

**NOTES FOR THE TRAINING PROGRAMME SCHEDULED ON 25-02-2015 FOR THE
STAFF OF HORTICORP**

I. Stores Purchase Rules

The guidelines to Purchasing Officers for the purchase of ‘stores’ for office use are laid down in the Stores Purchase Manual.

Stores

The term “Stores” means all articles and materials (other than cash and documents) which come into the possession of a Government servant for use in the Public Service. This term does not, however, include items like **dietary articles of the animals in zoos, sundry articles like fuel, dietary products, etc.**

Authority competent to purchase stores

A Government servant who is competent to incur contingent expenditure may purchase directly from firms in India, or through the agency of the Central Purchase Organisation of the Government of India or direct from manufacturers abroad, such stores as he requires for the use of his Department or his office subject to Stores Purchase Rules and also subject to funds being available by budget appropriation.

Forecast of Requirements and Preparation of indent

1. A Government servant who has to purchase stores for the Public Service should estimate his requirements for the year so far as they can be foreseen.
2. At the end of the each financial year, he should prepare a list of articles required during the next financial year.
3. The list may be prepared on the basis of the consumption during the previous 3 to 5 years and with reference to factors if any, which justify an increase or decrease compared with the average.
4. The lists should also be based on the probable budget estimate for the next year and should be prepared duly allowing for the carrying over of stock for at least one quarter of the succeeding year.
5. As far as possible, a purchasing officer should lay in sufficient stock during the cheapest season.
6. It should also be remembered that the purchase of any article in advance of requirements involves the locking up of Government money and is, therefore not desirable unless it is reasonably likely to prove advantageous in regard to price.

7. Particular care should be taken to ensure that orders are placed only for quantities which will be utilized within a reasonable time.
8. A demand for purchase should not be split into small quantities for the sole purpose of avoiding the necessity of taking approval of the higher authority required for sanctioning the purchase of the original demand.

Administrative Sanction

1. It is a formal order to be issued by the competent authority to effect purchase.
2. The Purchasing officer should ensure that sufficient funds are available.
3. Heads of Departments and other officers empowered in this behalf are competent to accord Administrative Sanction for all purchases **up to the limit of the financial powers vested in them.**
4. While issuing Administrative Sanction, mention should not be made of makes, specifications, and such other details relating to the stores, the purchase of which is administratively sanctioned.
5. All purchase proposals which do not fall within the powers of the Head of Department will be considered by the appropriate **Departmental Purchase Committee.**
6. The factual accuracy of the materials placed before the Committee and the observance of the rules in undertaking the various steps before bringing the proposals before the Committee will be the sole responsibility of the Head of Department.
7. Purchase proposals **exceeding Rs. 6 crores and up to Rs. 10 crores** after being considered by the concerned Departmental Purchase Committee, should have **the approval of the Minister concerned.**
8. Purchase proposals above Rs. 10 crores should be approved by both the **Minister Concerned and the Minister in charge of the Stores Purchase Department,** through the Principal Secretary, Stores Purchase Department. In all cases, the sanction will be issued by the Administrative Dept.

Purchase of Stores without Quotation

Purchase of Stores up to a value of **Rs. 15,000/-** on each occasion may be made without inviting quotations/bids by the competent authority on the basis of a certificate to be recorded by him in the following format:

"I, _____ am personally satisfied that these Stores purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price."

Purchase of Stores by Local Purchase Committee

Purchase of Stores costing **above Rs. 15,000/- and up to Rs. 1,00,000/-** on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee **consisting of three members of an appropriate level** as decided by the Head of the Department after inviting quotations. The Committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier. Before recommending placement of the purchase order the members of the committee will jointly record a certificate as under:

"Certified that we _____, members of the purchase committee are jointly and individually satisfied that the Stores recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the Stores in question."

Purchase of Stores by obtaining Quotations/ Tenders.

Except for the purchase of Stores through the methods mentioned above, a Purchasing Officer should obtain stores by inviting quotations/ tenders.

Quotation

1. Quotations may be invited if the estimated value of the stores to be purchased is **between Rs. 15,000/- to less than Rs.1,00,000/-**.
2. Copies of Quotation Notice regarding the general conditions of the supply, specification of article etc., **should be supplied to all firms to whom enquiries were/are sent.**

Quotation Notice

1. Quotations are to be invited in sealed covers/envelopes.
2. The rates quoted should be for delivery of the articles at the place mentioned in the schedule.
3. The necessary superscription, due date for the receipt of quotations, the date up to which the rates will have to remain firm for acceptance and the name and address of officer to whom the quotation is to be sent should be specified
4. Quotation received after the time fixed on the due date is liable to be rejected.
5. The maximum period required for delivery of the articles should also be mentioned.

