

PROCUREMENT AND WORKS POLICY

As updated till 7.2.2016

I. Introduction

This policy paper lays down the broad guidelines to be followed in the acquisition of equipment, materials and services for the Organisation. The policy has been formulated to permit centralised policy making and decentralised execution and administration with a view to achieving the organisational goals in the most efficient, and effective manner.

II. Objective

The objective of this policy note as part of the Materials and works Management Functions in the organisation is to make available, the needed equipment, material, works and services in the right quality and quantity, at the right time and at the right price after giving fair and equal chance to tenderers, subject to the policy guidelines laid down herein, so as to obtain the optimum value for each unit of expenditure.

A. PROCUREMENT POLICY

1.1 Contract Services and Materials Management Services.

Procurement activities to be undertaken by NTPC are to satisfy varying project requirement of equipment, materials and services. Any procurement requiring adherence to the IDA procurement procedures, long equipment delivery periods, intense engineering co-ordination or specialised engineering knowledge during procurement, etc. would be classified as category 'A' contracts. All other procurement contracts pertaining to a project will be classified as category 'B' contracts. The responsibility for category 'A' contracts for all the projects and related to pre-tender planning, registration of contractors, award of contracts, monitoring and post-contract follow-up till the delivery of equipment from the supplier's works will be that of the Central Contract Services in the Technical Services Division. The receipt and erection of the plant and machinery including the storage of 'A' Category items whenever to be done by NTPC and the co-ordination in all commercial and other matters thereafter, procurement of construction equipment and execution of civil works shall be the responsibility of the Project Management. For this, a separate detailed system for co-ordination also identifying the division of responsibility between the departments shall be developed by the Project Management. The entire responsibility for all contract activities related to category 'B' contracts will be that of Materials Management Services under the General Managers of the projects. For this purpose, the contracts falling under category 'A' will be identified and listed in respect of each project and all other contracts will be deemed to fall under category 'B'. Though the areas and functional responsibility for the two Responsibility Centres for procurement will be defined for each project, there shall be close co-ordination in the planning of procurement activities between the projects Materials Management Service and the Central Contract Services.

1.2 Procurement action will be initiated on the basis of approved indents/requisitions indicating budget and project estimate provisions.

1.3 The Contract Services/Materials Management Services will receive the requisition/indents for the procurement of materials/equipment/services duly approved by the competent authority, keep themselves informed concerning sources of supply, prices/rates, freight, taxes, lead time, etc. and plan and organise procurement action, maintain a keen follow-up and organise quality control till the order is executed and also arrange systematic co-ordination by means of proper contract administration.

1.4 The Central Contract Services will be oriented and guided by the important factor that project schedule is to be strictly adhered to. Accordingly, each contract will incorporate as a part of the contract, a detailed network for design, manufacturing and erection/construction cycle, these networks and schedules will be developed by

the respective contractors as a necessary requirement of each contract and mutually agreed before the award of the Contract.

- 1.5 The continuous monitoring of these agreed schedules for design and manufacturing will also call for expertise in the Central Contract Services for expediting at manufacturers works. For efficient rendering of this service to the Projects, Central Contract Services will develop a reporting system to keep General Managers of the Projects informed of the progress. Timely execution of the Projects will be the overall responsibility of General Managers of the Projects. For monitoring of schedules of construction/erection, the Project Management would develop their own systems and procedures for setting and reviewing short time-monthly, weekly and daily – physical targets jointly with the construction/erection agency.
- 1.6 The Central Contract Services will also have a quality assurance (Q.A.) group to ensure that proper quality is built into the materials, machinery and services made available to the Site. This group will make sure that the quality requirements are identified in the procurement specifications. This group will be constantly working on the development of systematic steps to be followed during all phases of the procurement activities. This Q.A. Group will also technically guide and control the specialised field Q.A. activities under the Project Management. A detailed system and procedure for Q.A. activities under the General Manager will be evolved separately.
- 1.7 Inspection at manufacturer's works for all category 'A' contracts will also form an integral part of the responsibilities of Central Contract Services, without which no quality standard can be enforced. It is however envisaged that inspection at the site for all contracts and at manufacturer's works for category 'B' contracts will remain the responsibility of the General Managers of the Projects.
- 1.8 In respect of contracts where installation and erection is vital for the total completion of the job and problems of co-ordination arise, it shall be the general policy to award supply-cum-erection contracts so that single source responsibility is defined clearly and project schedules are adhered to.

