems against RCNo.IT-/RC/13290101/052004/PC/81/COAD/1485 dated 13.9.04.**

During the course of a vigilance investigation, it has come to notice that 64 KBPS high speed Modem is being purchased through RC as ‘single’ unit instead of pair consisting V-35 & G-703. The reason may be due to some ambiguity in the RC description.

It is observed that S.C. Railway, CRIS are purchasing the modem of same make through Open Tender in Pair @ Rs.9,500/- in E.Rly purchase is made @ Rs.11,300/- each No.

All COSs are requested to ensure correct procurements of modems in correct rate.

Sd/-
(A.K. Toppo)
Dy. Chief Vigilance Officer/S
For GENERAL MANAGER/VIGILANCE

ANNEXURE-VI/8-34

Ministry of Railways
(Railway Board)

No: 2005/RS(G)/779/13 **Dt. 04.07.2006**

The General Managers/All Railways.

Sub : Procurement against DGS&D rate contracts.

It has been reported to Railway Board that different Zonal Railways and Production units are adopting different methodology in placement of supply orders against Rate Contracts, resulting in complaints. The matter was examined by Railway Board and accordingly it has been decided that following broad guidelines may be followed by Railways while placing supply orders against DGS&D Rate contracts for procurement of goods:

1. For selecting the DGS&D Rate contract holders for ordering, the following factors may be kept in view:
   (i) The Rate Contract Price;
   (ii) The past performance of firm with reference to their capacity, quality of supplies as well as timely delivery of the goods;
   (iii) The delivery date committed by the firm with respect to the delivery requirement of the Railways;
   (iv) The proximity of the rate contract holder wherever the proximity is considered crucial for timely delivery, ease of progressing and from the point of view of logistics and contract management etc.; and
   (v) The need for reputed brands in the case of sensitive, critical and selective applications.
2. The Railways should maintain suitable records for past performance in respect of timely delivery and quality.
3. Whenever the valid rate contracts are not available or the available rate contracts do not meet the requirement of the Railways in respect of the specification, delivery requirement and quality considerations, Railway can go ahead with the direct procurement of materials after recording adequate justification for that purpose.
4. Wherever, there are failures against the rate contract in terms of timely delivery and quality of goods, such failures should be reported to DGS&D and direct alternate procurement action may be taken in order to ensure timely availability of quality materials to meet the needs of the Railways.

5. Whenever direct tenders for procurement of DGS&D RC items are invited in the absence of valid DGS&D rate contracts and subsequently if DGS&D rate contracts are received while direct tenders called for by Railways are under consideration and such rate contracts are at higher rates than the acceptable rate received in the tenders called for by the Railways/PUs, then the direct tenders may be finalized and orders placed not to forgo the advantageous rates. Thereafter, the lower rates finalized by the Railways may be advised to DGS&D for their information. However, in such cases Railways should satisfy themselves as to the quality of the materials, specification, the standards of inspection and acceptance, the credentials source of supply etc. with reference to those in the DGS&D rate contracts.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(Aruna Jain)
Dy. Director, Rly Stores (G)-II,
Railway Board.

ANNEXURE VI/8-35

Government of India **RBS 16/2006**
Ministry of Railways
(Railway Board)

No.2005/RS(G)/779/11 New Delhi, dated 21.08.2006

The General Managers, All Indian Rlys, & PUs

Sub : **Procurement of Huck Bolts for wagons**

A reference has been received form one of the Railways, calling for clarification on Board's letter No.2002/M(N)/951/46 dated 27.03.2003 regarding procurement of Huck Bolts for use in Manufacture of Wagons and for replacement purpose in POH of wagon as well.

The matter has been examined at Board and it has been decided that

(i) All zonal Railways are required to procure tools and equipment needed for use of huck bolts for wagon manufacturing activities/wagon maintenance activities undertaken on the workshops on their Railways. Railways are required to directly procure tools and equipment needed against sanctions available in appropriate programmes

(ii) All future procurement of huck bolts required by Zonal Railway workshops for the purpose of maintenance activities undertaken by them shall be made directly by Zonal Railways themselves.

(iii) Decision on procurement of huck bolts for the purpose of manufacture of new wagons in Railway workshops shall be communicated in due course after fitment trials of huck bolts in new wagon manufacture is completed

This disposes of East Central Railway's letter No.10.04.6088 dated 22.6.2005.

Sd/-
(Trilok Kothari)
Joint Director Railway Stores(IC)
Railway Board

ANNEXURE-VI/8-36

RBS No.17/2006

Government of India
Ministry of Railways
(Railway Board)

No.2006/RS(G)/11/3 New Delhi, dt.08.09.2006

The General Managers (Stores),
All Indian Railways & PUs.

Sub : **Procurement of Gears & Pinions for electric locomotives through Rate Contract.**

Zonal Railways and Production Units have expressed difficulties in timely procurement of traction gears and pinions for Electric locomotives. Delay in supply of gears and pinions is affecting production as well as maintenance of electric locos adversely. During a meeting with RDSO and Railway Board in November 2005, gear manufacturers expressed that, piece-meal orders for various kinds of pinion & gears from Railways is affecting their production stream and a consolidated order for various combination of traction pinions and gears covering all types of electric locos for a period upto 3 years will help them in planning production and ensuring a steady supply of the items to the Railways and CLW.

In view of the requirement of planned increased production of Electric locomotives and necessity to further improve electric loco availability, it has been decided to place one time centralized Rate Contract for all traction gears and pinions for electric locos, both covering production and maintenance requirement for upto 3 years, *i.e,* 2007-08 to 2009-10. The Rate Contract will be processed and placed by Central Railway as per the approximate quantity in respect of each type of gears and pinions, detailed in the enclosure (Annexure 'A'). After finalization of the Rate Contract, Zonal Railways will placed direct orders through the respective Stores Department as per the extant procedures.

The Rate Contracts should be finalized in a manner so that all RDSO approved sources including developmental sources are adequately covered as per their capacity/capability. Efforts may be made to place orders on adequate number of sources for each type of gears/pinions depending upon volumes.

It is also clarified that till such time RC is finalized, Zonal Railways and CLW should continue to procure gears and pinions to meet their own requirements.

Since availability of locos to meet enhanced loading targets is included in Railway's overall action plan, Central Railway should make efforts to finalise Rate Contract at the earliest, within a period of 4-5 months.

This issue s with the approval of Electrical and Finance Directorates of Railway Board.

Sd/-
(Trilok Kothari)
Director, Rly. Stores (IC)
Railway Board.

ANNEXURE A

No.2006/RS(G)/11/3 New Delhi, dated: 08-09-2006

SCHEDULE OF REQUIREMENT FOR THREE YEARS
ELECTRIC LOCOMOTIVE

Type of Loco	Gear/Pinion	RDSO's Specification No. MP.O.2800.09 (Rev-02/June 2005 RDSO's Drg. No. given below,	Qty.
WAG7	16t Pinion	SKDL – 4373 alt	5000
	65t gear	SKDL – 4372 alt 4	3078
WAP4/WAP6	23t pinion	SKDL – 4356	2067
	58t gear	SKDL – 4355	1467
WAM4/WAP1	21t pinion	DDO – 298	1500
	58t gear	DDO – 297	750
WAG 5A/WAG 5B	15t pinion	DDO – 296	1800
	17t pinion	DDO – 300	300
	62t gear	DDO – 295	1000
	77t gear	DDO – 299	150
WAG5GA/HB	18t pinion	SKDL – 3460	1917
	64t gear	SKDL – 3459	960
WCAM 1&2	16t pinion	DDO – 294	243
	61t gear	DDO – 293	123
WCG -2	21t pinion	DDO – 292	197
	58t gear	DDO – 291	105
WCAM 3	21t pinion	SKDL – 3382	192
	58t gear	SKDL – 3381	99
WAG 9 (old)	15t pinion	SKDL – 3436	600
	77t gear	SKDL – 3435	60
WAG 9 (new)	21t pinion	SKDL – 3847	1600
	107t gear	SKDzl – 3848	1600
WAP 7	20t pinion	SKDL – 3473	420
	72t gear	SKDL – 3474	210

Sd/-
(Trilok Kothari)
Director, Rly. Stores (IC)
Railway Board.