The acceptance of the quotations will be subject the following conditions:-

1. The successful tenderer must within a fortnight/a month after the acceptance of his quotation furnish **5 per cent of the amount of the contract as security deposit and execute an agreement at his own cost for the satisfactory fulfillment of the contract, if so required.**
2. Withdrawal from the quotation after it is accepted or failure to supply within a specified time or according to specifications will entail cancellation of the order.
4. Quotations for the supply of materials are liable to be rejected unless samples, if called for of the materials tendered for are forwarded.
5. No representation for enhancement of price once accepted will be considered during the currency of the contract.
6. Any attempt on the part of tenderers or their agents to influence the Officers concerned in their favour by personal canvassing will disqualify the tenderers.
7. The quotation may be for the entire or part supplies. But the tenderers should be prepared to carry out such portion of the supplies included in their quotation as may be allotted to them.
8. The prices quoted should be inclusive of all taxes, duties, cesses, etc., which are or may become payable by the contractor under existing or future laws or rules of the country of origin/supply or delivery during the course of execution of the contract.
9. The tenderers shall quote also the percentage of rebate (discount) offered by them in case the payment is made promptly within fifteen days/within one month of taking forwarded.
10. Any sum of money due and payable to the successful tenderer or contractor from Government shall be adjusted against any sum of money due to Government from him under any other contracts.

(A specimen of the quotation notice is attached)

It is not obligatory to publish quotation notices in the Gazette. **Short Quotation Notice may, however, be published in the newspapers and Government website.**

Tenders

Tenders should be invited, if the estimated value of the stores to be purchased is **Rs. 1, 00,000/- or above** through any one of the three types of the tender mentioned below as the case may be:

1. Limited Tender
2. Advertised Tender (Open Tender)
3. Single Tender (Private Purchase)

Limited Tender

1. The limited tender system may be adopted whenever the estimated value of the order to be given is **between Rs.1,00,000/- but less than Rs.10,00,000/-**.
2. The limited tender system may also be adopted instead of the open tender system even when the estimated value of the stores to be purchased is **above Rs.10,00,000/-** in the following cases:-

- (i) When there are sufficient reasons for holding that it is not in the public interest to call for tenders by advertisement. In every such case the purchasing officer must record the reasons and communicate them to the Accountant General, confidentially, if necessary.
- (ii) When the Purchasing Officer is satisfied that there is serious risk or inconvenience or loss to the public service by arranging the purchase by the Open Tender system or when the articles are urgently required.

In every such case the Purchasing Officer must place on record the nature of the urgency and the reasons why a deviation from the general rule has been rendered necessary.

Copies of the bidding document should be sent, free of cost, directly by speed post/registered post/courier/e-mail, simultaneously to all the firms, which are borne on the list of **Registered Suppliers*** for the Stores in question. **The number of supplier firms in Limited Tender should be more than three.** Efforts should be made to identify a higher number of approved suppliers to obtain more eligible bids on competitive basis. Website publicity should also be given for Limited Tenders.

** With a view to establish reliable sources for procurement of Stores commonly required for government use, the Stores Purchase Department will prepare and maintain item-wise Register of eligible and qualified (i.e., capable) suppliers. Such approved suppliers will be known as “Registered Suppliers”. All Departments may utilise the services of the Registered Suppliers as and when necessary. Such registered suppliers are prima facie eligible for consideration for procurement of Stores through Limited Tender Enquiry. They are also ordinarily exempted from furnishing earnest money deposit/bid security with their tenders.*

Advertised Tender (Open Tender)

1. The open tender system, i.e., invitation to tender by public advertisement, should be used as a general rule and must be adopted, subject to the exceptions mentioned below, whenever the estimated value of the contract is **Rs. 10,00,000/- or more.**
2. In all cases of open tender, it is essential that wide publicity is given to the tender notification. Short tender notices should be published in the Stores Purchase Sheet of the Kerala Gazette and in the Government website. If the nature of the articles required is such that better results can be obtained by advertisement, **short tender notices may also be published in one or more leading regional language newspapers and also in one or two issues of a leading English newspaper published in India** having wide circulation in the area from where the supplies are normally obtained.
3. Where a Department feels that the Stores of the required quality, specifications, etc., may not be available in the country and/or it is also necessary to look for suitable **competitive offers from abroad, the Department may send copies of the tender notice to the Indian Embassies abroad as well as to the Foreign Embassies in India requesting them to give wide publicity of the requirement in those countries.** They may also be requested to put the tender notice in their web sites.
1. The selection of the Embassies will depend on the possibility of availability of the required Stores in such countries. **Publicizing the requirement globally as above is also known as *Global Tender Enquiry.***

E-Procurement

1. **e-Government procurement shall be followed in all Government Departments/ Boards/Public Sector Undertakings for all tenders above Rs.25 lakh (G.O. (MS)No.18/2012/ITD dated 08.10.2012) by 31st March 2013.**
2. The Government had decided to implement the centrally financed **e-Government Procurement (e-GP) Mission Mode Project** in the State and constituted various committees for monitoring it.
 - (a) State Level Empowered Committee
The Empowered Committee shall function as the Core Committee for implementation of Centrally financed e-procurement MMP.