2. Procurement through Tenders

2.1 Open Tender

- 2.1.1 Attention of all known, reliable and proven sources of supply of particular equipment/material/services will be drawn to the requirements of NTPC and allowed to quote. For the above purpose, advertisements in two or more leading newspapers of all-India repute in addition to one or two local newspapers of the area, where the work is to be executed or supplies made, may be issued.
- 2.1.2 Qualification requirements could also be specified in the tender advertisement where considered necessary, so that only reliable parties are invited to quote. In such cases, the tender evaluation will take into consideration that the qualification requirements specified in the advertisement have been fulfilled by the tenderers.
- 2.1.3 In cases where all possible sources for a particular requirement are known, addressing to these parties in lieu of the publication in newspapers will serve the purpose.

2.2 Limited Tender

- 2.2.1 Limited tender shall be invited, only for items with estimated values not exceeding the ceiling limit as mentioned in DOP from all the parties in the approved list of vendors /

contractors. In cases where limited tender enquiries are sent to all parties in the approved list of vendors / contractors, for the purposes of application of DOP, the powers as applicable for Open Tender shall apply to such cases. Subject to para 9.1 of the policy, the case of acceptance of single response to the limited tender will be treated as a single tender for the purpose of delegation of powers. In exceptional cases, where the enquiry is not sent to all the approved vendors, the reasons for omitting certain vendors shall be recorded in writing while seeking approval for calling of tenders from Competent Authority. In such cases the powers in DOP, as applicable for Limited Tender, shall apply. Limited Tender Enquiry shall generally be invited from not less than four (4) parties amongst the list of approved vendors / contractors, except in exceptional circumstances where the number of approved vendors is less than four (4).

- 2.2.2 If for reasons of urgency or any other valid reason, limited tender is to be resorted to in preference to the open tender system, for package value exceeding the ceiling limit for LTE as mentioned in DOP the reasons therefor will be recorded in writing and approval of the competent authority obtained.
- 2.2.3 In the case of equipment/material/services which are of major value (i.e. where annual consumption is more than Rs.5 lakh per item) and are important on account of critical nature, engineering expertise and require long delivery time etc., a prequalification procedure, in order to avoid frivolous tenders, can be adopted for selecting the reliable parties to whom the tender enquiries may be floated. This will be done once in about three years by advertisement in two or more leading newspapers of all India repute, in addition to local newspapers of the area where the work is to be executed or supplies are to be made. The criteria for pre-qualification will interalia consist of past performance, financial soundness, technical competence, organisational capability etc., commensurate with the requirements. A screening committee consisting of representatives from Engineering / Indentor, Contracts, Finance and QA/ FES department shall be constituted for this purpose which will analyse and evaluate the responses to these advertisements and prepare a category list of the qualified contractors based on the qualification criteria, which shall be valid for about three years from the date of its preparation.
- 2.2.4 In the case of equipment/material/services with value less than Rs.5 Lakh annual consumption per item, lists of approved vendors shall be maintained on the basis of data available in Trade Journals, Manufacturer's directories or approved vendors list of State Government/ Central Government/ Central PSEs/ DGS & D and vendors to whom enquiries were floated in the past. These lists will be prepared and updated by a screening committee consisting of representatives from Engineering / Indentor, Contracts, Finance and QA/ FES department. and necessary changes therein will be made on the basis of vendor's performance and location of new sources etc. A general advertisement may also be issued if considered necessary by the General Manager in papers of all India repute, including local papers in which the Project is situated for obtaining the requisite vendor's data. These lists will be subject to the approval of the Competent Authority.
- 2.2.5 In case where the list of approved vendors is not available (viz. where the item / service is not required to be procured frequently or the requirement is one time etc.), the indenting department shall provide a list of prospective bidders in the field. The list shall be reviewed by a Committee comprising representatives from Indenting, C&M, QA/ FES and Finance Departments. Based on the approval of recommendations of the Committee, the list of approved bidders shall be used for the purposes of calling of Limited tenders.
- 2.2.6 The Competent Authority for according approval of the list of approved parties under 2.2.3 and 2.2.4 above shall be ED(CC&M) at Corporate Centre, ED (Region) at Region and GM or Head of Project/ Station/Unit. The list of approved parties under para 2.2.5 above shall, however, be approved at one level higher than the award approving authority for the procurement as per DOP. In case the award approving authority is higher than GM level, the approval of the list of approved parties shall be accorded by ED(CC&M) / ED (Region), as applicable.

