



HMT LIMITED

PURCHASE MANUAL

HMT LIMITED
Regd.Office: HMT Bhavan
59, Bellary Road, BANGALORE – 560 032

OFFICE ORDER NO. 04/10 DATED APRIL 12, 2010

Sub: Purchase Manual.

In supersession of Office Order No.2/07 dated 17.4.2007, the enclosed Purchase Manual, amended based on the feedback from users and incorporating the recommendations of the Central Vigilance Commission shall come into force with immediate effect, for compliance by all the Units/Offices of HMT Limited and its Subsidiaries.



(A.V.Kamat)
Chairman & Managing Director

DOP DFN CVO
ED (T)

MD (M) / MD (I) / MD (W) / MD (B)
DTN (MTL)/DIM {HMT (I)}

GM (MBX)/GM (MTP)/GM (K)/ GM (H)/GM (A)/GTM (PTH)
GM (F)/GM (HR) - MTL
GM (F)/GTM (WBX)/ GTM (SWCD)/ JGM (WFT)/ DGM (WFR)

GM (TRP)/GM (F)/GMM (T)/JGM (HR)/GM (TPH)
GTM (FPA) GTM (BLH) GMM (C) CWL

GM (AM)/ JGM (CF)/JGM (CP)/GPR/CAM/JGM (HR)
JGM (MS)/ JGM (L)/ DGM (S&OL) /CLO (SC/ST CELL)

Sr. ES to CMD



HMT LIMITED

HMT Bhavan, # 59, Bellary Road, Bangalore-560032

PURCHASE MANUAL

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INTRODUCTION:

In the present day scenario of increased competition, reduced time-to-market and globalize outsourcing, Material Management has evolved as one of the major factors for the success of any organization. The purchase function, a key component of material management has now to function with more agility and is shouldered with more responsibilities than before.

In HMT Limited and its subsidiary companies, the purchase function is carried out by the Purchase Department of the respective unit / division and is responsible for procurement of the unit / divisions' requirement. The Heads of the Materials Department and Purchase Department are directly accountable for effective discharge of purchase functions within the framework of the purchase policy of the company.

The Purchase Manual released vide Office Order No: 70/02 dated 15.03.2003 was prepared taking into account various purchase functions in HMT Limited and its subsidiary companies / units / Divisions as well as CVC guidelines at that time.

Subsequent to the above, CVC / administrative ministry, has issued additional guidelines / amendments over time which has necessitated review and update of the guidelines, weeding out of redundant procedures, and improvement in the effectiveness of purchase activities. Transparency and commitment of highest order of integrity are to be evident in all Purchase activities.

The committee constituted vide Office Order No. 18/05 dated 26.10.2005 has examined the existing Purchase Manual, guidelines / procedures and has updated it incorporating the various guidelines issued by CVC as well instructions issued by the Administrative Ministry. Relevant suggestions received from the various units of HMT Limited and its subsidiary companies have also been taken into account in updating the Purchase Manual.

1. SCOPE

This document lays down the directions and guidelines to be followed by HMT LIMITED and its Subsidiaries, on matters relating to procurement of materials, capital items and subcontract and hiring of services.

2. OBJECTIVES :

- (i) Timely procurement and supply of required materials with prescribed specifications and quality at the most competitive price and terms.
- (ii) Fair, consistent and transparent purchase practices.
- (iii) Continuous search for alternate sources of supply and to develop reliable sources of supply.

3. PURCHASE FUNCTION:**3.1 Definition of Terms used in Purchase Function**

A quick reference list of the terms generally used in the purchase activity and their definition is as per Annexure-1.

3.2 Major responsibilities in respect of Purchase Function

The major responsibilities of Purchase and Finance Departments in respect of the Purchase function are listed in Annexure-2.

3.3 Purchase Committee

Every Unit / Division should have a broad based Purchase Committee through which all purchase proposals should be routed. The constitution of the Purchase Committee shall be as per Annexure-3.

3.4 Purchase Coordination Committee

Further, a Purchase coordination committee shall be constituted to sort out all outstanding issues connected with procurement, with a view to minimize inter-departmental correspondence and ensure adherence to guidelines and increase transparency in purchase functions. The constitution shall be as per Annexure-3.

Members of Purchase Co-ordination Committee should give an undertaking that none of them has any personal connection/interest in the Company/Agent(s) participating in the tender process. Any Member having interest in any company/Agent should refrain from participation in the tender purchase committee.

4. CLASSIFICATION OF MATERIALS:

All purchases should be broadly categorized into Revenue and Capital. Under Revenue, further categorization shall be into Production and Non-Production items. The production items shall be categorized "A", "B" and "C" Class as per classification adopted by the Units / Divisions.

5. MATERIAL PURCHASE REQUEST (MPR):

5.1 Material Purchase Requests (MPR) duly verified & signed by the Material Chief / Materials Engineering Chief shall be the basis for initiating procurement action by the Purchase Department. The quantity and delivery schedule should be linked suitably to the production programme, taking into account the lead time for procurement.

HMT-MTL, MPR's shall not be issued without clear Purchase Order/Letter of Intent from the customer. In exceptional cases, MPR may be issued with clearance from Unit Chief and Subsidiary Chief, keeping in view the inventory level.

5.2 MPR should be raised matching with maximum requirement of Quarterly / Half yearly production / despatch schedule as well as delivery schedule of item keeping in view the Operational Plan requirement at a time and the same should be reviewed once in a month by the Purchase Committee and amendments, if required, based on the change in production plan, may be issued. It is suggested that the optimum quantity only shall be planned/purchased at a time taking into consideration the quantity required and procurement lead time keeping 5.1 under consideration.

For C Class items MPRs may be raised based on firm production program for six months depending on the MOQ and financial position subject to approval of the Unit Chief.

5.3 The MPR shall be raised with requisite copies duly approved by the Material Chief

(Engineering Chief for capital items). The MPRs shall be serially numbered and distributed to the Purchase and other connected Departments

- 5.4 On receipt of the MPRs, the Purchase Department will enter the MPR No. and the date of receipt in the MPR Control Register and distribute to the concerned group-in-charge / Purchase Officer. In case the MPR is incomplete, the same should be informed to indentor and purchase action should start only after clarification is obtained.
- 5.5 For proprietary items MPRs must accompany proprietary article certificate with source of supply issued by the concerned Material chief and Design Chief / Indentor.