ANNEXURE-VI/8-37

R. RAMESH

D.O.No. 2006/RS(G)/66/Misc. 11th October 2006

My dear (All GMs of Indian Rlys/PUs)
CAO/DMW & COFMOW

Sub : **Procurement through DGS&D Rate Contract – quality of supplies.**

Recently Hon'ble MR had come across a case of poor performance of air-conditioners procured by one Zonal Railway against DGS&D Rate Contracts. He brought this to the particular notice of MM and CRB. Hon'ble MR expressed concern over such poor quality and he desired to know the governing policies and system for procurement through DGS&D R/Cs by the Railways.

The governing policies as prescribed in Stores Code and General Finance Rules 2005 framed by Ministry of Finance were put up to the Hon'ble MR for his information. While doing so, it was explained to Hon'ble MR that Railways have experienced poor quality of supplies against DGS&D R/Cs particularly in the case of general service electrical items, certain chemicals and some stationery items. It was also informed that the problems faced by Railways are reported to DGS&D as a feedback and are also discussed in the periodical meetings held with DGS&D. the guidelines given to COSs in the Minutes of Meeting of COSs held in Railway Board on March 29, 2006 was also put up to Hon'ble MR for his information. Board's letter No.2005/RS(G)/779/13 dated 04-07-2006 which was under issue at that time was also shown to Hon'ble MR. Hon'ble MR has been informed that the clear guidelines given in the Minutes of the Meeting of COS s and the subsequent circular dated 04-07-2006 permit Zonal Railways to go in for direct purchased outside R/Cs wherever Railways are not justifiably satisfied in respect of quality, service and delivery from R/C holding firms in the interest of getting stores and equipments of reliable quality standards duly recording the justifications.

3. Hon'ble MR has noted the position as put up above The concern expressed by Hon'ble MR regarding poor quality and the position put up to Hon'ble MR by Railway Board is brought to your notice for information and necessary action in the interest of safeguarding against procurement of poor quality items through DGS&D R/Cs.

With best wishes,

Yours sincerely,
Sd/-
(R. Ramesh)

Shri
General Managers, All Indian Railways/PUs.

ANNEXURE-VI/8-38

Government of India
Ministry of Railways
(Railway Board)

RBS No. 26/2006

No:98/RS(G)/779/10(CS) **Dt. 01.11.2006.**

The General Manager/ All Indian Railways & PUs

Sub : Revision of list of items as contained in Appendix VI of the Indian Railway Stores Code (Vol.I) (Revised Edition-1990).

Board had under consideration version of Appendix VI of Indian Railway Stores Code (Vol-I) (as referred in Paragraph S-801), containing a list of items which are to be procured through DGS&D. The list was not revised for a long time and industry in general & Railways in particular have witnessed a great deal of technological advancement rendering the list outdated. There had also been certain important policy changes by the Government in the wake of economic liberalization and reform.

Taking into account the above, Appendix VI of Indian Railway Stores Code (Vol.-I) (Revised Edition-1990)(as referred in Paragraph S-801) is hereby amended as per Advance Correction Slip No.15 enclosed.

Sd/-
(Trilok Kothari)
Director, Railway Stores (IC).

Advance Correction Slip No. 15 INDIAN RAILWAY CODE FOR THE STORES DEPARTMENT (Volume-I) Revised Edition (1990).

ACS No. 15.

Appendix VI of Indian Railway Stores Code (Volume-I) may be revised as under:-

APPENDIX VI

REVISED LIST OF STORES TO BE PURCHASED THROUGH THE DIRECTORATE GENERAL OF SUPPLIES AND DISPOSAL.

(Vide Paragraph 801)

All items of stores mentioned in this list should be purchased through the Directorate General of Supplies & Disposal whether classified under the heads under which they are shown in the list or under any other heads in the Indian Railway classification of stores.

(Group **65, 66, & 67) – Engineering Plant and components**.

Blocks Pully.

Road rollers.

Ropes, wire, of all kinds.

Weighing-machines

(Group 65,66,72 & 78) – Workshop machinery, plant and equipments including Pneumatic machinery and tools.

Air compressor,(Excluding those required for rolling stock)

Fans and blowers, foundry and forge

Small tools (such as milling cutters, reamers, twists drills, etc.) grinding wheels of approved brands as recommended by railways.

(Group 67)- Road motors and parts and fittings.

Motor vehicles and accessories.

Tyres, motor

Tyres, motor cycle.

Tyres, pneumatic, motor cycle.

Tyres, pneumatic, motor.

(Group 61)- Building Material etc.

All brass and gun metal water fittings, such as stopcocks, bib cocks, etc.

Boards, sign, enameled, iron.

Meters, water.

(**Group 62) – Pipes, fittings and Specials (Cast Iron, Wrought Iron and Steel, Gas Water and Steam Qualities).**

Pipes, Earthenware, Glazed.

Tanks, cast iron, mild steel and pressed steel including staging where necessary

Valves, sluice.

Wire, barbed.

(Group 73 & 74) Hardware, copper, tin and zincware.

Bolts and nuts all kinds and sizes.

Hings, of all kinds.

Locks, drawer, cupboard and box.

Locks, pad, black, galvanized and brass.

Rivets of all kinds and sizes.

(Group 78)- Furniture, Crockery, Cutlery, Napery, etc.

Almirahs, racks and shelving steel.

Crockery.

Hospital equipment e.g. beds, ward furniture, sterilizers X-ray apparatus, etc.

Mattresses.

Stores and cooking ranges other than stores and ranges required for rolling stocks.

(Group 70, 71, 75, 79, 80, 81, 82, 84 & 86)- Miscellaneous Stores, Lubricating Oils, Grease etc.

Accetylene gas dissolved.

Acid, sulphuric, nitric and hydrochloric.

Alumina ferric.

All glass other than window glass and glassware.

Bags, Jute, canvas, cotton and hemp.

Cleaning compositions in common (e.g. soaps, soft and hard).

Coir, fibre, yarn, matting and door mats.

Cement, Portland.

Emery cloth.

Explosives, e.g. Dynamite, power blasting etc.

Fire extinguishers .

Fluids, disinfecting

Oxygen.

Tents and tent components (all descriptions except wooden tent pegs.)

Twine, jute, flax, hamp and cotton.

(Group 47) Generators, Switchgear, etc.

All electrical measuring instruments and meters with accessories.

(Group 46) - Distribution and transmission line materials. (Excluding items required for manufacturing, operation and maintenance of rolling stock)

Conductors, bare.

Cables, insulated, electric(all kinds).

Piping, conduit, steel, enameled and insulated.

(Group 40 & 41) – Electrical Fittings, Cables and Insulating materials.

Fans, Ceiling.

Fittings, electric, e.g. ceiling roses, lamp holders, wall plugs, etc.

Lamps, filament Plugs.

Switches(excluding train lighting unless of normal type and similar to house switches).

Tape, adhesive, insulating.

Electrical heating appliances, Electrical fitting for external lighting including flood lights and flood light fitting.

Sd/-
(Trilok Kothari)
Director, Railway Stores(IC)
Railway Baord

ANNEXURE VI/8-39

Government of India
Ministry of Railways
(Railway Board)

No.2001/SIG/SGF/12(LED) New Delhi, dt.18.06.07

The General Managers
All Indian Railways & PUs.

Sub : **Procurement policy for LED Signals**

Till very recently only filament lamps were being used in Multiple Aspect Colour Light Signaling (MACLS) system. These lamps are prone to fuse prematurely and also require frequent focusing, periodic replacement and tightening of various connections. In order to take care of these deficiencies and improve reliability of the system, LED signals have been developed. On the basis of Life cycle costing, LED signals are cheaper as compared to triple pole lamps. Therefore all future installations of MACLS should be commissioned with LED lamps. On existing installations signal lamps will be progressively replaced with LED lamps on programmed basis.