(b) Department readiness

The following activities need to be mandatorily ensured by each department prior to adoption of the e-procurement solution:

(i) Nominate a Nodal Officer

A Nodal Officer has to be nominated for co-ordinating the implementation of the project within the respective department. The Nodal Officer should be able to give the hierarchical and functional details of the department.

(ii) Prioritize & Identify Department users for training, in batches, in consultation with Kerala State Information Technology Mission.

(iii) Prioritize & Identify Department users for issuance of **Digital Signature Certificates (DSC)**.

(iv) Identification of officials to be trained as “Master Trainers” who in turn shall train other officials of the respective department.

(v) Strengthening of IT infrastructure viz., adequate PCs, constant internet connectivity (preferably, a dedicated high-speed connection), etc., of all departmental offices publishing tenders using e-Procurement system.

(c) Standard Bid Document (SBD):

In order to follow a uniform procedure, a Standard Bidding Document (SBD) to be prepared for all the Departments of the State.

(d) Domain name registration: <http://www.etenders.kerala.gov.in> is approved as the URL for the e-procurement site of Kerala.

(e) Digital Signature Certificate (DSC):

The manual signature is proposed to be replaced by the Digital Signature Certificate and such usage is valid and the respective DSC user shall be responsible & accountable for any approvals given using his/her DSC. Necessary orders shall be issued for usage of Digital Signatures replacing the manual signatures in e-Procurement system.

(f) Project Management Unit (PMU):

As per one of the requirements of NIC for expediting & streamlining the implementation of the project, the Project Management Unit, shall be retained. The implementation of e-Government Procurement MMP project across the State shall be managed by this PMU which shall be established with funding from the State Government.

(g) Common e-mail-ID:

etendershelp@kerala.gov.in is approved as the common e-mail-id for addressing all queries/grievances pertaining to e-Procurement project.

3. Kerala State IT Mission (KSITM) shall be the implementing agency for e-Government procurement project across the State.
4. An e-tender Cell in Finance department shall closely monitor all e-tender activities of Government departments/PSUs implemented through the website e-tenders.kerala.gov.in. An Under Secretary/Deputy Secretary level officer shall be given additional charge of the Cell along with one Assistant Engineer/Assistant Executive Engineer level officer each from Public Works Department and Water Resources Department as domain experts and one representative from IT department

NOTE: 1. Under the e-procurement system, the invitation to tender is only to registered vendors.

3. ***The tender notifications, bid clarifications, corrigendum and addendum, minutes of the pre-bid meeting, etc., will be published in the e GP portal and shall be the sole mode of official communication to the vendors.***
4. ***However, consolidated advertisements in one regional and one national daily may be issued for e procurement.***
5. ***Short tender notices should also be published in the Stores Purchase Sheet of Kerala Gazette.***

Single Tender (Private Purchase)

1. Obtaining quotation by issuing single tender enquiry to a selected source amounts to purchase without generating competition.
2. This mode of purchase should be resorted to only in unavoidable situations.

The single tender system may be adopted:

- (i) In the case of a small order or when the articles required are of a proprietary character and competition is not expected to be advantageous.

Note-1: For this purpose, a small order means an order the value of which does not exceed Rs. 5000/- or, if more than one kind of article is ordered at one time, the total value of which does not exceed Rs.10000/-.

Note-2: The word proprietary is defined as an item which is manufactured by one and only one manufacturer and/or which is a patent or speciality to which tender system cannot be applied with advantage.

- (ii) When, owing to the greater promptitude of supply by particular agencies of the special manufacturer of some articles by certain firms, substantial

economy can be effected by deviating from the tender system, officers may purchase such articles direct from the firms or agencies concerned.

- (iii) In a case of emergency, the required stores are necessarily to be purchased from a particular source subject to the reason for such decision being recorded and approval of the competent authority obtained.
- (iv) For standardization of machinery or components or spare parts to be compatible to the existing sets of machinery/equipment (on the advice of a competent technical expert and approved by the competent authority), the required stores are to be purchased only from a selected firm.

Format of Tenders

For all purchases involving **Rs.1,00,000/- or more**, tender forms should ordinarily be prescribed and issued by the purchasing officer at prices according to the scale approved by Government.

Cost of Tender Documents

- (i) Ordinary tenders involving supply of stores:

(1)	(2)	(3)
Estimated cost of materials for which tenders are invited	Original copy each (Rs.)	Duplicate Copy each (Rs.)
Above Rs.1,00,000/- & up to Rs.10.00 lakh	0.2% of the cost of tender rounded to the nearest multiple of Rs.100, subject to a minimum of Rs. 400/- and maximumRs.1500/- + VAT as applicable	50% of the cost of the original copy, upper rounded to the nearest multiple of Rs.100 + VAT as applicable
Above Rs.10.00 lakh	0.15% of the cost of tender rounded to the nearest multiple of 100, subject to a maximum of Rs. 25000/- + VAT as applicable	50% of the cost of the original copy, upper rounded to the nearest multiple of 100 + VAT as applicable

- (ii) Special tenders with drawing, etc., involving erection of plant and machinery.