6. **VENDOR LIST:**

6.1 **Enrolment of Vendors**

- (i) Each unit will have a register of approved vendors with separate registration numbers for various categories of items. A party who has been enrolled as a vendor in any of the Units of HMT may be considered for enrolment in other Units as an approved vendor for similar items. The vendor list may be circulated among Units of HMT and Units of Subsidiaries on 1st April of every year (with particulars of items and rates wherever required). Periodic Vendor rating should be carried out based on certain criteria viz., past track records of suppliers, guidelines issued by ISO etc. A typical vendor Registration format (to be sought for rating) is enclosed as Annexure-4 for reference.
- (ii) Units should endeavor to identify new vendors continuously from various trade exhibitions, trade directories, trade journals, various web sites, yellow pages, trade associations or reference from any known sources / other HMT Units and if necessary, through Press advertisement. There should be a wide publicity through website as well as other traditional channels at regular intervals for registration of contractors / suppliers. Format for registration containing list of required data, pre-qualification criteria, infrastructure and other details should be made available on the website and it should be possible to download the same and apply.
- (iii) Any new vendor wishing to get enrolled with the Unit will have to submit all relevant information supported with documentary evidence. If felt necessary, the works / business premises of the new vendor may be inspected by the Vendor Development committee, consisting of representatives from Quality Control, Purchase and Finance, on a selective basis, commensurate with the value / complexity of the items to be procured. The team shall submit a report covering, inter alia, the following points in particular:
 - (a) Technical capability and production capacity
 - (b) Financial soundness / stability, Credit worthiness, copy of Annual report.
 - (c) Technically acceptable specification, Quality level of product / Components

- (d) After sales service
- (e) Details of major customers served. (Customer reference list)
- (f) Status of ISO certification.
- (g) Samples test acceptable reports approved by the Heads of Design, Production & Engineering Dept.
- (h) Details whether the vendor has been put on holiday list / banned / black-listed by any Government agency

Based on the recommendation of the Committee, the Purchase Chief shall provisionally register the party as a vendor and allot a vendor code. A trial order is then placed on the vendor to assess his capability and after successful execution of the trial order, the name of the vendor shall be included in the approved vendor's list with a permanent vendor code.

6.2 Removal of Vendor's Name :

A Vendors' name may be removed from the approved Vendor's list for the reasons such as:

- (i) Failing or neglecting to respond to invitation to tenderers for 3 successive enquires sent by RPAD for items dealt by such vendors.
- (ii) Unsatisfactory performances- quality, delivery schedule etc.,
- (iii) Failing to honour agreed terms and conditions.
- (iv) Failing to obtain minimum rating during three continuous vendor ratings.
- (v) If it has been blacklisted or put on holiday list.
- (vi) If defaulted beyond reasonable limits in honouring commitments in any Unit of HMT and its subsidiaries.

In case the Purchase Committee decides that action against a firm is called for due to any of the above reasons, it may recommend issue of a notice to the firm asking it show cause why it should not be banned for a specific period / blacklisted in view of the allegations against it. Details of the allegations/charges should be appended to the show-cause notice and the firm should be asked submit within 21 days a written statement of defence. All the correspondence with the firm to be made by registered post with acknowledgement due.

On receipt of the reply / no reply received, the Purchase Committee shall analyse the position and recommend exoneration / removal of the vendor's name from the approved list for a specific period / blacklisting indefinitely, and after obtaining the approval of the competent authority (Unit Chief) and shall inform the vendor. The period of ban should be a minimum of one year and should be decided based on the gravity of the offence and the quantum of loss suffered by the Company.

The vendor has to apply for fresh registration after the specified period from the date of deletion of his name.

6.3 Blacklisting of Vendors:

Enrolled vendors shall be blacklisted on the following grounds:

- (i) Government order / instructions.
- (ii) If the proprietor / any one of the partner's representatives is found guilty of malpractice such as bribery, corruption, fraud, interpolation / substitution of tenders, misuse of HMT's design/drawing.
- (iii) If the proprietor/any one of the partners is convicted by law for an act detrimental to the interest of HMT's Business.

The Purchase committee may consider blacklisting of vendor for a definite period or black listing the vendor indefinitely depending upon the seriousness of the irregularity / fraud committed by him, following proper procedure such as issue of show-cause notice etc.

Orders for blacklisting a firm shall be approved by the Subsidiary / Business Group Chief based on the recommendation of the Purchase Committee. Once a firm is blacklisted, firm name will be removed from the vendor list and it should be informed to all the Units so that none of the Units shall have any dealings with it.

7. MODES OF PURCHASE:

7.1 Tender System:

The tender system is adopted to procure materials at competitive rates and different types of tenders are in vogue viz., Open Tender, Limited Tender, Single Tender and local purchases through spot offers (Spot Tender). Where it is warranted, Global tender may be resorted to. Procurement process can also be through electronic mode (E-Procurement – e-tendering, receipt of offer through secured mails) within the provisions of the Purchase Manual & relevant acts, where ultimately bidding, contracting and payments, etc., are accomplished electronically, reducing the process time and thus improving efficiency. It should be ensured that the process is conducted in a fair and transparent manner

The mode of tendering will be decided based on the following guidelines:

7.1.1 Open Tender:

Open Tender refers to calling of quotations by advertising tender enquiry in website of the company and at least in one reputed local / national newspaper. All tender notices are to be approved by the competent authority (Unit Chief / Purchase Chief). Open Tenders have to be resorted to for an item where the estimated tender value of purchase exceeds Rs.25 lakh;

The procedure for the same would be as follows:

The advertisement with full details should be published on the website of the company / the Government of India website for tenders. A dedicated website for Government tenders hosted by NIC is available vide www.tenders.gov.in to which HMT and its subsidiaries have been provided access to upload tenders. The complete bid

documents along with application form shall be published on the website. It should be ensured that the parties making use of this facility of website are not asked to again obtain some other related documents manually for participating in the tender process. Any charges for tender / application form may be asked to be paid at the time of submission of application form.

The advertisement in Print Media should mention the website address and availability of details in the website. A single insertion would normally be sufficient. In order to reduce the expenditure on advertisement, the tenders for several items may be clubbed under one insertion. In case of non receipt of atleast 3 offers, then due date can be extended for further period of 7 days and to be communicated to all the tenders who have purchased the tenders and also notify in the website for the benefit of others. A copy of the tender notification should also be circulated to all the Vendors borne on the approved list of Vendors and to established foreign suppliers wherever applicable, by post, e-mail and fax. "Foreign Supplier" means the source and not the "commission agent" or "intermediary". Under no circumstance the proposed advertisement should be published under the category of "classified advertisements".

The time allowed for receiving quotations against Open Tender can be fixed at a minimum of 21 days from the date of release of tender enquiry / notice. However in a very special case wherein paucity of time would be affecting the performance of the company for the corresponding period and for recorded reasons of Purchase Committee, time allowed for receiving quotations may be limited to minimum 15 days with sanction from Unit Chief. This should not be a repetitive occurrence.

In respect of all Open Tenders, two part bid system shall be followed. Technical Tenders and Price Tenders should be obtained in separate sealed covers.

Tender Forms should be priced suitably to recover the cost of advertisement etc., to the extent possible. Purchase Committee will decide the tender document fee and mode of despatch of tender document with approval from Unit Chief. Tenderer should furnish security deposit as per tender terms and conditions. Adequate time should be allowed for collection of tender documents by the supplier.

As regards to participation against Global Tenders/Global enquiries for supply /services pertaining to business activities of HMT (International) Limited wherein tender terms requires mention of make or model(s) of items or manufacturers authorization letter for acceptance of the bid or wherein the time available for submission of bid is limited (less than one month) or wherein the products are not of standard nature having no specified vendors, HMT(I) may resort to a limited tender enquiry or a single tender enquiry with justification and recommendation of Purchase Committee and sanction from the Subsidiary Chief on case to case basis. In case of retendering the period of response should not be less than 10 days and reasons to be recorded by the Purchase Committee.