It has come to Board's notice that Railways are incurring extra expenditure on procurement of LED signals through works contracts. This issue has been examined by Board in detail and after due deliberations, Board (ML) have decided that LED signals should be procured as a part of Stores contracts.

In view of this, the following instructions should be followed:-

i) The supply of LED signals needed for construction activity or maintenance activity should not be included in the works contract and should be procured through Stores supply contract.

ii) For demands of works/construction/project units, LED signals shall be procured against "Non Stock" (NS) indents. This will be a "Stock" item for requirement of open line for regular maintenance. Consumption period/cycle (of one year) should commence after nine months from the date of submission of the annual estimate sheet/stock recoupment sheet. Interim requirements, if any, should be procured against NS indents.

iii) For urgent purchases, powers delegated to Railways should be utilized wherever necessary.

Cases, where tenders have already been invited and/or contractual obligations have been entered into, will be done as per the extant practice of the Railways and decision taken thereon. All remaining procurement will be in conformity with this policy.

This issues with the concurrence of the Finance Dte. of Ministry of Railway.

Sd/-
(P.K. Gupta)
Director (Signal)

ANNEXURE-VI/8-40

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. RE(S)/14/11/82/0012Pt New Delhi, Dated:13.11.07.

General Manager/ All Rlys & PUs

Sub : **Decentralisation of procurement of CORE controlled items.**

It has been decided by the Railway Board to de-centralise the procurement of the following CORE controlled items:-

SS Wire Ropes,

ATD,

Steel Beams,

Interrupters,

Circuit Breakers,

PTFE Neutral Section Assemblies,

HDGCC contract wire, and

Catenary wire

The Railways are hereby authorized to arrange procurement of the above items directly. It may please be ensured that the above items should be procured from RDSO approved sources as per latest RDSO specifications with appropriate inspection as per instructions issued from time to time.

As regards the tenders which have already been floated and / or opened in the CORE will be decided in CORE's Office. In other cases, indents will be returned to the Railways for making their own procurement.

Please acknowledge receipt. (Hindi version will follow)

SD/-
(Rajeev Kumar)
Director/Rly. Electrification(S)
Railway Board

ANNEXURE VI/8-41

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2005/RS(G)/779/13 New Delhi, Dated: 19-12-2007.

General Manager/ All Rlys & PUs

Sub : **Quality of materials supplied by RC holders of DGS&D**

During the 66th Periodical Conference of Controllers of Stores of all Indian Railways & Production Units with Railway Board held at Goa on 10th & 11th December 2007, it was mentioned by one of the Railways that quality of electrical fittings like choke, starters etc. supplied by DGS&D RC holder firms is very poor. The consensus was that there should be adequate procedure to ensure purchase of quality materials which are to be procured against RCs of DGS&D. On this, the COSs are requested to refer to the following letters of Railway Board :

a) Board's letter No. 98/RS(G)/779/10(CS) dated 01-11-2006 under cover of which Advance Correction Slip No.15 to the relevant para of Stores Code was circulated. This Advance Correction Slip includes the list of stores to be purchased through the DGS&D. Electrical fittings, like ceiling fans, lamp holders, wall plugs, electrical heating appliances (Group No. 40&41) do come under the purview of this category of materials. In other words, extant codal provision does stipulate that electrical fittings, cables and insulating materials are to be procured through rate contract of DGS&D:

b) On 4.7.2006, another letter No. 2005/RS(G)/779/13 was issued (with concurrence of the Finance Directorate of the Ministry of Railways) which stipulated, *inter alia*, that for selecting the DGS&D rate contract holders for ordering, the following factors may be kept in view:

" (ii) The past performance of firm with reference to their capacity, quality of supplies as well as timely delivery of the goods;

(v) The need for reputed brands in the case of sensitive, critical and selective applications"

This letter further stipulates that-

" 2. Wherever valid rate contracts are not available or the available rate contracts do not meet the requirement of the Railways in respect of the specification, delivery requirement and quality considerations, Railway can go ahead with the direct procurement of materials after recording adequate justification for that purpose.

4. Wherever, there are failures against the rate contract in terms of timely delivery and quality of goods, such failures should be reported to DGS&D and direct alternate procurement action may be taken in order to ensure timely availability of quality materials to meet the needs of the Railways."

2.0 Therefore, adequate empowerments are available for the COSs to make use of for procurement of quality materials (covered by rate contract of DGS&D) through or outside DGS&D RCs.

3.0 During the course of the Conference it was mentioned by me that Railways should have suitable procedure order in position detailing the guidelines for operation of rate contracts of DGS&D. A copy of such procedure order issued by S.C Railway in the year 2002 is enclosed herewith, as a model. Para 8 of the procedure order states that small quantities should be ordered on the rate contract holding firms who are without any past performance.

4.0 It is expected that with empowerments of the COSs as made vide Railway Board's letter no. 2005/RS(G)/779/13 dated 4.7.2006 and a proper local procedure order in position, there should not be any problem to procure quality materials either through or outside the rate contracts of DGS&D.

DA: As above.

Sd/-
(Amitabha Datta)
Additional Member (Rly Stores)
Railway Board.

SOUTH CENTRAL RAILWAY

Headquarters Office,
Stores Branch,
Secunderabad- 500071

No:S/243/P/DGS&D Dt. 02.09.2002.

OFFICE PROCEDURE ORDER NO: 08/2002

Sub : **Procedure Order on the policy of placing supply orders against DGS&D Rate Contracts.**

In supercession of all the previous procedure orders issued on the above subject, it has since been decided with the approval of COS to adopt the following system connected to the placement of supply orders against DGS&D Rate Contracts.

1.0 The DGS&D rate contracts, by the very definition, fixes the rates with different suppliers. For some contracts, there may b, however, some lower value limit below which supply orders may not be entertained by the rate contract holder.

2.0 As per the terms of the rate contracts, the respective firms are free to receive supply orders from any Direct Demanding Officer, and accordingly, the quantum of order booking with a particular rate contract holder is quite unpredictable. The rate contract holders when over-loaded have the tendency to decline and to return any supply order which may be beyond their capacity to undertake. In the final outcome, the rate contract holders very often get away without any penalty for non-execution, and in any case, no risk purchase action is feasible against a rate contract holder by the Direct Demanding Officer. The DGS&D is to be intimidated by the Direct Demanding Officer about the failure and it is entirely uncertain whether DGS&D will exclude such firms from the purview of future rate contracts.

3.0 The conclusion from the aforesaid factual position is that the DGS&D fixes a large number of rate contracts knowing fully well that some of them may fail to meet the supply order requirements. It is entirely upto the direct Demanding

Officer to find out which of the rate contract holders would execute supply orders satisfactorily.

4.0 The reliability of supply order execution is thus the most important area which must be carefully adjudged by each Direct Demanding Officer before placing supply orders. Unless the supply reliability is pre-facto confirmed and commitments are given by the respective rate contract holders, it is futile for the Direct Demanding Officer to place orders on them. The rate contracts are finalized all at reasonable rates and, therefore, the Direct Demanding Officers have to concentrate upon the aspect of supply reliability, and then to place supply orders on multi- source basis so as to ensure the probability of compliance to a level of hundred percent. While operating RCs the factors like proximity of supplier to the consignee, over all rate being low including freight must be given due weightage. By statistical law; placement of hundred percent supply orders on a single rate contract holder cannot ensure hundred percent supply reliability. Apart from this it has Vigilance implications of favouring single or a few sources.

5.0 All the RC holding firms are to be addressed by fax (if available) followed by speed post/ registered post confirmation copies asking them to confirm in clear-cut terms that they shall supply the materials strictly as per Railways required delivery schedule (to be specified in such letters). It should be also mentioned there that the RC holder's reply must be received within 7 days from the date of issue of the communication failing which their RC would be ignored without any further reference to them.

6.0 A database is to be kept in the respective purchase sections (either manually or in the computer) which will contain the past qualitative and quantitative performance of the RC holders. Concerned Dy. COSs should evolve proper formats for such database and advise the concerned SSO and purchase section in charge accordingly for creating and maintaining such databases.