(1)	(2)	(3)
Estimated cost of materials for which tenders are invited	Original copy each (Rs.)	Duplicate copy each (Rs.)
Up to Rs. 10 lakh	0.25% of the cost of tender rounded to the nearest multiple of Rs. 100 + VAT as applicable	50% of the cost of the original copy rounded to the nearest multiple of Rs. 100 + VAT as applicable
Above Rs.10 lakh	0.20% of the cost of tender rounded to the nearest multiple of Rs. 100 + VAT as applicable	50% of the cost of the original copy rounded to the nearest multiple of Rs. 100 + VAT as applicable

General conditions of the contract for plant, machinery and manufactured equipment should be usually supplied with the special tender form and extra copy at Rs. 200 per copy.

Ordinarily duplicate copies of tender forms should be issued only to firms or individuals who have purchased the original copy. **But in the case of special tenders duplicate can be issued to applicants for reference even if they have not purchased the original copy.** But in such cases care should be taken to see that the tenders are submitted only in original copies.

The cost of tender forms may be accepted in cash, DD or by M.O. only. Postal orders, postal stamps or bank cheques should not be accepted. No forms should be sent by V.P.P. or in advance.

In certain other cases even though the amount involved is more than Rs. 1,00,000/-, priced tender forms may not be desirable e.g., fuel oils, motor vehicles, etc.

In all cases of Rate/Running contract, priced tender forms are essential irrespective of the amount involved unless otherwise decided by Government. Free tenders (or quotations) may be invited in all cases of Limited Tender or Single Tender system. In such cases, the tendering firms can submit their tenders in their own commercial letter papers.

A tenderer may download the tender form from the official website of Government of Kerala. In that case the tenderer should remit the cost of the tender

form by Demand Draft of Nationalised Banks and should submit such tenders along with the cost.

Invitation of Tenders

- (i) Before inviting tenders every officer should estimate his requirements for the year as far as he can foresee and regulate the time of his purchases according to the state of market and stock position of stores of his Department.
 - (a) Tenders can be invited even during the previous financial year for normal and recurring supplies likely to be required by various Departments in the succeeding year. But actual financial commitment should be entered into only after the Budget is passed by the Legislature.
 - (b) In the case of requirements of bulk or costly machinery for which competitive quotations can be obtained for forward delivery, tenders should be invited well in advance of the requirements so that stock purchases at prohibitive prices are avoided.
 - (c) Rush purchases towards the end of the financial year should be avoided. The Financial Rules require that expenditure which might otherwise be postponed should not be incurred in the last month of the financial year solely with a view to prevent lapses of the budget grants. Such rush purchases have an undesirable effect; in that the strict observance of the rules regarding invitation of the tenders, proper scrutiny of offers, etc., are rendered impossible at such high pressure and leads to waste, confusion and delay.
- (ii) The articles should properly be classified under different trade groups according to the approved classification. Tenders should then be invited separately for each group.
 - (a) The tenders should not be made unwieldy by including too many items of different kinds of materials in the same tender. Where purchases are large one tender notice should normally contain only one kind or class of articles.
 - (b) Requirements should be correctly estimated. After inviting tenders the quantity should not be varied materially. It is wrong economy to purchase bulk quantities at retail prices.
 - (c) Indents of the different institutions or sections under the same Head of Department should be classified and bulked into a single list.
 - (d) The names of Stores should be arranged in a clear, intelligible manner. Alphabetical arrangement is desirable. Each item should be given correct and adequate specifications.

- (iii) The requirements of the same or similar materials should be consolidated and tenders invited in order to secure the advantage of competitive prices for bulk supply. Tenders should not be invited by the same Department for the same class of materials several times during the same year.
- (iv) Tender specifications should be carefully and correctly drawn up so that there is no ambiguity about the correct type, size, packing etc., of materials required. There should be no room for changes in specification after inviting tenders.
- (vi) (a) Comprehensive specifications of plant, machinery and specialized equipment should be given with the term “or similar” added wherever possible.
(b) Where there is lack of experience of any particular type of equipment and full specifications cannot be furnished, preliminary enquiries should be made in the first instance and the offers got examined by technical experts who should then draw up comprehensive specification for inviting the formal tender.
(c) Tenderers should be allowed to quote for all the items included in a tender or a part thereof. They should also be allowed to make suitable alternative offers.
- (v) A Purchasing Officer who invites tenders for the supply of stores may exercise full discretion regarding the place of delivery to be specified in the invitation of tender. When tenders are invited for the supply of plant and equipment and the successful tenderer is to erect the plant at site, the appropriate conditions in regard to delivery at site should be included in the invitation of tender or in the general specifications.
- (vi) As provided in Article 148 (b) of Kerala Financial Code, Volume I, all articles required for use in the public service shall be purchased on the condition that delivery shall be made in India for payments in Rupees in India. Except in special cases, full payment should not be made for any stores against shipping or railway documents, and payment should be completed only after the Receiving Officer has taken delivery of stores and found them to be satisfactory in every respect.
- (vii) In all cases of invitation of tenders, care should be taken to see that sufficient time is allowed to the tenderers to submit their tenders. In fixing the date for the receipt of tenders, the Purchasing Officer should take into account the time required for publicity, for the receipt of the tender forms by the tenderers and the preparation and despatch of the tenders. He may exercise his discretion about the last date for the receipt of tenders keeping in mind the nature and supply position of the articles required to be purchased. The following minima are suggested:-
 - (a) For ordinary stores which can be procured from the Indian Market – **15 days.**