7.1.2 Limited Tender:

Limited Tenders are those addressed to all parties in the approved list of Vendors for the required item(s), as per the database maintained by the Purchase Department / a hard copy signed by the purchase chief as per ISO system. For not addressing enquiry to any approved Vendor(s), approval of unit chief shall be obtained with justification.

Tender shall be posted Under Certificate of Posting or Speed Post / Courier / RPAD & email to all sources of supply listed for that category of item(s). The time allowed for receiving quotations against limited tenders shall be minimum 15 days from the date of release of tender. However in a very special case wherein paucity of time would be affecting the performance of the company for the corresponding period and for recorded reasons of Purchase Committee, time allowed for receiving quotations may be limited to minimum 10 days with sanction from Subsidiary Chief / Unit Chief. This should not be a repetitive occurrence.

Foreign and Local suppliers where mode of communication available through email and fax, and to meet the urgent delivery requirement, enquires may be sent by email / Fax / Courier which works out to be faster and economical. The Companies official email-ID shall only be used for all such e-mail enquires and adequate records of such correspondence shall be maintained in hard copies for future reference. In a limited tender the tender documents are sent to the approved Vendors parties free of cost along-with a copy of tender notice. The procurement shall be from approved vendors. However, under exceptional circumstances procurement from unapproved vendors shall be considered with the approval of Unit Chief / Subsidiary Chief in case of offers advantageous to the company. Two part bid system shall be considered for procurement as mentioned vide pre-qualification criteria for bids.

7.1.3 Single Tender:

Single Tenders are those addressed to a single party and the reasons for the same are to be clearly recorded in the proposal. This can be resorted to only under the following condition(s) and with the prior approval of Purchase Co-ordination Committee and sanction from the Unit Chief:

- (i) The Government has canalized the supply only through a single source.
- (ii) Supplies are from Government and semi-Government agencies and controlled agencies who have a market monopoly for those products. (Eg Petrol, Diesel, LPG, Iron ore etc) and based on the inevitability of the situation
- (iii) Proprietary items: In line with clause 7.9 and only for MPR's accompanied by Proprietary Article Certificate, as per prescribed format (Refer Annexure-5)
- (iv) Designer / Inhouse User's department with justification / Customer's stipulation
- (v) Time limit for obtaining offers may be stipulated based on requirement.
- (vi) Offers by email/fax can be accepted in case of single tender / proprietary item enquiries.
- (vii) Consultancy by nomination (as per GFR Rule 176) – Under some special circumstances, it may become necessary to select a particular consultant where adequate justification is available for such single source selection in the context of the overall interest of the Department/ Unit/ Company. Full justification for single source selection should be recorded in the file and approval of the competent authority obtained before resorting to such a single source selection.

In this context it may be noted that as per clause 1.5.3 of the Manual on Policies & Procedure of employment of consultants issued by the Ministry of Finance,

consultancy by nomination is normally restricted to a financial ceiling of Rs 10 Lakhs. The Manual may also be referred for detailed guidelines on appointment of consultants. The manual is available in the website of Ministry of Finance.

7.1.4 Local Purchase through Spot Offers (Spot Tenders):

This is resorted to only for emergent requirements. A team of Officers comprising of representatives from Purchase, Finance and User departments proceed to the market and obtain spot offers from local vendors after physically verifying and inspecting the goods and obtaining the assurance that the items are offered ex-stock.

Offers may also be received from established suppliers / vendors by fax/email/courier etc, Wherever possible the procurement should be made from authorized distributors. If item is not readily available with the authorized distributors, the same may be procured from the reputed vendors based on the cheapest of the quotations collected by the team. In all such cases, written quotations should be obtained from minimum three different vendors and the selection process recorded and countersigned by the officials concerned. Such purchases should invariably be regularized, subsequently by issue of confirmatory purchase order after obtaining Unit Chief's sanction. The value of such purchases **should not exceed Rs.50000/- per order.**

7.1.5 General:

- (i) In all cases, enquires shall be circulated by post Under Certificate of Posting, Courier / Speed Post through Central Mailing System (CMS). FAX / email / electronic Data Transfer can also be used. Suppliers shall be asked to submit properly sealed quotation super-scribing the tender name and reference no. on the cover. It should be specified in bold letters in the tender terms and conditions that covers only stapled will not be accepted,
- (ii) Regarding the number of vendors to be contacted, it is difficult to strike a balance between commercial and technical consideration particularly when the items to be procured are not standard products. Nevertheless, the endeavor should be to keep enquires as much broad based as possible for obtaining competitive offers.
- (iii) Bulk buying and bunching of materials required for several contracts / indent shall be done to the maximum extent possible, to derive price advantage.
- (iv) In the case of common items used by more than one Unit, whose total consumption value for the year is more than Rs.75 lakhs for the Group, then Subsidiary/ Business Group should consolidate the requirement and the tenders should be issued and finalized at the Business group level to take advantage of the prices and other benefits due to higher volume.
- (v) If the procurement is to be distributed on more than one vendor, the tender document should clearly specify the dividing pattern of the procurement and also likely number of Vendors to be considered for procurement of entire quantity. There should be consistency in loading pattern of both quantity and price of L1.
- (vi) If it is proposed to buy a set of items as a package from a single vendor, then the same condition is to be clearly indicated in the enquiry/tender. Otherwise the procurement will have to be done from respective L1 for each item.

- (vii) Evaluation Criteria shall be included in the tender conditions.
- (viii) All relevant data on tender issue, receipt and opening should be recorded and maintained.
- (ix) The terms & conditions of the tender enquiry should indicate that the performance of the supplier against previous orders would invariably be reviewed at the time of recommending fresh order on them and their offers are liable to be rejected if their supplies are not satisfactory.

7.1.6 Pre-qualification bids & criteria:

Pre-qualification criteria is a yardstick to allow or disallow the firm / suppliers to participate in a tender. Separate Pre-qualification criteria under two bid system, shall be requested to qualify bidders. Pre-qualification criteria should be strictly followed in all open tenders and limited tenders where approved list of vendors is not available for the product. The criteria for pre-qualification are to be clearly mentioned in the tender enquiry. This also applies to sub contracting works as well as procurement contract. However, for procurement of regular requirements of standard items like bearings, fasteners v-belts, etc., and off the shelf materials or where technical specifications are clear and frozen, one part bid system covering qualification criteria and price bid may be considered.

The following points must be kept in view while fixing eligibility criteria:

Pre-qualification / in case of one part bid Post-qualification, shall be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their

- i) experience and past performance on similar contracts for preceding two years
- ii) capabilities with respect to the person, equipment and manufacturing facilities
- iii) The quantity, delivery and value requirement shall be kept in view while fixing the pre-qualification criteria.

In open tender no bidder should be denied the participation in the pre-qualification bids without proper reasons / justification.

Evaluation criteria of pre-qualification bids should be made explicit in the bid document

In two part bid system the price bids of only those vendors who are considered qualified based on the pre-qualification criteria should be opened.