2.3.1 Purchase of canalised items made from Public Sector Undertakings as per Government directives, will not be treated as single tender.

3. Period allowed for Quotation

Adequate notice will be given to the possible tenderers, which will not be less than fifteen days. The notice period could be reduced in suitable cases on grounds of urgency. Further, for limited tender confined to local suppliers, or single tender, the period could be reduced but so fixed as to be consistent with the suppliers ability to quote from the point of view of time.

4(A) The earnest money deposit as may be decided may be paid in any one of the following forms, to ensure that the tenderer enters into a contract after the same has been awarded to him.

- (a) Call deposit receipt duly pledged in favour of NTPC or pay order or demand draft.
- (b) Post-office/National Savings/National Defence Deposit Certificates duly endorsed in favour of NTPC.
- (c) Bank guarantee from a nationalised bank-irrevocable and operative till the validity of the offer.
- (d) Fixed deposit receipt issued by nationalised Banks endorsed in favour of NTPC.
- (e) Cheque in favour of NTPC duly certified by the Bank on whom it is drawn.
- (f) E-Payment by Credit Card/Debit card/Net Banking etc. or any other mode as deemed appropriate. **(Inserted through Office Order No 347/2016 dated 7.2.2016)**

4(B) The suppliers may also avail of the scheme of lumpsum deposit which will be treated as a standing deposit or earnest money for participation in bidding. Such deposit will not entitle the supplier to any interest thereon. It will be open to suppliers who have not registered themselves to participate after remitting earnest money as may be stipulated in each tender invitation.

4(C) The earnest money will be liable to be forfeited on revocation of tender before validity of the quotation expires or on refusal to enter into a contract after the award is made to the tenderer.

4(D) Earnest money given by unsuccessful tenderers will be refunded expeditiously after the award of the contracts.

5. Running and Rate Contracts

Where it is advantageous to have the supply of goods at a steady pace/at a fixed rate over a period of time , time bound running/rate contracts may be entered into, after following the procedure of invitation of tenders either on open or limited tender basis. The rate contracts entered into by DGS&D also, if advantageous, may be made use of for placing orders at the rates fixed thereunder.

5.1 There is no bar to placing of orders outside the rate/running contracts on the basis of open/limited tender, if that is regarded as advantageous.

6. Sundry Requirements

In case of necessity, when procurement action has to be made for small items/urgently, procurement may be made by the respective departments themselves for estimated value upto a ceiling limit of Rs. 10,000/- (Rs. 25,000/- in case of purchases from Public Sector/NTPC Co-operatives). For items exceeding value of Rs. 10,000/- but up to Rs. 25,000/- (in case of Public Sector/NTPC Co-operatives items value exceeding Rs. 25,000/- but up to Rs. 50,000/-) procurement may be made by a team consisting of indenting and materials representatives. However, beyond Rs. 25,000/- (beyond Rs. 50,000/- in case of Public Sector/NTPC Co-operatives) procurement shall be made by a purchase Committee consisting of representative from Contracts/Materials, Finance and Indenting Department. Quotations may be obtained and orders placed on the spot either on the basis of cash payment or by a letter order and cheque payment.

Note : The figures shall be as mentioned in DOP .

7. Repeat Orders

Repeat orders are normally to be avoided. However, repeat orders may be placed against previous orders placed on open or limited tender basis, without further going through the normal procedures, subject to the following :

- (a) The date of repeat order will not be more than 3 months after the completion of the earlier order.
- (b) Value of repeat order should not be more than the %age limit and value as mentioned in DOP.
- (c) A reasonable assessment by the Contract Services/Materials Management that there has been no downward trend in prices.
- (d) The prices against earlier order were not escalated to compensate for earlier deliveries.