- (b) For machinery and plant which have necessarily to be imported-**Two months**
- (c) For heavy equipment involving foreign manufacture of plant and machinery, their import and erection – **Three months**.
- (viii) The invitation should also specify a period of firmness during which the tenderers are to keep their rate firm. The time fixed for firmness of offers should be enough to cover the normal delay expected in placing supply orders after going through all the formalities. It is necessary that regard should be had to the fluctuating nature of the markets in fixing these periods. Long firmness periods such as 6 or 8 months should be avoided. The following periods of firmness may generally be prescribed:-
- (a) All ordinary items of stores-**Two months**.
- (b) Important tenders involving manufacturer, supply and erection such as heavy electrical plants, machinery, steel structures etc.-. **Three months**
- (c) For stores which are in short supply in the country and the prices of which are subject to violent fluctuations, a maximum period **of one month or even less** may be fixed. A week or two is better.
- (d) It is important that in all cases decisions regarding the selection of offers are taken promptly and acceptances communicated to, or supply orders placed with the selected firms before the period of firmness expires.

Two Bid System

1. For purchasing capital equipment, high value plant, machinery, etc., of complex and technical nature, tender enquiry document, complete in all respects, may be issued as usual.
2. However, the tenderers should be asked to bifurcate their quotation in two parts. The first part is to contain the relevant technical specifications and allied commercial details as required in terms of the tender enquiry documents and the second part should contain only the price quotation.
3. The first part is commonly known as '**Technical Bid**' and the second part '**Financial Bid**'.
4. The technical bid and the financial bid should be sealed by the tenderer in separate covers duly super scribed.
5. Both these sealed covers are to be put in a bigger cover which should also be sealed and duly super scribed following similar procedure as prescribed.
6. The technical bids are to be opened in the first instance, at the prescribed time & date and the same will be scrutinized and evaluated by the competent

committee/authority with reference to parameters prescribed in the tender documents and the offers received from the tenderers.

7. Thereafter, in the second stage, the financial bids of only the technically acceptable offers (as decided in the first stage above) are to be opened for further scrutiny, evaluation, ranking and placement of contract.

Earnest Money Deposit (EMD)

1. One percent (1%) of the total cost of stores tendered for should be taken as EMD for every tender involving **Rs.100000/- or more** and for special tenders. This is subject to a **minimum of Rs.1500/-**.
2. The EMD should remain valid for a period of **45 days** beyond the final tender validity period.
3. No earnest money or security deposit is necessary in respect of supplies from Government Institutions/ State Public Sector Industries/ State Government Departmental units.
4. Firms whose names are on the Register of approved suppliers kept by the Stores Purchase Department and who are registered with the Director General of Supplies and Disposals, New Delhi are exempted from furnishing earnest money for tenders in respect of stores for which they have registered as suppliers of stores.
5. But, this exemption will not be given in the case of tenders for rate/ running contracts.

Receipt and opening of Tenders

1. A register should be maintained to show the details of the tenders invited the names of tenderers the date of receipt, date of opening etc. of tenders and quotations.
2. The tenders received should be serially numbered and entered in this register and then kept under lock and key by the Head of office until taken out on the opening date.
3. The tenders should be opened (in the presence of any of the tenderers who may be present) by the Head of office or by other responsible officer but not by subordinate.
4. They should be opened in the same order in which they have been received.
5. Each tender or quotation opened should be serially numbered and initialed by the officer with date and time.
6. The envelopes in which tenders are received should be prescribed along

with the tenders for the purpose of record.

7. The tender files and the envelopes with the orders of the purchasing officer or of Government accepting one or more tenders should be carefully reserved for five years at the least.

Entertainment of Tenders

Tenders shall be excluded in the following cases:-

- (i) When the tenders are not in the prescribed form (where forms are prescribed)
- (ii) When the tender is not accompanied by requisite earnest money (where earnest money is prescribed).
- (iii) When the tender is not signed by the tenderer.
- (iv) When the tender is from a black-listed firm or a banned firm.
- (v) When the tender is received late

Note: (1) On no account tenders received after the time fixed for the opening of the tenders shall be considered.