7.2 Supply through DGS & D Rate Contract:

The Director General of Supplies and Disposal (DGS&D) enters into a contract for various items to cater to the requirements of different Government Organisations. List of stores on rate contract is published by DGS&D from time to time for the use of Direct Demanding Officers. This list should be obtained and kept with the Purchase Department. Many of the "Rate Contract Holding Firms" normally offer DGS & D Rate Contract Prices to HMT and the same shall be availed. Orders are to be released on normal HMT Purchase Order forms at DGS&D rate contract prices and other commercial terms as mutually agreed. When there is more than one DGS&D rate

contract for the same item, order shall be released to any one of them offering better commercial terms. Where the firm is not ready to offer DGS&D rate contract prices to HMT, these prices should be utilized for negotiation purpose while finalizing the Purchase Order. Wherever applicable, quotation from other reputed suppliers / vendors should also be taken for comparison of prices and negotiations. In case DGS&D rates are higher than the prices offered by the reputed vendors, decision on ordering on such vendors shall be considered with justification / recommendation, financial concurrence and final approval from the Unit Chief.

7.3 Purchase from Collaborators:

Purchase from HMT's collaborators covered by collaboration / price agreement does not come under tender system. The other procedures like MPR, obtaining sanction for the proposal and placement of Purchase Orders are to be followed. The import license, if required, will be obtained by the Purchase Department. The requirements in quantity and value in terms of foreign exchange have to be planned well in advance. It is imperative that the items are ordered within a reasonable period so that shipment could be effected within the validity period of the license.

7.4 Purchase from Foreign Suppliers:

7.4.1.All imports should have prior approval of competent authority as follows:
(Typical Format for approval is enclosed as Annexure-6).

Import value (CIF)	Competent authority
Upto Rs. 10 Lakh	Unit Chief
Rs.10 Lakh & Above	Subsidiary Chief / Functional Director of Holding Company.

7.4.2.The regular tendering procedure has to be followed for procurement from foreign suppliers also. However tender enquiries may be sent through fax mode/email in order to save time.

7.4.3.Where customs duty is not payable on the imports because of the Government exemption notification (or) availability of special import license etc., the same must be indicated in the Purchase Order(for internal use) so that customs duty is not paid on such items. Wherever customs duty is payable, the correct chapter and classification code in conformity with specification and description of the item should be indicated invariably to ensure payment of appropriate duty and to avoid excess/short payment of customs duty at time of clearance of the goods. Invoices and other import documents produced to customs authorities at the time of assessment of customs duty should also indicate the specification and description as per the Purchase Orders. Purchase Department shall ensure these at the time of issuing the Purchase Orders.

7.5 Purchase through Long Term Contract:

The object of entering into a long term contract is to ensure continuous supply at competitive rates. In keeping with this objective, long term contract should generally

be entered into for a reasonable and justifiable period but not more than two years at a time. The approval of such contract for procurement should be recommended by the Purchase Committee by following regular Purchase Procedure and approved by the Subsidiary/Business Group Chiefs with a written agreement with the firm. The feasibility of combining the requirements of other Units may also be kept in view before entering into such contract. While entering into long term contract with suppliers, price variation clauses (PVC) as per the approved formula shall be permitted in case need arises.

7.6 Cash Purchase:

Cash purchase should be resorted to only in respect of items of small value and emergent requirements. Purchases of materials not exceeding Rs. 5000/- at a time will come under this category. Purchase department may request inspection/ user representative to accompany purchase representative. Purchases should be made against cash bills by the Purchase Department. Payment should be made out of the revolving imprest maintained by the Purchase Department. All such purchases should be regularized periodically by obtaining sanctions from the Material Chief. These purchases should be covered under the specific budget head.

7.7 Purchase with Specific Imprest:

For cash purchase of production items (Aid or input to product) , specific imprest not exceeding Rs.10000/- at a time, can be drawn by the Purchase Department through a written request to Finance Chief with prior approval of Unit Chief, which shall be regularized by following usual purchase procedure.

7.8 Purchase of Proprietary Items:

An item will be considered “proprietary” only if the item or near equivalent to the item is not available and/or all possible suppliers quote only the product of one manufacturer. Materials with registered patents and not offered by any other sources may also be treated as proprietary items. Materials required for production or maintenance of plant and equipment which necessarily have to be of particular make or manufacture shall also be referred as “proprietary” and also the source of supply. If an item is manufactured as a development effort by any manufacturer based on the design/drawings of HMT, such item will also be considered as “proprietary”. However, in such cases, continuous efforts should be made to develop more number of alternate suppliers to create competition. The price of proprietary items should be negotiated by the Purchase committee. Generally brand name should not be cited as proprietary if alternatives are available.

7.9 Repeat Orders

Proposals can be for procurement on Repeat Order basis without calling for fresh tender, at the original order price in cases where there is no likelihood of prices coming down for the items. Repeat Orders may be placed based on Purchase Orders of other HMT Units also with the approval of the Unit Chief, in order to save time and costs. For this a letter has to be obtained from the respective unit that their order was placed after process of normal tendering and was approved/ concurred by the competent authority as well as a specific confirmation from the supplier regarding

acceptance of the same terms & conditions prior to release of the repeat order.

However, the Repeat Order should not be for the orders released more than two years ago. No repeat order should be placed when the original order was placed on the basis of higher prices for earlier delivery. Wherever earlier order was itself a Repeat Order of an earlier order, the earliest order placed as per full tendering procedure should be treated as the original Purchase Order. If, after placing the order, the vendor refuses to supply the items on Repeat Order basis, fresh enquires have to be floated.

Total increase in quantity through amendments or repeat order should not exceed 100% of the originally ordered quantity by the same unit.

7.10 Procurement from Other HMT Units:

If an item is available within the company or any of its subsidiary companies, like Watch Cases, Machine Tools etc., there should not be any enquiry floated to any suppliers for such items. The Material Planning Department being aware of HMT's product range and the lead time to procure such items, places the Material Transfer Indent/Material requirement Indent within the Company after obtaining sanction of the Competent Authority. No other factors like price, payment terms etc., should come in the way of procuring the materials. Guidelines on such purchases / transfers of inter unit and inter subsidiary companies in practice at the time of transaction shall be followed. *However, for trading globally, purchase can be made from other than HMT Units with the approval of Subsidiary Chief. However preference shall be given for HMT Units.*

7.11 World Bank Procurement

In respect of any item Procured / Purchased out of the soft loan assistance from World Bank, the procurement procedures of the World Bank shall apply.

8. OPENING OF TENDERS:

8.1 All suppliers shall be required to submit their tenders in properly sealed covers indicating the enquiry number and the closing date on the cover. On receipt, the tenders will be deposited in the tender box. It should be specified **in bold letters** in the tender terms & conditions that covers only stapled will not be accepted.

All tenders should be opened at the specified place and on the appointed date and time specified for their opening in the presence of the representatives of Purchase and Finance Departments and also the representatives of the vendors who would like to be present. As soon as the tenders are opened, the same should be read out and the members shall write the serial no of the tender vis-à-vis the page of tenders, circle and initial all money value figures, attest and circle all corrections made in items in the tender, if any and cross out all the blank spaces against items in the tender. Page wise total number of corrections shall also be written on each page and attested by the Tender Opening Committee members. All the pages of the Commercial Bid are to be numbered serially and signed by members of the Tender Opening Committee present along with date. All covers of the tenders shall also be initialed and shall carry the same markings as on the tender papers and preserved.