7.0 The proposal for placement of order should be initiated by SSO concerned, in a typed self contained note, who will bring out full factual positioning detail. Such proposals are to be routed through the concerned Dy. COSs / CMMs who will put up its recommendations for distribution of procurable quantity amongst the RC holders with due justification, and put up the same to CMM or COS for their acceptance, depending upon the value of the purchase. Operation of RCs is to be made only by appropriate authority as per SOP / Railway Board's instructions. Wherever, as per SOP Railway Board's instructions, Dy. COSs are empowered to place supply orders against DGS&D's Rate Contracts (depending upon value of purchase), they shall exercise such powers.

8.0 Details of all RCs are to be included in the proposal with projection of total unit rate in each case. Names of all indentors along with quantity indented shall also be indicated in the proposal. RCs should be broadly put into two categories- one with having performance over SC Railway and the other without – which would enable competent authority to take proper decision regarding quantity to be allotted. It is not necessary that new sources should be totally ignored. Ordering small quantities on such firms will have the advantage of knowing their performance for future ordering.

9.0 It should be stipulated in the supply orders that outstanding quantities which are not executed within the stipulated delivery period shall be liable to automatic cancellation and such defaulted quantities are liable to be entrusted to better performing RC holders.

10.0 If the number of RC holders are very few, say three or four, then also the above procedure should be followed as far as possible.

11.0 This issues with the approval of COS.

Sd/-
(S.Satyanarayanan)
Dy. COS/IC & SALES
For Controller of Stores

ANNEXURE VI/8-42

Ministry of Railways
Railway Board/New Delhi

2007/RS(G)/779/5 Dated 14/07/08

General Manager, All Indian Railways & PUs including NF(C).

Sub : **Amendments to Purchase Order placed against Tenders of Railways/Production Units beyond the acceptance powers of General Manager.**

One of the railways raised the issue of powers of GM for making amendments in purchase orders placed against tenders valuing beyond the acceptance powers of GM. The issue has been examined in Board's office in consultation with Finance Directorate and it has been decided to issue following guidelines on the subject matter:

1. Exercise of Option Clause

In cases where (+)30% option clause quantity has been added up to determine the level of the Tender Accepting Authority, and sanction of the same has been conveyed to Railways while approving the purchase, Option Clause in the post contract stage can be exercised with the concurrence of FA&CAO and approval of GM. While doing so, requisite checks and balances to ensure sanctity of tendering system, protection of financial interests of the Railways, performance of the supplier(s) in question, delivery requirement of the Railways, etc. are to be exercised.

2. Amendments to the contracts

(a) There can be cases where POs may have to be amended to rectify certain errors made while drafting the Purchase Order. In such cases, to make Purchase Order conforming to TC recommendations accepted by the tender accepting authority, amendments may be issued on the basis of an executive note with the concurrence of Associate Finance and approval of COS.

(b) There can be cases where the TC while framing their recommendations ignored or did not take into consideration certain conditions/aspects of the tenderer's offer or incorporated certain counter conditions and the POs are placed accordingly. Thereafter, the firm approaches the Purchaser for amendments for

accepting terms and conditions as quoted by them in their offer and/or for withdrawal of the counter conditions, as aforesaid. In all such cases, TC will have to examine the matter de-novo and put up supplementary TC recommendations.

(1) These recommendations may be accepted by GM provided the following conditions are satisfied:

Recommended Amendments to the contract shall not:

(i) have any financial implication,

(ii) vitiate the tender, &

(iii) provide undue advantage/benefits to the Supplier, due to such changes.

(2) In cases where financial implication is involved then the supplementary TC proceedings duly approved by GM are to be forwarded to Board for approval. Suffice it to say, condition as indicated in Para 2(b)(1)(ii) & (iii) above shall be required to be satisfied in all the eventualities.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(Trilok Kothari)
DRS(IC)/Rly Board.

ANNEXURE VI/8-43

Government of India
Ministry of Railway
Railway Board/New Delhi

RE(S)/14/11/82/0012/Pt. Dated:15/07/08

The General Managers/All Indian Railways/PUs

Sub : **Decentralisation of procurement of CORE controlled items.**

Ref : Board's letter of even No. dated 13/11/07.

Further to Board's letter of even no. dated 13/11/07 regarding decentralizing the procurement of CORE controlled items indicated in the letter, it is clarified that items for which approved sources feature under CORE approved vendor list, Railways are authorized to process procurement from these sources. For procurement of other items from RDSO approved sources, instructions as given in Board's letter of even No. dated 13/11/07 may be followed.

Please acknowledge receipt.

[Rajeev Kumar]
Director/Rly Electrification(S)
Railway Board

ANNEXURE VI/8-44

Government of India
Ministry of Railways/Railway Board

2008/RS(G)/779/10 Dated 21/10/08

RBS 27/2008

Sub : **Nomination of Diesel Locomotive Works(DLW) as the nodal agency for arranging the items required for maintenance of GM Locos**

In the Conference of CMMs(Mech.) of Railways/PUs with Board held at Rail Bhawan on 3rd June, 2008, one of the Zonal Railway stated that it is extremely difficult to procure items/spares of GM Locomotives due to very less quantities. The matter was considered by the Board and it has been decided that DLW will be nodal agency for centralized procurement of items/spares of GM Locomotives needed for their maintenance and operation by all Railways/PUs.

This issues with the concurrence of Finance Directorate of Ministry of Rlys.

Sd/-
(Aruna Jain)
DDRS(G)-II/Rly Bd.

ANNEXURE – VI/9-01

GOVERNMENT OF INDIA
MINISTRY OF RAILWAY
(RAILWAY BOARD)

No. 73/RS(G)/779/30 Pt. II New Delhi Date: 26.10.1995

The Controller of Stores,
All Indian Railways & Productions Units.

Sub : **Procurement of Quality Spares.**

Ref: Board's letter No. 73/RS (G)/779/30 Pt. II Dt. 17.1.1995 and M. M's D. O. Dated 03.08.1995.

Board's vide its above refereed letters had issued instructions that a Committee consisting of COS, FA&CAO (Co-ord) & PHOD be set up to draw out a list of items of critical nature and also the names of such reliable firms considered fit for supply, with view to ensure quality and reliability of item procured for the maintenance and productions of rolling stock etc.

In this regard, MM had also addressed to the GMs to ensure that the exercise of preparing the lists be completed by 31.08.1995 It is seen that some of the Rlys. Are still in the process of preparation of such lists and therefore, there is an urgent need to expedite so that the procurement could be limited to approved quality vendors.

Recently, Board (FC) in his address to the Accounts officers on his visit to Southern Railway on 23.9.95 has minted as follows in the inspection note: -

"In regard to the tendency to go in for lowest tender in every case Finance Officers were told to play a more progressive role. It is in this context that the concept of life cycle cost in relevant. The practice of having approved vendors for selected items and limiting procurement only from them at least for crucial maintenance spares should be used more frequently. "

In view of above, an urgent action is required to give shape to procurement through limited tenders from reliable firms so short listed by the Committee in line with the instructions issued vide Board's above referred letter.

This issues with the concurrence of Finance Directorate of Railway Board.

Sd/-
(**A.C. ANKODIA**)
Exe. Director, Rly. Stores (G).
Railway Board.

ANNEXURE – VI/9-02

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No.99/RS(G)/709/2-IC dated 17.7.2000

The Controller of Stores
All Indian Railways and Production Units

Sub : **Procurement of quality stores from approved sources.**

Ref : Board's letter No.99/RS(G)/709/1 dated 6.9.99 and 16.9.99.

The Railway Board have been stressing upon the procurement of quality materials, to ensure proper maintenance of assets and to achieve zero failure rate. In this regard, Railway Board had issued instructions from time to time that spares required for the maintenance and production of rolling stock *i.e,* Electric locos, Diesel locos, EMUs, Coaches, Wagons etc., and Signal & Telecommunication be procured from the sources approved by RDSO, Production Units & concerned Railways. For other items the bulk procurement should be made from registered/successful suppliers.