(2) Tenders received by post after the date and time fixed for their receipt, but before the time fixed for opening of the tenders shall also be considered, provided the officer concerned is satisfied that the delay occurred in postal transit

Acceptance of Tender

1. The various tenders received should be **compared in terms of price, quality, terms of delivery, terms of payment etc.**
2. Other conditions being equal, the lowest tender should be accepted and in cases where the lowest tender is not accepted, the reasons for it should be recorded.
3. In selecting offers, the cheapness etc. of each individual item should be taken into account.
4. In the case of purchase of costly sophisticated machinery/instruments, arrangements should be made for pre supply inspection of the machinery/ instruments by the Purchasing Officers or by the technical experts authorized for the purpose by the Purchasing Officers.
5. When there are two or more offers for an article at the same rate and governed by similar conditions, the contract may be divided equally among the tenderers provided they are all well known. Otherwise, the previous contractor whose performance was satisfactory should be

preferred.

6. In selecting offers, the cheapness etc. of each individual item should be taken into account.
7. Sometimes the purchase department may not receive sufficient number of tenders. A situation may also arise where, after analyzing the tenders, the purchase department ends up with one eligible tenderer. In such situations, the purchase department is first to check whether, while floating/issuing the tender enquiry, all necessary requirements like standard tender enquiry conditions, industry friendly specification, wide publicity, sufficient time for formulation of tenders, etc. were fulfilled. If not, the tender is to be re-issued/re-floated after rectifying the deficiencies. **However, if after scrutiny it is found that all such aspects were fully taken care of and in spite of that the purchaser ends up with one eligible tender only, then contract may be placed on that tenderer provided the quoted price is reasonable.**

Price not Reasonable

If L1's price is not reasonable, then, in the first place, the purchase department is to review its own data & details to recheck whether the reasonable price so arrived is correct or not. If it is correct, the purchase department may, strictly as an exception, negotiate the price only with the lowest evaluated eligible tender (L1) in an attempt to bring down the same. If L1 reduces the price to the desired level, contract may be placed on it but if it does not agree, then further action like re-tendering, etc., may be decided by the purchase department depending on the merits of the case.

Dividing the Quantity

1. As per standard procedure, each schedule of requirement incorporated in the tender enquiry document is to be covered on the lowest eligible tenderer for that schedule without dividing the same.
2. The tenderer who does not quote for the complete schedule as required is normally to be treated as ineligible and ignored.
3. However, there may be special occasions of purchase of very large quantities of Stores which are beyond the capacity of a single tenderer and the lowest eligible tenderer is unable to take the load of the entire quantity.

4. In such cases, the remaining quantity may be ordered on the second lowest eligible tenderer (L2) at the rates offered by the lowest eligible tenders (L1), as far as feasible and for this purpose negotiation may be held with the above tenderer (viz. L2).

When the total cost of the articles to be purchased at a time is beyond the financial powers of the purchasing officer, he should forward the tenders received and other relevant records together with his recommendations to the higher authorities or the Government, as the case may be, for orders.

Communication of Acceptance

1. When a tender has been once accepted finally, such acceptance shall be communicated to the successful tenderer in the most expeditious manner.
2. A formal Supply Order should also be placed with the successful tenderer simultaneously.
3. The supply order should furnish the description, quantity and price of the articles to be supplied.
4. It should prescribe the terms of delivery and terms of payment.

Performance Security

1. To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder who is awarded the contract.
2. Performance Security is to be obtained from every successful bidder irrespective of its registration status, etc., **for a contract value above Rs. 1,00,000/-.**
3. Performance Security may be furnished in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a Commercial bank or Bank Guarantee from a Commercial bank.
4. **No security should be demanded or taken from any Government institutions which supply stores.**
5. This provision will apply in the matter of purchase of stores from Government of India undertakings as well.
6. Performance security is to be forfeited and credited to the Government in the event of a breach of contract by the supplier, in terms of the relevant contract.

Agreement

1. An agreement should be entered into with the successful tenderer (in stamp paper worth Rs.100) embodying the conditions of the order and providing necessary penal clauses for any breach of the conditions of the contract.
2. In the case of purchases costing above Rs.1,00,000 the purchasing officer shall forward a draft agreement to the firms along with the supply order directing them that the consignments need be sent only after executing the agreement.
3. If any firm despatch the goods before execution of the agreement, they should be held liable for the demurrage charges, if any.

The following rules are laid down for the destruction of agreement relating to Stores

- (i) Agreement relating to plant and machinery will be destroyed **after a period of 30 years** after the date of the agreements if the rights, duties under the agreements have been settled.
- (ii) Other agreements will be destroyed **after a period of ten years** after the rights and duties under the agreements have been settled.