All deficiencies observed shall be recorded on the first page. Authorised agents

of the suppliers who submit tenders against Open Tenders and Limited Tenders are permitted to witness the tender opening. A record of the tenderers/agents present at the tender opening should be maintained. No amendment to the tenders shall on any account be permitted after the opening of the tenders has commenced. If any quotation is not signed by the vendor, the same will be rejected and not considered.

- 8.2** Any tender received after the prescribed date and time shall be treated as late tender and marked as late tender and rejected. Late tender should not be opened and such tenderers are to be advised in writing to collect back their documents.

In case where technical tenders and price tenders are obtained in separate covers, technical tenders have to be opened first.

In a Two-bid system, after opening of bids, all the envelop containing the technical / price bids should be signed by members of the Tender Opening Committee and at least any two of the trade representatives if present. The unopened envelopes containing price bids should be put in a bigger envelopes/box and properly sealed and the members of the Tender Opening Committee and at least any two of the trade representatives if present should put their initials (with date) on the sealed envelop containing price bid and kept in safe custody.

The price bids should be opened only in respect of those tenderers whose technical bids have been found suitable. Price bids of those tenderers whose technical bids have not been found suitable should be returned to the tenderers without opening.

After release of letter of intent / Purchase Order, the unopened price bids shall be returned to the rejected bidders along with the reasons for not opening their price bids.

9. COMPARITIVE STATEMENT

- 9.1** Tenders are screened with reference to basic price (Ex-works/FOB/FOR destination), ED & ST, delivery, terms of dispatch, specification, payment terms, validity of the offer, etc., in relation to enquiries floated and are recorded in the comparative statement for analyzing the quotations on a like-to-like basis. Any deviations from the tendered specifications, delivery period or normal terms and conditions and any special conditions, assistance etc., stipulated by the firm, shall be highlighted. It should be noted whether samples if required to be submitted with the offer, are submitted or alternatively party agrees to submit samples as required in the enquiry at a later date. The previous procurement price may also be recorded for assessing the reasonableness of the cheapest technically acceptable offer. The previous price will be treated only as one of the parameters for selecting an offer and will not be looked at in isolation for considering any source for placement of the Purchase Order. The impact of payment terms, including advance payment, if any, has to be considered.

Taking into consideration all the above factors, a net price comparison of the valid tenders only shall be prepared and the comparative statement shall be

endorsed L1, L2, L3 etc., to indicate 1st lowest, 2nd lowest, 3rd lowest and so forth.

The policies of Govt. of India for Purchase Preference for Public sector, (PPP) if any, should be implemented while making price comparison.

In the case of quotations received in foreign currency, the exchange rates & duties prevailing on the date of opening of tender should be considered for evaluation. For evaluation TT Selling Exchange rate of Nationalised Banks shall be considered.

Sufficient care should be exercised, while considering offers from different Vendors having common ownership / links with each other.

The comparative statement should be signed by the Purchase Assistant preparing the statement and countersigned by the concerned Purchase Officer.

It is advised that the purchases preferably be made directly from the manufacturer. Either the Indian Agent on behalf of the foreign principal or foreign principal directly could be in a tender but not both. Further, in cases where an agent participates in a tender on behalf of one manufacturer, he should not be allowed to quote on behalf of another manufacturer along with the first manufacturer in a subsequent/parallel tender for the same item. One agent cannot quote on behalf of two suppliers for the same item.

- 9.2** As a matter of policy the lowest offer only should be accepted. Negotiation should be confined only with the lowest tenderer by the Purchase Committee.

As far as possible, it should be ensured that the two bid system is followed so that proper assessment of the offers are made before the award of the contract work order. In case L1 backs out, there should be re-tendering in transparent and fair manner. The authority may in such a situation call for limited and short notice tender, if so justified in the interest of work and take a decision on the basis of lowest tender.

A practice may be adopted to publish the details of all cases relating to tenders or out of turn allotments or discretion exercised in favor of an employee/ party, advertisement for lease, renting out or licensing on a long term basis, acceptance of offer on such notification etc., on the notice board as well as regular publications of the Organisation.

- 9.3** Situation may warrant dividing the orders amongst more than one developed and suitable source in order to have more than one source as a prudent measure. The parameters to be gone through are:

- (i) Wherever it is intended to divide the order, the number of vendors and distribution ratio should have been disclosed in the tender
- (ii) The prices may be negotiated with reference to the lowest accepted offer and as a last resort upto a variation of 5% on the lowest accepted offer at the discretion of the Purchase Committee. During "Negotiations with L1" reasonableness of prices proposed to be accepted should be properly reasoned out and recorded in the purchase proposals.
- (iii) It should be ensured that higher share of the quantity is given to the firm who have quoted the lowest offer, other parameters remaining the same.

9.4 Single Offer:

In case of single response to open / limited tenders for production / non production items, re-tendering should be considered in case the price and other terms are not in line with the earlier accepted offers. In case of new items re-tendering may be adopted. However, where the requirement is urgent, orders could be for limited quantities to overcome the urgency with approval of Purchase Co-ordination Committee. In such an eventuality the procurement should be restricted to meet the immediate requirement. Thereafter, re-tendering may be resorted to. If, it is felt that there is no necessity for re-tendering of contacting more parties and that the single response has to be accepted, it should be processed with the recommendation of the Purchase Co-ordination Committee and approval from the Competent Authority, provided it satisfies one or more of the following conditions:

- (i) The rates and other terms are either equal to or less than the earlier procurement price.
- (ii) The tenderer is a well established source and his vendor rating is good.
- (iii) The terms of payment are advantageous to HMT.

10. RE-TENDERING:

Re-tendering shall be considered in the following exceptional case(s) only, with approval of Unit Chief:

- (i) Less than three offers received subject to the offers received not satisfying conditions as per clause 9.4 (i)/(ii)/(iii)
- (ii) If the prices quoted are considered very high
- (iii) In the opinion of the Purchase Committee, if it is suspected that there is a cartel or ring existing and the prices have been manipulated
- (iv) If material changes have been made in the basic specification after receipt of tenders
- (v) If none of the offers meet the desired specifications.
- (vi) If the vendors withdraw the offers and do not agree for extension of validity when it becomes necessary
- (vii) If there is a sudden slump in the market
- (viii) If, "order quantity is divided for the more than one vendor" is not mentioned in the tender terms.
- (ix) If L1 backs out, or fails to execute the order or does not agree for extension of validity when it becomes necessary

11. TERMS OF PAYMENT:

11.1 For Indigenous Suppliers:

- 11.1.1.** Normally the payment terms should be 60 days after receipt and acceptance of the items. Efforts should be made to avail longer credit period from the suppliers.

- 11.1.2.** No offer should be accepted with the condition of opening Letter of credit for indigenous items without the approval of Business Group Chief / Subsidiary Chief. A format for approval for opening of L/C for indigenous purchases is as per Annexure-7. However, approval of Unit Chief may be taken upto the combined purchase value of Rs.5 Lakh.
- 11.1.3.** In exceptional cases, part / full payment against dispatch documents / delivery of goods either directly or through Bank can be accepted for items of reputed suppliers,
- 11.1.4.** Advance payment along with the Purchase Order should invariably be discouraged. In very exceptional cases, where an Indian supplier insists upon such advance payments and where there is no other alternative, the same may be agreed to, based on the merits of the case, after obtaining financial concurrence and Unit Chief's approval. Bank Guarantee may be insisted except in the case of Government and Public Sector Undertakings.
- 11.1.5.** In the case of controlled items where the distribution is controlled by Government agencies and the suppliers insist on full payment in advance along with the order, the same may be agreed to, after satisfying whether bank Guarantees are acceptable in lieu of advance payment or any other form of securities.
- 11.1.6.** The performance of the supplier against previous orders should invariably be reviewed by the Purchase Officer at the time of recommending fresh order on them as indicated in the Terms & Conditions of Tender (vide clause 7.1.5-ix). In this context, the outstanding amounts / claims due from the supplier on account of rejections/shortages in the previous supplies should also be invariably checked and settled before placing the fresh order.