A doubt has arisen on one of the Railway as to whether approval of vendors has to be carried out necessarily through a committee of 3 PHOD of concerned Technical Department, COS & FA&CAO, to be approved by GM as was envisaged in Board's letter no.75/RS(G)/779/30/Pt.II dt.17.1.95 for obtaining one time sanction of the GM for the purpose of issuing limited tender. These instructions were valid for two years only.

Attention is invited to Board's letter No.99/RS(G)/709/1 dt.16.9.99 which clearly lays down that the list of the approved suppliers should be updated and reviewed by the Vendor Development Cell consisting of Stores & Technical JA grade officers headed by SAG stores officer. In view of the above, it is clarified that approval of vendors is not necessarily required to be done through a committee of 3 PHODs for items of Rolling Stock. It is however, reiterated that procurement of spares required for Rolling Stock should be made from approved sources of RDSO, Production Units and vendor development cell of the concerned Railways as the case may be as envisaged in Board's letter referred to above.

This disposes of COS/SCR's D.O.S/245/Quality spares/99 dt.31.5.2000.

Sd/-
(V.K. Jain)
Director Railway Stores(IC)
Railway Board

ANNEXURE – VI/9-03

GOVERNMENT OF INDIA **RBS 19/2003**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.2002/RS(G)/709/2 New Delhi, dt.04.12.2003

The General Manager(Stores)
All Indian Railways & Production Units

Sub : **Procurement of Stores on Life Cycle Cost (LCC) basis.**

…

Ministry of Railways constituted a committee of EDs vide their letter No.ERB-1/2003/23/21 dt.25.7.2003 to identify two items each of Engineering, Electrical, Mechanical and S&T Department for undertaking their procurement on LCC basis and to examine various issues involved in adopting LCC. The committee has recommended that procurement based on LCC technique should be initially applied for few selected items on experimental basis for part quantities. Accordingly, these 8 items along with the process of applying L.C.C. technique for their procurement is indicated in Annexure – I . The model tender conditions as well as evaluation criteria as illustrative examples have been developed for 3 items i.e. loco batteries, ERS and Rail Pad (Annexure 'A' & 'B') which with suitable modifications can be adopted for the other items also.

Board have accepted the recommendations of the Committee for the procurement of a few selected safety related items on experimental basis with the following provisions:

(i) The functional specifications and minimum technical parameters for any item procured through LCC basis should be specified by RDSO.

(ii) Inter-dependent items (*e.g.,* ERC and rail pad) should preferably have similar life cycle.

(iii) For Civil Engineering items, Liners (both GFN as well as Mild Steel) should also be included for procurement on life cycle basis since the performance of ERC & rail pad is intimately connected with the quality of liners.

(iv) Railways may like to include more safety related items for procurement on LCC basis, which have maximum anticipated life of 8 years, to start with.

(v) 20% of the total requirement may be procured on trial basis by each Railway on the basis of LCC.

In accordance with the above, procurement process for the few selected safety items based on the LCC may be initiated subject to the provisions given in Para 2 above.

This issues with the concurrence of Finance Directorate of Railway Board.

Pleased acknowledge receipt and report the compliance.

Sd/-
(P.S. Meena)
Dy. Director Railway Stores (G)
Railway Board

Annexure-I

Details of the 8 items expected life alongwith the process of applying LCC technique

Branch	Item	Optimum/ Minimum Life	Suggested process of applying LCC technique
Mech/ Elect	Diesel Loco Starters/Led Acid Batteries 8V/ 450AH Capacity	4 years Optimum	*Procurement based on the tender conditions and evaluation criteria as formulated (Annexure A) should be processed. (Tender already being processed by Railway Board). *Suitable method for monitoring and recording the field performance (including various parameters as life, availability, reliability, preventive and corrective maintenance records, failures) of the batteries to be suggested by RDSO.
Mech	Turbo Super Charger	16 years (Optimum)	*RDSO to formulate functional specifications including the developing methodology and formats etc. for monitoring and recording the field performance vis-à-vis the quoted parameters. *DLW to initiate procurement action on LC concept by adopting the model tender conditions and evaluation criteria (Annexure A). (Action to be taken by DLW as this item is centralized for procurement at DLW).
Electrical	Brushless DC Fan	10 years (optimum)	*RDSO to formulate functional specifications including the developing methodology and formats etc. for monitoring and recording the field performance vis-à-vis the quoted parameters. Railway (COS in consultation with CEE & FA&CAO) to formalize the tender conditions and evaluation criteria based on the model tender conditions and evaluation criteria as enclosed (Annexure B) and initiate procurement action on LCC concept.
Electrical	Traction Motor pinio Of WAG 9	3 year (minimum)	-do-
Signal	High Performance Signal lamp	100,000 Hours (optimum)	*RDSO to formulate the functional specifications including developing methodology and formats for monitoring and recording the field performance. (Each signal lamp, its locations and its supplier has to be uniquely identified and its field performance will have to be recorded). *Railway (COS in consultation with CSTE & FA&CAO) to formalize the tender conditions and evaluation criteria based on the model tender conditions and evaluation criteria (Annexure B) and initiate procurement action on LCC concept. The penalty clauses should be suitably incorporated in the tender conditions so that a reasonable amount of damages can be claimed from the supplier in case of deficient performance, lower life etc.

Signal	Insulated Rail Joints For track Circuit (glued Joint)	3 years	*RDSO to formulate the functional specifications including developing methodology and formats for monitoring and recording the field performance. Railway (COS in consultation with CSTE & FA&CAO) to formalize the tender conditions and evaluation criteria based on he model tender conditions and evaluation criteria (Annexure B) and initiate procurement action on LCC concept. The penalty clauses should be suitably incorporated in the tender conditions so that a reasonable amount of damages can be claimed from the supplier in case of deficient performance, lower life etc.
Civil	Elastic Rail Clips (silico Manganese Spring steel)	6 years Minimum	*RDSO to formulate the functional specifications including developing methodology and formats for monitoring and recording the field performance. (As identification of each ERC may be cumbersome and counter productive, it is recommended that ERCs of particular supplier are used in one railway/section so as to monitor, record and evaluate its field performance as also to levy the penalties, if any, without any dispute regarding suppliers identification) *Railway to initiate procurement action on LCC concept, by adopting the model tender conditions and evaluation criteria (Annexure B). The penalty clauses are suitably incorporated in the tender conditions so that a reasonable amount of damages are levied on the supplier in case of deficient performance, lower life etc.
Civil	6mm thick Rail pads	6 years Minimum	-do-

Annexure A

SPECIAL TENDER CONDITIONS FOR PROCUREMENT OF LOCO BATTERIES ON LCC BASIS

The following special conditions of tenders and the criteria for evaluation of tenders will be applicable for procurement of the loco batteries to specification No.RDSO/PE/Spec/TL/001-98(Rev.0)on the basis of Life Cycle Costing:

SPECIAL CONDITIONS :-

1. The expected life of the Loco Battery to give performance as per specification is 4 years. While quoting the Tenderer should specifically quote “the guaranteed life (in no. of Months)” of the product during which its operation as per the pre-defined parameters/requirements as defined in the Technical Specification are guaranteed. The Tenderers are also welcome to quote for alternate design with the same or better/higher life. However, purchaser reserve the rights to order the bulk or entire quantity on RDSO approved sources for the subject item.

2. The loco battery supplied should be in ready to use conditions *i.e* the same should be supplied "fully charged".

3. The cost of operation of loco batteries is assumed to be negligible.

4. Throughout the guaranteed life of the batter, the periodical preventive maintenance is to be done by the supplier for which Periodical Maintenance Contract (PMC) would be entered into with the supplier. This periodical preventive maintenance is to be done for a group of batteries on roaster basis so that all batteries are covered turn by turn. For this purpose, the tenderer should quote the "schedules of periodic preventive maintenance" in advance along with the charges and other details. These charges towards each of the preventive maintenance schedule for the entire service life as guaranteed by the tenderer are identified as 'PMC charges' and are payable to the supplier.

   Sum total PMC charges would be loaded in the prices quoted for the loco batteries for the purpose of comparison of offers.