Purchase from Government Sources

1. Products manufactured by State Government Institutions/Departments and State Public Sector Industries and institutions will be purchased from them exclusively without tenders for the first five years after they have gone into production, the prices being fixed by negotiation.
2. Prior to such negotiation the purchasing authority should ascertain the normal market prices by enquiry from as large a number of suppliers as possible.
3. If the price required by the State Government Departmental Unit and State Public Sector Industry and Institution is over 25 per cent above the normal market prices, the price to be reviewed and finalized by the Minister in charge of the organization/by the Minister in charge of the department which makes the purchase respectively.
4. If even after such review the cost and the prices are over 25 per cent above the normal market prices, the purchase should be finalized only after consideration by the Council of Ministers.

Rate and Running Contracts

1. A running contract is a contract for the supply of an approximate quantity of stores at a specified price during a certain period. **Running contracts may be**

settled for the supply of articles at intervals during a whole year or a part thereof. For all running contracts, tenders with earnest money should be invited irrespective of the amount involved.

2. A rate contract is a contract for the supply of stores at specified rates during the period covered by the contract. **No quantities are usually mentioned in the contract, and the contractor is bound to accept any order which may be placed upon him at the rates specified within the contract period.**

DGS & D Rate/ Running Contracts

1. The Director General of Supplies and Disposals, New Delhi is concluding every year rate and/or running contract for a number of articles. Purchasing officers can avail themselves of these contracts wherever it is economical and easier to do so.
2. They should keep themselves conversant with the rules and procedure of the Director General of Supplies and Disposals Rate Contracts.
3. In respect of purchases as per rate contracts settled by the Director General of Supplies and Disposals and the State Government, **purchase sanction from Government is not necessary, provided that it is specified while issuing administrative sanction that the purchase will be made as per DGS&D/ State Rate Contracts.**

Purchase of Furniture

1. Heads of Departments and Officers should see that the furniture required for the offices and the institutions under their control is made of superior wood only, such as teak, jack wood and black wood.
2. Officers authorised to make local purchase of furniture may obtain Administrative and purchase sanction of Government for the purchase of furniture even from Government Sources."

Receipt and verification of stores

1. The officer who receives the stores should himself verify the articles received with reference to the approved samples, if any, and take them to stock soon after they are received.
2. Any article which is not new or which does not conform to standard specification or to approved samples or which is different from those ordered for or which is damaged or defective in any respect should not be accepted.

Payment on stores

1. As a general rule, payment for supplies is not permissible unless stores have been received, verified and taken to stock and provision for the observance of this rule should ordinarily be made in all contracts for the supply of goods.
2. Payment prior to verification of quantity and quality of material is permissible only in very exceptional cases in which the operation of the above rule might result in hardship, as for example, when costly stores are ordered from a distant firm and delay in payment is anticipated.
3. In such cases, a part of the cost of the consignment (not exceeding 90%) to a distant firm may be paid in advance on receipt of the railway receipt for despatch or bill of lading provided the firm or contractor is of well known standing and provided an agreement is taken before hand with the contractor or firm to secure Government against all loss in the event of materials being found short or defective on checking.
4. In very exceptional cases, payment up to the full value against proof of despatch may be made with the prior sanction of Government.
5. Heads of Departments may effect 100% payment in very exceptional cases, if the amount involved is less than Rs.5000 and the above conditions are satisfied.
6. The officer who maintains the stock register must himself receive the new stock. He should enter the details in the register and certify on the office copy of the bill that the new purchase in question has been duly taken on to the stock account.
7. Payment should ordinarily be made immediately after the stores are taken to stock. In no case should the payment be delayed for more than thirty days from the date of receipt of stores. If in any case delay in payment is anticipated, the reasons for such delay should be intimated to the supplier.
8. Receipts should be obtained for payments in cash/DD/cheque.

Note: It is important that the payment should be made as expeditiously as possible after their presentation, as otherwise claims for interest might arise ending in litigation. Such a contingency should be avoided.

Payment for foreign purchase

- (i) Payments should be made in Indian rupees. Payment in any other currency and in any other country requires prior sanction of Government.