Note : No repeat order ordinarily will be placed against previous order placed on single tender basis.

8.1 Tender Committee

8.1.1 In order to obviate delays in inter-departmental notings and cross references, a Tender Committee of officers representing Indenting Contract Services/Materials Management Services and Finance Departments will be constituted at a level appropriate to the value of each procurement, as may be determined for the purpose. The Committee will record in writing its recommendations in the matter.

8.1.2 If the recommendations of the Tender Committee are not acceptable to the competent authority, the reasons for non-acceptance shall be fully recorded.

8.1.3 Negotiations, if necessary, may be recommended by the Tender Committee and conducted with the approval of the competent authority.

9. Retendering

If there has not been adequate response to an open tender or if the prices quoted are substantially higher than the estimated prices and negotiation with the tenderers has not met with any positive response, a decision may be taken either to accept the tender or to re-tender.

9.1 In case of a single response against limited tender , or in case a ring is suspected, retendering will normally be resorted to. In exceptional circumstances, the tender may be accepted/negotiated, but the reasons therefor will be recorded in writing and submitted to the competent authority.

10. Emergent Procurement

In a planned procurement system, there is normally no occasion to take recourse to emergency purchases except in urgent and unforeseen circumstances. Since such procurement is normally made on single tender basis, it will be done only with the approval of the competent authority. A monthly report of such cases will be submitted to the Chairman & Managing Director through Director(Finance). If such purchases exceed a value of Rs. 5,00,000/- in each case, Board of Directors will be apprised of the same.

11. Tender opening and late Tenders

11.1.1 Tenders will be opened at the time indicated in the invitation to tender, in the presence of the representatives of the tenderers, if they present themselves and a representative of Finance. When the tenders are opened, the names of all present tenderers would be read out for the benefit of the tenderers present and where feasible the rates tendered will also be read out. Any omission or irregularity such as absence of signature of a tenderer, absence of earnest money deposit, references etc. may be pointed out on the spot for the information of representatives of the tenderers.

Alterations and erasures, if any, will be initialled by all officials at the time of opening. The quotations of each page of each tender should be encircled and also attested by the officials in token of authenticity.

- 11.1.2 Offer by telex/telegram may also be considered subject to the following :-
- (a) The offer is received in time before the tender opening;
 - (b) The offer indicates basic or essential features of the tender;
 - (c) It is followed by a letter offer, which has been posted at least a day before the date of opening of tender and has been received within a reasonable time;
 - (d) The letter offer fully conforms in all respects to the offer by telex/telegram;
 - (e) The consideration of the offer does not result in any unfair advantage over other tenders.
- 11.1.3 Normally delayed/late tenders will be rejected outright. However, late tenders may also be considered with specific approval of the competent authority in specific circumstances indicated below :
- (a) Scarcity conditions as reflected by lack of adequate response;
 - (b) Lowest acceptable tender is unreasonably high when compared with the last procurement rate;
 - (c) Artificial manipulation of rates by formation of a ring;
 - (d) Offer by all tenderers of the products of only one manufacturer; and
 - (e) Where substantial saving in foreign exchange is possible in each case.

NOTE : In respect of I.D.A. financed goods, the policy outlined above shall not apply.

12. Purchase Preference for Public Sector

Preference to Public Sector will be as directed by the Government from time to time. In the field of construction and design works, greater use should be made of the facilities and capacities developed by Public Sector Organisations.

13. Price Escalation

Procurement will normally be based on firm prices, excepting where material costs are likely to be dependent upon statutory variations or are liable to wide fluctuations as in the case of non-ferrous metals. Where escalations are accepted, the base price levels, variation factors to be applied and indices or documents to be produced to substantiate and determine such escalation, should be precisely stipulated in the purchase order.

14. Penalty/Liquidated Damages and Arbitration

The order placed may provide for a penalty/liquidated damages clause and also clause for arbitration governed by Arbitration & Conciliation Act, 1996. The order may also provide, as may be necessary for performance guarantee, etc.

B. WORKS POLICY

1. Works Contract

Works such as acquisition of land/buildings, construction of buildings, their maintenance and repairs, development of land, structural and mechanical, fabrication, electrical installation, plant and equipment completely installed (composite contracts) and all such works which are other than supply contracts may be regarded as works contracts.