   Supplier will also give cost of spares and service charges for each item at work, which will be applicable in case railways want to get the battery repaired outside preventive maintenance schedule. These rates and charges will not be loaded in the prices of the battery.

   In case the supplier delays the scheduled preventive maintenance beyond a period of 7 days, the same would be done in-house by IR and the maintenance charges would be recovered from the firm on the basis of actual costs incurred by IR, in addition to the pre estimated damage as per following clause:-

   If the scheduled preventive maintenance is not performed as per agreed schedule given in the contract, then a liquidated damages @ "1% of the Initial Price of battery' per week would be levied on the supplier.
   In order to ensure that batteries are used properly, firms will give a detailed operating manual for use of concerned railway employee.

4.1 The design of the batteries should be such that the frequency of maintenance is minimum and in case any design of loco battery that offers more than 5 periodic maintenances per year is not acceptable.

5. In view of the regular periodical preventive maintenances schedules as suggested by the supplier (manufacturer) there should not be any breakdown during operation of the Loco batteries. In case of any such breakdown the supplier is liable to replace the same on a notice of 24 hours. For this purpose the supplier should maintain some inventory (spare batteries)#(Pre-inspected) with him (at suitable place) which is considered optimum by them for immediate replacement of the Loco Battery so that there is no disruption of the service to the END USER (Loco Shed). Now since by the above said provision, any breakdown is to be taken care of by the supplier, any cost towards the same should be built in the INITIAL PRICE. In case a dispute arises that breakdown of the battery is due to faulty workmanship or due to mishandling/improper operation by staff the decision of the concerned shed/workshop incharge will be final and binding. For cases where defect is due to mishandling/improper operation by staff,

battery will be repaired by supplier at the schedule of rates as mentioned at S.No.4. The supplier should return the original Loco battery duly repaired to the consignee within a period of 10 days and take back the spare one. In case of delays beyond 10 days, the pre-estimated damage as per the following clause would be levied for the delay.

"If the supplier do not return the original Loco battery duly repaired as per agreed period of 10days, then a liquidated damages @ "1% of the Initial Price of battery "per week would be levied on the supplier."

5.1 The reliability of the loco batteries is of utmost importance as any failure on the part of the batteries renders the locomotive unavailable for the service. Therefore, a product with lower liability is likely to cause heavy indirect losses due to non-availability of loco. Accordingly, the design should be such that three is no breakdown/failure during the operation of loco batteries.

As a deterrent, the following penalty clause for failure/breakdown of loco batteries during its operation will be applicable:
"For every failure/break down of the loco batteries during its operation, a penalty of 1% of the initial price of the battery will be levied on the supplier."

6. For Loco Battery offered by them, the minimum assured time period i.e. no. of months during which their product would actually be available for service will be called as "AVAILABILITY" and it is equal to the "guaranteed Life" less "Time required for Total scheduled preventive maintenances during entire service life".

7. The tenderer shall buy back the Loco Battery at the end of its guaranteed Life as quoted by the tenderer. For this they should quote the price, which may be called as "buy back price".

8. Necessary documentation regarding service problems, scheduled, any unscheduled maintenance and the availability for actual service etc. for each and individual Loco battery (which will be given a unique identification number by the consignee) will be required to be kept by the Loco Shed (consignee to whom battery is supplied for use) and the information should be regularly shared with the supplier. Thus these records for availability of loco battery for service in terms of number of days (for each individual battery) etc should be maintained in a transparent way.

9. In case of any variation between "actual life" and the "quoted guaranteed life" the recoveries from the supplier would be made as per the following formulae:

R = {'1-(Ao/A)*(Lo/L)*P*M

Ao is the average actual availability of the loco batteries

Lo is the average actual service life of the loco batteries

A is the "quoted availability"

L is the "quoted guaranteed life"

P is the total initial quoted price of the battery including maintenance charges less the residual value

M is the multiplier which is = 1.10 i.e 10% enhancement of deductions on account of inconvenience caused due to variation in the actual value and the quoted value.

(The values for Ao & Lo will be advised by the End User (Loco Shed) which shall be calculated on the basis of average of such parameters for each individual battery as per the records maintained by the End User)

For such deductions as may have arisen due to for the reasons explained above i.e due to variation in the quoted values and the actual values, standing bank guarantee of 15% of the contract value valid for the entire quoted service life of the Loco batteries. (This will be like Warranty BG) would be required to be furnished by the supplier which would ensure their long term commitments of the values of availabilities and life as per the values as quoted by them.

Evaluation criteria –

The firms should quote as follows:-

(a) Initial Price per Loco Battery = I

(b) "Schedules of periodic preventive maintenances" along with the charges per Schedule of Preventive Maintenance. These charges towards each of the preventive maintenance schedule are identified as 'PMC charges' and are payable to the supplier after carrying out the particular Scheduled periodic maintenance. This would also include the cost of the spares and consumables required for maintenance.

For the purpose of loading for evaluation, these charges will be discounted to net present value at a discount rate of 10% Per annum. The net present value thus calculated for each Schedule of Preventive Maintenance for the entire service life as guaranteed by the tenderer shall be summed up and these total charges (on NPV Basis) may be named as 'MC'. This will beaded to the initial price for the purpose of evaluation of the bids.

(c) Guaranteed residual value at which the supplier will buy back the battery at the end of is service life. This value will be discounted to net present value at a discount rate of 10% Per annum. The net present value thus calculated may be named as 'R'. this will be subtracted from the initial cost for the purpose of evaluation of the bids.

The Total price would be P = (I + "MC" – R) #

#Replacement cost not taken into consideration presuming that replacements cost is not much or/and penalty on account of each failure take care of the same (i.e. Para 5.1 links)

For arriving at the most economical cost solution, the comparison of the prices will be factored with the longest service life (Lx) offered by any of the bidder whose bid is technically and commercially acceptable. Similarly it will be factored with the

Maximum/Highest Availability (Ax) offered by any of the bidder whose bid is technically and commercially acceptable. The adjusted price of each bid will be called P1 to be calculated as per the following formulae:-

P1 = (P) * (Lx/L) * (Ax/A) {Similarly the affect of reliability can also be considered in this formulae i.e Rx is maximum quoted reliability whereas R is the quoted reliability by the particular firm whose price is 'P'}

P1 is the adjusted price for a bid based on life offered (L) {For evaluation & comparison of the bids}

A is the availability as per firm's offer (i.e., if 95% availability is assured for each battery than A will be =0.95.) This will be calculated based on the total available service life (in days)in percentage of the total quoted guaranteed life of the battery as per firm's offer. (if the total life is 4 years which means 1460 days and the scheduled of preventive maintenance as given by the tenderer is one maintenance of 7 days after every quarter than it will require a maintenance period of 7x4x4 = 112 days and therefore the availability will be 1460-112 = 1348 days which in percentage comes to 1348/1460= 92.3%).

Similarly **Ax** the Maximum/Highest availability offered by any of the bidder whose bid is technically and commercially acceptable.

L is the quoted guaranteed life of the product during which its operation as per the pre-defined parameters/requirements as defined in the Technical Specification are guaranteed.

Lx is the longest guaranteed life offered by any of the bidder whose bid is technically and commercially acceptable.

Annexure B

SPECIAL CONDITIONS & EVALUATION CRITERIA FOR PROCUREMENT OF ELASTIC RAIL CLIP (ERC) AND 6MM THICK RAIL PAD

1.0 SPECIAL CONDITIONS

1. Average life of ERC and Grooved Rubber Sole Plate (GRSP) on A&B routes is about 5-6 years and 2-3 years respectively. As the frequent replacements cost to Railways a minimum serviceable life during which the products will perform their functions as per requirement of specifications will have to be specified. For ERC as will as Rail Pad the minimum life should be 6 years.

2. Functional specifications will be as finalized by RDSO. The tendering firms will be free to quote for alternative designs subject to the conditions that the product offered will fulfill the functional requirements as per specifications and it will not entail any modification/alteration to the existing sleeper design, inserts and liner, i.e, it should be possible to use the offered product with the existing sleeper without any modification to rail seat of sleeper, insert & liner.