11.2 For Foreign suppliers:

- 11.2.1.** Payment should be arranged against shipping documents either on Sight Draft basis or Letter of Credit, depending upon the terms of payment stipulated in our purchase Order. Efforts should be made to obtain maximum credit period from the suppliers. For sight drafts, the suppliers may negotiate the documents through any foreign bank, but the same should be presented to HMT only through the Company's bankers for authorising payment. Similarly, Letter of credit will also be established only through Company's banks and the same will be advised to the suppliers by the corresponding foreign bank in that area. Wherever supplier insists upon receipt of Letter of Credit through a particular bank specified by them, the same should be so arranged accordingly. The L.C. application to Bank should be signed only by the Unit Chief and Finance Chief.
- 11.2.2.** Advance payments along with the Purchase Order or at intermediate points should not normally be entertained. In exceptional cases, where the value of the order is less than US \$ 2000 and where reputed foreign supplier insists upon advance payments, the same may be agreed to with the approval of Unit Chief with financial concurrence. In the case of orders of higher value prior approval of Business group chief / subsidiary chief should be obtained

on a case to case basis. In all such cases, efforts should be made to obtain Bank Guarantee for the advance from the foreign supplier and RBI's permission obtained, if necessary. The import license specified in the order, against which such advance payment is to be arranged must be valid upto the date of shipment of the goods.

- 11.2.3.** The performance of the foreign supplier against previous orders should invariably be reviewed at the time of recommending fresh order on them as indicated in the Terms & Conditions of Tender(vide clause 7.1.5-ix). In this context, the outstanding amounts / claims due from the supplier on account of rejections / shortages in the previous supplies should invariably be checked and settled.

12. PURCHASE PROPOSALS:

Purchase proposals are put up in the standard formats by the Purchase Department and they should be technically and commercially clear and comprehensive. The purchase proposal shall contain the following details:

a) Technical:

Clear data like Stock No., description of items, nomenclature, specification, and other technical details and relevant drawing / standard sheet wherever necessary, shall also be enclosed. In the case of proprietary items, details as per suppliers catalogue and their part No. is to be enclosed.

b) Commercial:

- MPR No./quotation/Offer reference and date
- Quantity and value
- Statutory levies like duty, taxes
- Clearing and Forwarding Agent's details
- Packing and forwarding charges
- Mode of transport
- Freight charges, if applicable
- Insurance
- Delivery
- Payment Terms
- Other terms and conditions
- Warranty
- Risk Purchase
- LD Clause

The MPR, comparative statement on which the proposal is based, suppliers quotations, details of negotiations conducted, reasonableness of the prices proposed to be accepted and all relevant correspondence should be filed and enclosed along with the proposal. Each proposal should highlight the total additional cost savings as compared to the existing prices. The purchase proposals are forwarded to Finance Department for according financial concurrence.

13. FINANCIAL CONCURRENCE:

13.1 Verification

The purchase proposals put up to the Finance Department with all relevant details like MPR, tender enquiry, quotation and comparative statement are scrutinized & verified from commercial, propriety / correctness, inventory holding and budgetary control angle by the Finance Department.

13.2 Budgetary Control:

13.2.1 Material Budget:

The Material Budget is prepared as one of the constituents of Unit's Annual Operational Plans for the approval of the Board. This Budget is prepared taking into account the production and dispatch plan for the ensuing year of operation. Normally the Material Budget contains estimated opening stock, purchases, consumption and estimated closing stock at the end of the year of operation for each broad classification of materials. The Material Planning Department, based on the production programme, prepares the Material Budget in consultation with the Finance Department. The material budget details the budgetary allocation under each major head for the year.

13.2.2 Budget Accounting:

The Purchase Department / Finance department shall indicate, in the proposal itself, the Budget available against the particular head, commitments made so far and the amount involved in the present proposal. These figures should also appear in the concurrence register so that the unit will come to know how much the unit has made commitment so far against each head of Materials. Besides Purchase Department, Finance Department may also control the Material Budget independently. The Purchase Committee shall review the procurement every month so as to curtail the Material procurement and to avoid piling up of inventory.

13.2.3 Re-appropriation of Budget:

Occasion may arise where the Unit would be short of Budget provision for certain group of materials critically required, due to overall price increase, rise in duties, taxes, etc; In such an event, the Unit may like to accommodate the proposed excess commitment against some other group where enough provision is available, by re-appropriation of the Budget from one Head to another Head. Such Re-appropriation should have the approval of the Subsidiary Chief / Business Group Chief.

13.3 Concurrence

If the proposal is in order, Financial Concurrence is accorded by the Finance Chief and the proposals are put up for sanction of the Competent Authority. Purchase proposals should normally be disposed off within 3 working days but not later than 7 working days of receipt by the finance department and clarification required to process the proposals should not be sought in piece-meal. Conditional concurrence should be avoided and all issues should be sorted out by the Purchase Committee.

No proposals should be sanctioned by the Competent Authority without Financial Concurrence, whether for Revenue or for Capital items. Proposals of fait accompli nature for obtaining ex-post-facto sanction should be avoided.

14. SANCTIONS FOR PROCUREMENT:

The officers as detailed below are empowered to issue sanctions after obtaining financial concurrence.

Value of Proposals	Rank of Officers
Upto Rs.1 lakh	Material Chief / Chief of Purchase
Above Rs.1 Lakh	Unit Chief

Note: proposals should not be split up so as to fall within the prescribed ceiling limit.

15. PLACEMENT OF ORDERS:

15.1 The officers as shown in the table below are empowered to sign the Purchase Order after issue of sanction by the Competent Authority. Two officers should sign the Purchase Orders:

Value of Proposals	Rank of Officers
Upto Rs.10,000/-	PS III and above
From Rs.10,000/- to Rs. 1 Lakh	PS V and above
Above Rs.1 lakh	Chief of Purchase / Materials

15.2 All purchase orders issued shall be serially numbered and entered in the Purchase Order register with the following details:

- Serial No
- Purchase Order No. & Date
- Value of the Purchase Order
- Name of the Supplier
- Delivery Schedule
- No. of items
- Import License No. date and validity
- Letter of Credit No. & validity
- Date of order acknowledgement
- Dates when reminders sent
- Receipt details
- Payment details
- Details of Bank Guarantee (if any)

As per CVCs Office Orders No. 13/3/05 dated 16/03/2005 and No.46/07/05 dated 28/07/2005 a monthly summary of tenders / contracts awarded should be posted on the website of the company every month, as per format specified in Annexure-8. However, HMTI has been exempted from posting information in respect of trading activities vide CVC's Office Memorandum dated 02/12/2009.