2. The commencement of a work or the incurrance of any liability thereon shall be authorised by the competent authority. Ordinarily, no works may be commenced and no expenditure incurred on work until an estimate for it has been approved. This provision shall not, however, apply to minor works estimated to cost less than Rs. 5000/- each. Works can, however, be started on an Urgency Certificate when such works are urgently necessary to safeguard safety of plant and machinery or other assets or in an emergency arising out of unforeseen conditions. The Urgency Certificate shall be approved by the General

Manager. In such cases also, estimates should be prepared thereafter as early as practicable to regularise the expenditure.

3. Contract for Works

Works can be carried out departmentally or by contract as may be considered advantageous. Most of the civil engineering contracts shall be awarded by the General Manager (Projects) except those which are classified as category 'A' contracts for the particular project which will be processed by the Central Contract Services of Technical Services Division. The efficient execution of these contracts shall, however, be the responsibility of the General Manager (Projects). In awarding the works contract the general policy applicable to supply contracts vide Procurement Policy will be followed and the paras under the Works Policy will be supplemental to those. However, in regard to earnest money deposit, the provision indicated in para 4 below will apply.

4. Earnest Money

Earnest money at the rate of 2% of the estimate cost subject to a maximum of Rs. 50,000 should be paid by each tenderer to ensure that the tenderer executes the works after the same has been awarded to him. Earnest money may not be insisted upon in the case of Public Sector Undertakings. The standing earnest money deposit scheme vide para 4(B) of Procurement Policy will also be applicable to works contracts.

4.1. The earnest money shall be forfeited :

- (a) On revocation of the tender, or increase in rates after opening of the tender but before the validity of the quotation expires.
- (b) On refusal to enter into a contract after the award of contract.
- (c) If the work is not commenced after the work is awarded to a contractor.

4.2. Earnest money given by unsuccessful tenderers will be refunded expeditiously after the award of the contract.

5. Security Deposit

Security Deposit will be collected from the successful tenderer at the rates mentioned below . This may be recovered by deduction through running bills of the contractors and also by treating the earnest money paid at the time of tender as part of the security deposit

(a)	Works costing upto Rs. 1 lakh	10% of the total cost
(b)	Works costing over Rs. 1 lakh but not exceeding Rs. 2 lakh	10% on the first Rs. 1 lakh and 7½ % on the balance
(c)	Works costing over Rs. 2 lakh but not exceeding Rs. 20 lakh.	10% on the first Rs. 1 lakh. 7½ % on the next Rs. 1 lakh and 5% on the balance.
(d)	Works costing over Rs. 20 lakh but not exceeding Rs. 50 lakh.	5% of the total cost subject to a minimum of Rs. 1,07,500
(e)	Works costing over Rs. 50 lakh but not exceeding Rs. 100 lakh.	4% of the total cost subject to a minimum of Rs. 2,50,000/-
(f)	Works costing over Rs. 100 lakh but not exceeding Rs. 250 lakh	3% of the total cost subject to a minimum of Rs. 4,00,000/-
(g)	Works costing over Rs. 250 lakh but not exceeding Rs. 500 lakh.	2% of the total cost subject to a minimum of Rs. 7,50,000/-
(h)	Works costing over Rs. 500 lakh.	1% of the total cost subject to a minimum of Rs. 10 lakh.

5.1. Security Deposit shall not be refunded except in accordance with the terms of security bond or agreement.

Note : Earnest money deposit/security deposit may be paid in any one of the forms indicated in para 4-A of the Procurement Policy

C. General

- 1.1. The procurement of I.D.A financed goods will be in accordance with IDA guidelines and IDA Project Agreement with NTPC.
- 1.2 The procurement of imported equipment, if any, will be governed by the existing foreign exchange regulations and import policy.

D. Delegation of Powers

To facilitate the implementation of the Procurement and Works Policy, as outlined in the paper, the Chairman and Managing Director is delegating powers to General Managers and other levels of executives. The exercise of the powers delegated will be subject to availability of provisions in the approved Budget, policies laid down and the management reports prescribed, from time to time.