3. The required functional properties of a product may be achieved either through material alone or through a combination of material and design. For this purpose, the LCC will be applied right from the design stage.

4. ERC should be corrosion proof. It should not jam in the eye of Inserts.

5. ERC and Rail Pad should be ready use and maintenance free.

6. The design of Rail Pad should be such that in normal condition it does not work out from its position during the entire serviceable life.

7. As the reliability of Rail Pad or ERC is of utmost importance for maintenance o rack, any failure, crushing or breakage of Rail Pad or ERC will render these products as unavailable for the service. As a deterrent to this, the following penalty clause for failure/breakage of ERC and Rail Pad during service will be applicable:-

   "For failure/breakage of the product (individual piece) products during its use at a time earlier than the quoted (committed) life span of product. Besides replacing the same free of cost a penalty equal to ½ % of the initial value of contract for each additional 1 (one) % failure beyond the permissible limit as stipulated in specifications be levied on the supplier".

   For example, if the allowable rejection is 1% and the % age of failure is 3.0% the penalty will be 1% (2 ½) of the initial contract value.

   To enable early replacement of broken ERC / Rail Pad, the supplier shall maintain an adequate inventory with the consignee.

8. In case of ERC, the retentivity of toe load is of utmost importance, hence the Railways should specify the minimum toe load which shall be maintained throughout the serviceable life of ERC. The toe load shall be jointly measured at the regular interval by the consignee and the representative of supplier. At any given point of time, if the toe load of 5% of ERCs in a 1 km lone continuous stretch falls below the minimum specified value, whole lot of ERCs in that stretch will be considered as having outlived its serviceable life. In case of 6mm thick Rail Pad, if 5% of the Rail Pads in a 1 km Long continuous stretch are found crushed/worked out at a given point of time, the whole lot of Rail pads in that stretch would be considered as having outlived its serviceable life.

   For this, necessary documentation for evaluation of in-service performance on the format designed by RDSO clearly showing failure/crushing/breakage and toe load measurement etc will be maintained km wise by the consignee (permanent way inspector) and the information shall be regular shared with the supplier.

8.1 In case of any variation between actual life and the quoted guaranteed life the recoveries from the supplier would be made as per the following formula:-

   $R = \{ 1 – L0/L) \times P + C\} \times K \times M$

   L0 = Average actual service life in months

   L = Quoted guaranteed life in months

   P = Total initial quoted price

   C = Cost of replacement per ERC (Labour cost)

   K = No. of ERC per km

   M (A multiplying factor)- 1.10

The values of L0 will be advised by the end user (Permanent Way Inspector) based on records maintained, as per documentation. Such recoveries will be worked out for each km. And total recovery will be worked out by totaling the recoveries for individual kms.

Rt = R (R 1 to Rn)

9. For any deductions as may have arisen due to reasons explained above, i.e due to variation in the quoted value and the actual value of guaranteed life and availability, a standing Bank Guarantee equal to 15% of the contract value, valid for the entire quoted service life of crossing, will be furnished by the supplier which would ensure their long term commitment.

2. EVALUATION CRITERIA

The firm should quote as under:-

(a) Initial price for the product per unit (I)

(b) The guaranteed service life. Any offer quoting less than 6 year guaranteed life will not be considered.

(c) No buy back for this product. Hence Residual Value (per unit) is treated as NIL (Even otherwise after the stipulated life span of 6years or even more, if it is found to be higher in actual used, he residual value wile scrap value only which is considered as negligible as compared to the price of new ERC.)

The Net Price (P) = I

(d) For arriving at most economical cost solution, the comparison of the price will be factored with the longest service life (Lm) offered by any of the bidders whose bid is otherwise technically acceptable. The adjusted price of each will be called **P1** which will be calculated as under;-

P1 = P* (Lm/L)+ C*N

L = Quoted guaranteed life of the product (in months)

Lm = The longest guaranteed life offered by any of the bidders whose bid is technically acceptable (in months)

C = Cost of replacement of one ERC (labour cost). It will be assessed by the purchaser as per actual analysis and indicated in the tender.

N = Number of replacements for a product of guaranteed life (=L) L being les than Lm (in months)

(For example if Lm = 12 years, L = 6 years, then ERC with L=6 will need one replacement, Hence N=1; (for the ERC offered by the firm with L=6). The price for comparison of this ERC i.e. P1 would be

P1 = P x (12/6) + C x 1 = (2 x P) + C

ANNEXURE – VI/9-04

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 99/RS(G)/709/4 New Delhi, dated 03.03.2004

The Director General, RDSO, Lucknow.

Sub : **Quarterly list of rejections during pre-inspection by RDSO.**

Ref : Para 4.4.2 & Minutes of special conference of COSs held at Chennai on 6th & 7th Feb.2004.

Board have been emphasizing quality procurement of materials for proper maintenance of assets and instructions have been issued vide Board's letterNo.99/RS(G)/709/1 dated 6.9.99 and 16.9.99 for quality procurement of stores.

Inspection of materials with proper quality is one of the important aspect which have been emphasized in the above circular letter 16.9.99.

The subject matter was also discussed in the special COSs Conference held at Chennai on 6th & 7th Feb. 2004. Accordingly, Board have decided that;

" RDSO should submit an inspection report quarterly to Board as well as to Zonal Railways and PUs for those firms whose material have been rejected & repeatedly during the quarter on the prescribed format (copy enclosed)".

Therefore, it is requested to establish the suitable systems for giving the above said exception report and its circulation to Board, Railways/PUs.

As such you are requested to develop the system for advising the details of rejections during pre-inspection by RDSO to all the Zonal Railways and PUs for taking necessary action at their end. These details may be maintained on your website as well.

(Trilok Kothari)
JDRS(IC)

ANNEXURE VI/ /9-05

Ministry of Railways, (Railway Board)

No. 99/RS(G)/709/1 Pt.I New Delhi-110001, dated 28/04/2004.

Sub : **Placement of full quantity orders on sources under Part-II for items where there is no Part-I source.**

Ref : (i) Board's Lr. No. 99/RS(G)/709/1 dated 06/09/1999.
(ii) Board's Lr.No. 77/RS(G)/779/17 dated 23/27/01/1979.

In pursuance of RDSO's query on the issue of placement of full quantity orders on sources under Part-II when there is no Part-I source, the following clarification is issued on the subject matters.

Items where there is no approved source in Part-I list and approved sources exist in Part-II list only, there is no alternative but to consider such Part-II firms for placement of Bulk Quantity orders as well without any quantity restrictions, otherwise applicable to Pt.-II firms.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

(P. S. Meena)
Dy. Director, Railway Stores (G),
Railway Board

ANNEXURE – VI/9-06

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No.99/RS(G)/709/1 New Delhi, dt.29.03.2006

The General Manager (Stores)
All Indian Railways & Production Units

Sub : **Proper maintenance of assets – quality procurement of stores**

Vide Para 2.0 & 3.0 of Board's letter of even no. dated 16.09.1999, instructions were issued to Railways & Production Units to have a separate vendor development cell and system of maintaining quality file by the source Approving Authority should be developed. However, it is noted that most of the Railways have not fully implemented these instructions.

It is imperative that instructions as contained in Board's letter of even no. dated 16.9.1999 (copy enclosed) are implemented fully, without fail, so as to ensure quality procurement of stores.

A specific time bound road map for ensuring compliance of these instructions be submitted to Board within a fortnight of receipt of this letter.

Kindly acknowledge the receipt.

DA: as above.

Sd/-
(Aruna Jain)
Dy. Director, Rly. Stores(G)-II
Railway Board.

Annexure VI/9-07

Government of India
Ministry of Railways
(Railway Board)

NO: 2006/FS-1/VAT/1 Dt. 27.04.2006.

All General Managers

Sub : **Applicability of VAT in place of local sales tax / CST.**

Ref : COS/CR's letter no: S.595.G.Pur.Policy.VAT dated 21.04.2005.

Central Railway vide their above referred letter has requested Railway Board to issue guidelines with regard to admissibility of VAT (Value Added Tax).