- (ii) Payment to firms abroad is arranged by the Accountant General through the State Bank of India or any other bank on production of invoices, etc. supported by the certificates of the inspection agents, if any. The invoice received by the Purchasing Officer will be transmitted to the Accountant – General after counter-signature by competent authority with the stock certificates, and the head of debit noted thereon.
- (iii) Payment for supplies arranged by the Accountant General through India Stores Department, London or the India Supply Mission, Washington will be made in accordance with the terms of payment agreed to by those bodies with the contractors. All such payments will be arranged by the Accountant General.
- (iv) In respect of foreign orders in which payment of a portion or full value of the articles against shipping document or on arrival of the goods at the port is stipulated in the contract, under proper authority, such payments will be authorised by the Accountant General immediately on receipt of information from the Purchasing Officer that the documents have been received by the Bank from the suppliers or that the goods have arrived at the port. The balance value, if any, will be arranged to be paid on receipt by the Accountant General on a requisition from the Purchasing Officer with the necessary certificates in the invoice.
- (v) In the case of balance withheld in the first instance from the firm's invoices and which have to be authorised for payment after verification of the materials by Departments, the officers concerned should see that the materials are verified immediately on receipt and that requisitions to the Accountant General for the payment of the balances withheld are issued not later than a month from the date of receipt of the materials.
- (vi) In cases in which there is no agreement regarding payment in advance, payment will be arranged only after the articles have been actually received and brought to account.
- (vii) In the case of advance payments to be made with order or during the course of manufacture or before despatch of materials prior sanction of Government is necessary.
- (vi) Since payments in any foreign currency require the sanction of Government of India, no Purchasing Officer should make any commitments to pay in foreign currency before obtaining such sanction.

- (viii) The firms will produce stamped pre-receipted invoices in all cases where payments (advance/final) for release of railway receipts/shipping documents are made through Banks. In exceptional cases where the stamped receipts of the firms are not received for payments (in advance) the unstamped receipt of the bank (i.e., counterfoils of pay-in-slips issued by the Bank) alone may be accepted as a valid proof for the payment made.

Annual Maintenance Contract

1. Some goods, especially sophisticated equipment and machinery (like Machineries, Electric/Electronics equipment, Computer Hardware, Software, all kinds of vehicles, etc.), need proper maintenance for trouble free service. For this purpose, the purchase department may enter into maintenance contract.
2. It must however be kept in mind that maintenance contract is **to start after the expiry of the warranty period, during which period the goods are to be maintained free of cost by the supplier.**
3. Maintenance contract may be entered into either with the manufacturer/supplier of the goods or with a competent and eligible firm, not necessarily the manufacturer/ supplier of the goods in question.

Payment by Letter of Credit

1. Payment to foreign suppliers are ordinarily made by Letters of Credit (LC) opened by the State Bank of India/State Bank of Travancore/authorized Bank as decided by the purchasing department.
2. Two banks are involved for payment to the supplier by Letter of Credit – purchaser's bank and supplier's bank.
3. The purchaser is to forward the request to its bank in the prescribed format as formulated by State Bank of India/State Bank of Travancore, along with all relevant details including authenticated copy of the contract.
4. Based on the same, the purchaser's bank opens letter of credit on behalf of the purchaser for transacting payment to the supplier through the supplier's bank.

Purchases towards the fag end of the financial year

1. Rush purchases towards the end of the financial year should be avoided.
2. The Financial Rules require that expenditure which might otherwise be postponed should not be incurred in the last month of the financial year solely with a view to prevent lapse of the budget grants.

3. Such rush purchases have an undesirable effect; in that the strict observance of the rules regarding invitation of the tenders, proper scrutiny of offers etc. are rendered impossible at such high pressure. **Hasty purchases cannot but lead to waste, confusion and delay.**

Procedure to be followed while purchasing stores

1. There should be sufficient funds to meet the expenditure.
2. There should be valid Administrative and Purchase Sanction for effecting the purchase.
3. Administrative Sanction issued should be within the delegated financial powers of the Officer.
4. The purchase should be made after calling for quotations/tenders as required under the rules.
5. Copies of quotation notice (in the case of purchase through quotation) regarding the general conditions of the supply, specification of article, etc should be supplied to all firms to whom enquiries were/are sent.
6. Wide publicity should be given to the tender notification (in the case of purchase through open tender).
7. Tenders should be obtained in the prescribed form issued by the Purchasing Officer.
8. The requirements should be correctly estimated. After inviting tenders the quantity should not be varied materially.
9. Correct and adequate specifications should be given in respect of the items proposed to be purchased. There should be no room for changes in specifications after inviting tenders.
10. A Register in **Form No.15 of the KFC, Vol.11** should be maintained to show the details of the tenders invited, the names of tenderers, the date of receipt, date of opening etc.of tenders and quotations.
11. The tenders received should be serially numbered and entered in the Register.
12. Tabulation statement of rates quoted should be prepared and authenticated by the competent purchasing or recommending officer.
13. The tenders should be compared in respect of price, quality, terms of delivery, terms of payment etc. and the lowest tender should be accepted other conditions being equal.

14. Specific reason for accepting an item which is not the lowest should be recorded.
15. The letter of acceptance should be communicated to the successful tenderer.
16. A formal supply order should be placed with the successful tenderer.
17. Security deposit should be accepted and agreement in stamp paper should be executed.
18. Payment for supplies should not be made before the stores are received, verified and taken to stock.
19. Provision for the observance of this rule should ordinarily be made in all contracts for the supply of goods.
20. Payment should ordinarily be made immediately after the stores are taken to stock.
21. Receipts should be obtained for payments in cash/DD/cheque

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