15.3 Amendment to Purchase Order:

Purchase Order should be initiated only after obtaining Financial Concurrence and Sanction by Competent Authorities. However, amendment to Purchase Order for corrections of typographical errors and omissions need not require financial concurrence. All amendments to Purchase Orders are to be endorsed to Finance and Accounts Department for regulating payments thereon.

15.4 Short Closing of Order:

In case the balance quantity of material outstanding on the supplier is no longer required by the Material Planning department or in case the supplier regrets his inability to supply a small balance quantity left against an order, the order may be short-closed with the consent of the Material Planning Department and Supplier.

15.5 Transfer of the Purchase Order to another name:

The name of the supplier in a Purchase Order may be changed, if so requested by him due to the following reasons:

- (i) The name of the firm is changed
- (ii) The firm has been sold to /amalgamated with another firm
- (iii) The supplier wants the order to be executed by his authorized dealers

Such change should be done with the approval of Sanctioning Authority and concurrence of Finance Department after ensuring that all legal aspects of such a transfer of Purchase Order in another name have been looked into and complied so that the new entity is legally and contractually bound to execute the original order.

15.6 Review of Purchase Order

The Purchase Chief shall undertake a review of the purchase orders pending deliveries beyond 30 days, after the due date, so that the requirement of materials could be re-examined and if necessary, action could be initiated for cancellation/short closing of orders/diversion of orders.

16. PROCUREMENT OF CAPITAL ITEMS:

MPRs for capital items will be raised by the Project Department / Engineering Department as the case may be for individual items as per the approved Capital Budget under Replacement/ Renewal or for New Expansion / Modernisation projects under approved DPR / Plan Document.

Procurement of capital items should have the necessary approval from the Competent Authority as per Delegation of Powers, before release of purchase order. Proposals for procurement of Capital Items shall be regulated by the guidelines issued by the competent authority from time to time.

Mode / procedure of purchase for capital items will be the same as that of procurement of revenue items.

16.1 Open Tender:

If the capital item value is above Rs. 15 lakh, the enquires should be circulated through Open tender i.e., by publishing in News Papers and in websites of company & NIC and also to known manufactures / dealers with the recommendation of the Purchase Committee and approval of the Unit Chief.

16.2 Limited Tender:

An enquiry shall be issued to approved vendors as per the list available with Unit and to the reputed manufacturers/dealers.

16.3 Wherever the capital item is in the product range of HMT, such items should

not be procured from outside. Any deviation in such procurement should be put up for CMD's approval.

16.4 There should be a two bid system (technical & commercial) by which technical tender bid and commercial tender are obtained in separate sealed covers. Technical tenders should be opened first and the price bid should be opened only in respect of those tenderers whose technical bids have been found suitable / responsive.

16.5 Procedure for opening of Tenders, proposals, financial concurrence and other items will be the same as that of procurement of revenue items.

16.5 Purchase Order:

Once the sanction is obtained from the competent authority, the Purchase Order for Capital Item will be signed by Project Department / Engineering Department & the Chief of Materials.

16.6 Liquidated Damage:

Liquidated Damage should be levied at the rate of 0.5% per week of delay or part thereof on the value of items to be delivered with a maximum ceiling of 10% of the value of the order. Waiver of liquidated damage should have sanction from the Unit Chief with financial concurrence.

16.7 Leasing:

Wherever feasible, the possibility of acquiring the equipment on lease should be explored. Such leasing charges should be covered under the approved Operational Plan.

17. OUTSOURCING:

Outsourcing has assumed enormous importance in the present day context as a facilitator for cost reduction, reduced investments, higher focus on core components and better workflow. Outsourcing may be taken up as subcontract for component manufacture or part operation during component manufacture as well as contracts for services.

17.1 Component Sub contract:

Subcontract of components may be undertaken in cases as below:

- ❖ Low technology items that are not economical for in-house operations and in-house facilities shall be fully utilized for better purpose
- ❖ Facilities not available internally.
- ❖ Lack of time to meet production and delivery schedules
- ❖ Cost advantages of sub contracting of items even after considering idle cost of in house facility vis-à-vis cost of manufacture in house.

Approval of the Unit Chief should be taken for sub contracting the work with full justifications and financial concurrence. If the value of outside procurement on sub contract basis is more than Rs.15 Lakhs then approval should be obtained from Subsidiary Chief / Business Group Chief. Competitive bidding process should be followed for subcontracting of components.

17.2 Off loading of part operations:

Part operations during the manufacturing cycle of a component could also be outsourced depending upon need in cases as above. The normal purchase procedure like vendor rating, tendering and other purchase procedure may be followed for off loading also.

The Company reserves the right of offloading part quantities without assigning any reason and the supplier shall supply the ordered quantity as per accepted rates.

17.3 Outside procurement when in-house facilities are unutilized fully:

Wherever capacity within the Company is available and is not being fully utilized, procurement from outside sources should not be resorted to. Any deviation should have prior sanction of Subsidiary Chief.

17.4 Contracts for services:

There may be occasions to enter into annual contracts with outside agencies for services which are revenue in nature like clearing and forwarding of materials, transportation, Courier Services, House Keeping, Canteen, AMC's etc.,

The request from the concerned departments shall be in the form of a proposal detailing the nature of work to be done, justifying the necessity to go in for outside contracts and indicating the estimated cost and the budget head.

There should be open tender in these cases and the same should be published in local news papers. If the cost of services is less than Rs.5 lakhs p.a. the tenders may be circulated to all the approved list of tenderers by post under certificate of posting./ courier. There should be separate tenders for technical details and financial details, wherever applicable.

However, in the case of contracts for transportation of goods, customs clearance, etc. where there are a number of items to be quoted and no single quotation can be considered as the lowest among all the items under consideration, lowest of all the quoted rates against each item may be offered to one or more of the tenderers who have quoted lower rates, and negotiate with them to reach the lowest rates for the contract as a whole. Loading pattern shall be mentioned in the tender. The period of contract may be for a minimum of one year and maximum of three years.

The proposals will be processed by the Purchase Department in consultation with the concerned department as per the normal tendering procedure and sanction obtained from the Unit Chief.

18. GENERAL TERMS AND CONDITIONS OF CONTRACT:

The general terms and conditions of contract for the supply and the standard instructions to tenderers framed by the Units shall inter alia, include the following; (individual terms can however, be revised /modified in each case to reflect the terms and conditions negotiated and agreed upon):

18.1 Counter Terms and Conditions:

Purchase Department should persuade the supplier to accept Company's terms and conditions. However, in cases when the supplier insists on their terms and conditions, Purchase Chief can accept suppliers' terms and conditions after examining the implications, with financial concurrence and necessary sanction.

18.2 Taxes and Duties:

Normally quoted prices should indicate separately basic price, excise duty, sales tax, octroi etc., as applicable to the item.

18.3 EMD:

EMD may be fixed for capital items wherever required and this should not be as percentage but the amount should be decided by the Purchase Committee. EMD shall be payable by way of Bank guarantee / cheque / demand draft/ pay order drawn on the company payable at the location where the bids / quotations are received.