Board has considered the matter and the following guidelines on the subject matter are issued;

1. As far as the existing contracts are concerned, instead of local sales tax, VAT being a statutory levy may be allowed as per VAT rules of states subject to confirmation from the concerned state government. However, care has to be taken to avail the input tax credit, *i.e,* the set offs for the tax paid on the inputs which the supplier has to pass on to the buyer *i.e,* the Railways.

2. Suitable clause may be incorporated in the tenders as a special condition, so as to include the following:-

   a. The Tenderer should quote the exact percentage of VAT that they will be charging extra.

   b. While quoting the rates, tenderer should pass on (by way of reduction in prices) the set off / input tax credit that would become available to them by switching over to the system of VAT from the existing system of sales tax, duty stating the quantum of such credit per unit of the item quoted for.

   c. The tenderer while quoting for tenders should give the following declaration;

      " We agree to pass on such additional set off/ input tax credit as may become available in future in respect of all the inputs used in the manufacture of the final product on the date of supply under the VAT scheme by way of reduction in price and advise the purchaser accordingly".

   d. The suppliers while claiming the payment will furnish the following certificate to the paying authorities;

      " We hereby declare that additional set offs / input tax credit to the tune of Rs. ---------- has accrued and accordingly the same is being passed on to the purchaser and to that effect the payable amount may be adjusted".

   e. Even for contracts where CST is payable, this input tax credit may become admissible to the supplies where the supplier happens to be located in the state in which VAT has been implemented. Accordingly the certificate under para (4) above should also be obtained in all such existing contracts where CST is payable.

   f. For the states in which the VAT has not yet been introduced, the existing system of sales tax shall continue.

c) While finalizing the tenders which have opened prior to implementation of VAT, declaration may be taken from tenderer regarding the set offs/input tax credit that they shall pass as to the purchaser in view of applicability of VAT. Condition of furnishing the certificate as per para b(4) above (in respect of subsequent additional set offs, if any) to the paying authority should also be incorporated in the contract.

Sd/-
(A.K.BHATNAGAR)

Annexure VI/9-08

GOVERNMENT OF INDIA **RBSNo.02/2008**
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2007/RS(G)/779/6 Dated 22.01.2008.

The General Manager/All Rlys/PUs.

Sub: **Procedure regarding return of commercial offers/EMD in Two Packet System.**

Arising out of a complaint made by an eliminated firm to the CVC in a tender floated by one of the Railway Units, CVC has desired that Ministry of Railways may follow the guidelines as contained in their Circular No. 004/OR/9 dated 10-12-2004, to enhance transparency & fairness in the tendering system.

The matter has been examined in Board's office and accordingly Railways are advised that tenderers whose technical offers have not been found technically suitable in two packet system, should be intimated timely about rejection of their technical bid along with return of un-opened price bid & Earnest Money Deposit (EMD) before opening of price bids of tenderers or seeking revised price bids from tenderers whose technical bids have been found acceptable.

A copy of CVC's letter No. 004/ORD/9 dated 10.12.2004regarding 'transparency in tendering system-Guidelines regarding' is enclosed for information and necessary guidance, in this connection.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Sd/-
(Trilok Kothari)
Director, Railway Stores (IC)
Railway Board

DA: as above.

No. 004/ORD/9
GOVERNMENT OF INDIA
Central Vigilance Commission

Satarkta Bhawan, Block A,
GPO Complex, INA,
New Delhi-110023.
Dated the 10th December,2004.

Office Order No. 72/12/04

Sub. **Transparency in tendering system – Guidelines regarding.**

In order to maintain transparency and fairness, it would be appropriate that organizations should evolve a practice of finalizing the acceptability of the bidding firms in respect of the qualifying criteria before or during holding technical negotiations with him. Obtaining revised price bids from the firms, which do not meet the qualification criteria, would be incorrect. Therefore the exercise of short listing of the qualifying firms must be completed prior to seeking the revised price bids. Moreover, the intimation of rejection to the firms whose

bids have been evaluated but found not to meet the qualification criteria, along with the return of the un-opened price bids, will enhance transparency and plug the loop-holes in the tendering system. All organizations / departments are advised to frame a policy accordingly.

Sd/-
(Anjana Dube)
Deputy Secretary

All Chief Vigilance Officers

Annexure VI/9-09

RBS No.12/2008

Government of India
Ministry, of Railways/Railway Board/New Delhi

No: 2008/RS(G)/77914 Dated: 30/04/08

The General Manager, All Indian Railways & PUs including NF(C).

Sub: **Necessary safeguards for packing materials & M&P for their safe transit.**

Audit, while deliberating on Audit Para No. 4.1.3 for the year 2001-02 have as under:

"It has been observed in another case that the similar breakage has occurred while transporting equipments from the Port to the ultimate consignee and DLW had to suffer a loss. It is, therefore, evident that the existing instructions are not adequate and needs revisiting to safeguard Railway's interests from such losses."

Existing instructions related to packing of stores sufficiently & properly as to ensure Stores being free from loss or damage enroute as detailed in IRS Condition of Contract are reproduced below:-

(a) Para 1501 — Risk in the Stores:- The Contractor shall perform the contract in all respects in accordance with the terms and conditions thereof. The stores and every constituent part thereof, whether in the possession or control of the Contractor, his agents or servants or a carrier, or in the joint possession of the Contractor, his agents or servants and the Purchaser, his agents or servants, shall remain in every respect at the risk of the Contractor, until their actual delivery to the consignee at the stipulated place or destination or, where so provided in the acceptance of tender, until their delivery to a person specified in the contract as interim consignee for the purpose of dispatch to the consignee. The Contractor shall be responsible for all loss, destruction, damage or deterioration of or to the stores from any cause whatsoever while the stores after approval by the Inspecting Officer are awaiting dispatch or delivery or are in the course of transit from the Contractor to the consignee or, as the case may be, interim consignee.

The Contractor shall alone he entitled and responsible to make claims against a Railway Administration or other carrier in respect of non-delivery, short delivery, misdelivery, loss, destruction, damage or deterioration of the goods entrusted to such carrier by the Contractor for transmission to the consignee or the interim consignee as the case may be.

(b) Para 1801 Packing:- The contractor shall pack at his own cost the stores sufficiently and properly for transit by rail/road, air and! or sea as provided in the contract so as to ensure their being free from loss or damage on arrival at their destination.

(c) Para 1806 Packing:- The Inspecting Officer may reject the stores if the stores are not packed and/or marked as aforesaid and in case where the packing materials are separately prescribed, if such materials are not in accordance with the terms of the contract. Such rejection of the stores by the Inspecting Officer shall be final and binding on the Contractor.

These IRS Conditions of Contract may be adhered to scrupulously in all Stores Contracts. Further, in case, any special /specific packing of materials/M&P is desired for its safe transit or/and safe storage, handling etc., after receipt, then the same should be incorporated in the tender conditions and in the contract thereafter.

This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

(Aruna Jain)
DDRS(G)-II
Railway Board

Annexure VI/9-10

Government of India
Ministry of Railways
(Railway Board)

No.2006/RS(G)/779/2 New Delhi, dated 08.08.2008

The Controller of Stores
Rail Coach Factory,
Tilak Bridge,
New Delhi

The Controller of Stores
Integral Coach Factory
Perambur
Chennai

Sub : **Raising the limit for the purpose of 30% option clause.**

Ref : (i) RCF's letter No.118/S/2 Stores instructions/Pt-II dated 12.7.2008.
(ii)ICF's letter No.ICF/S/P/05-Cont./08-09 dt.10.7.2008.

The matter has been examined in Board's office. It is clarified that vide Board's letter of even no. dated 04.06.2008, provision for Option Clause in all tenders has been made mandatory for fixed quantity contracts valuing about Rs.75 lakhs (raising the previous level of Rs.10 lakhs). However, Railways have not been debarred from inclusion of option clause in tenders for fixed quantity contracts valuing below Rs.75 lakhs, wherever so required in the Railway's own interest. Railways may frame their own procedure order on this in consultation with their FA&CAO and approval of GM.

Sd/-
(Aruna Jain)
DDRS(G)-II
Railway Board