18.4 Inspection:

Materials from suppliers on their arrival will be inspected by the Inspection department and Company's decision in regard to the acceptability of the goods will be final. The rejected materials will be returned to the supplier for replacement on "freight to pay" basis for arranging free replacement and all charges on the same will have to be borne by the supplier. The supplier should arrange for replacement within a reasonable time, failing which Company reserves the right to procure the items from elsewhere at the risk and cost of the supplier and recover from him the extra expenditure, if any, incurred by Company. This would be incorporated in the tenders and the Purchase Orders. Wherever payment has been made by Company, partly or wholly to the supplier the rejected material will be returned to the supplier only against refund of amount paid by Company.

18.5 Delivery/Liquidated Damage:

Timely delivery is the essence of order and the items against the order must be delivered by the supplier according to the delivery schedule indicated in the Purchase Order. In case of any change, the supplier should inform company in advance and obtain Company's approval to the revised delivery schedule. If the supplier fails to deliver the material or part thereof as per the agreed delivery schedule, Company shall be entitled, at its option, either to recover from the supplier agreed liquidated damages or to cancel the order and purchase the materials elsewhere at the risk and cost of the supplier. This should be clearly mentioned in the tender as well as the Purchase Order.

18.6 Escalation:

No claims for increase in rates will be entertained during the currency of the order on any account whatsoever to the maximum extent possible. However, in case of abnormal changes in the price structure nationally / internationally due to external factors, reasonable escalation in price may be considered with approval of Purchase Committee and Sanction from the Unit Chief to meet the immediate production target. Nevertheless subsequent procurements should follow the regular purchase procedure.

18.7 Warranty:

The supplier shall warranty that the materials/machinery/equipment to be supplied by them shall be free from any defects arising from faulty material, design or workmanship and shall be guaranteed for quality/satisfactory performance for a suitable period to be laid down by mutual negotiations. During the warranty period, if any defects are noticed arising from faulty material, design or workmanship, the supplier shall remedy or replace such defective supplies at his own cost. In the case of Capital items Performance Guarantee shall be insisted.

18.8 Indemnity:

The supplier shall at all times indemnify HMT / Company against all claims which may be made in respect of alleged infringement of any rights protected by Patent registration, design or trade mark.

18.9 Arbitration:

All disputes regarding the execution of order shall be referred to Appropriate Authorities and the arbitration procedures shall be as per the Indian Arbitration and Conciliation Act, 1996.

In the case of foreign Suppliers/Vendors, attempt should be made to make the vendors agree to Indian Arbitration and Reconciliation Act 1996. However if the foreign vendor insists on International arbitration, then the venue of arbitration should be in India and preferably the place from where the contract is issued.

18.10 Jurisdiction:

The order shall be governed by the Laws of Indian Union. Only the competent court in India at or nearest to HMT Unit (to be mentioned) shall be moved in case of any suits by or against the Company.

18.11 Lien:

HMT / Company shall be entitled to appropriate and recover from any particular order of a supplier all outstanding dues from the supplier in respect of other orders placed on him.

19. OTHER PROCEDURES RELATED TO PURCHASE FUNCTION:**19.1 Procedure to treat Rejected Materials:**

If the materials on inspection are found not suitable, the suppliers should be informed in writing of the same by Purchase Department within 7 days from the date of rejection report from Inspection Department, for replacement. If the supplier is not responding within 15 days, arrangements should be made with a proper documentation and the rejected item should be sent back to the supplier at their cost (freight to pay basis, if it is outstation). If the items are procured with payment terms of "Documents through Bank" or "payment against delivery", the rejected items must not be returned back to the supplier till the items are replaced. If the items are not replaced despite repeated correspondence/reminder within 3 months, legal action should be initiated by the Purchase Department against the supplier. Such suppliers who have not replaced the rejected items for which payment has been made and legal action initiated, should be removed from the approved vendor list.

19.2 Excess Supply:

Acceptance of excess supply in exceptional cases is permissible within 10% of ordered quantity in regard to regular production items subject to the approval of the competent authority provided there is no downward trend in prices.

19.3 Delivery ahead of Schedule:

Delivery ahead of the stipulated delivery schedule in the purchase order is not normally acceptable. However, if the production exigencies justify, and materials will not deteriorate in quality while kept in stock, the same may be accepted by the Purchase Chief, but payment to the supplier shall be made only on the due date, as per payment terms with original delivery schedule. Suppliers should be asked not to send dispatch documents through Bank in the case of early delivery.

19.4 Change in Statutory Levies:

Any change in statutory levies giving rise to additional payment than what is provided in the Purchase Order needs to be approved by the sanctioning authority.

19.5 Issue of Statutory Forms:

Statutory forms related to purchase like "C" & "D" Forms etc., shall be provided by the Finance Department to the Purchase Department for submission to the suppliers. Issuance of such forms to supplier shall be entered in a Register by the Purchase Department, and will be submitted to Finance / Accounts Department periodically for obtaining fresh forms from Government Authority. No scope should be given to suppliers to claim any additional charge on account of non-issue/delay in issue of the said forms.

19.6 Price Variation / Escalation

Purchase shall normally be made on the basis of firm prices. In exceptional cases where material costs depend upon statutory regulations or otherwise controlled prices or in cases where material costs are liable to wide fluctuations, price variation / escalation clauses may be allowed. Normally in respect of long-term contracts, purchase enquiry shall include price variation/escalation clause based on significant facts affecting the cost.

19.7 Avail of CENVAT:

In order to avail the CENVAT credit on items procured, the suppliers' invoice should indicate separately the element of Excise Duty and at no time the Invoice should indicate all inclusive price(s). However, where deemed credit is available for items like alloy steel, iron & steel scrap, etc., procured from authorised stockist, all inclusive rates could be accepted.

19.8 Mode of Transport:**19.8.1 Inland Purchase:**

Normally, the cheapest mode of dispatch should be adopted. Any deviation in the mode of dispatch involving extra expenditure must be approved by the Chief of the Materials/Purchase with reasons to be recorded in writing. If the materials/spare parts are to be air-lifted, approval from competent authority as per delegation of powers is required.

19.8.2 Foreign Purchases:

Sensitive and costly electronic component orders from abroad may be air freighted to avoid damage/deterioration likely in transit if sent by sea-freight. All other materials should normally be transported by the cheapest mode of transport with due regard to the safety of the materials. If, however, any material is required urgently or if there is difficulty or delay in transporting by the cheapest mode of transport, a quicker mode of transport including air freight may be sanctioned by the Purchase Chief after recording the reasons provided. The total freight charges involved do not exceed 10% of the cost of materials. In cases where it exceeds 10%, it would require the approval of the Unit Chief with the concurrence of the Finance Chief.

20 OTHER ACTIVITIES RELATED TO PURCHASE FUNCTION:

20.1 MANAGEMENT REPORTING:

The Purchase Chief should arrange for submission of Management Reports to the Unit Chief every month, as detailed below:

- (i) Purchase budget, category-wise, vis-à-vis the actual commitment during the month.
- (ii) Cost savings/increase effected in the purchase activity every month.
- (iii) Orders placed for capital items and the position as at the end of the month.
- (iv) Monthly status of Material-in-transit.
- (v) Pending Air and Sea consignments at customs.
- (vi) Material receipts (group-wise), monthly and cumulative (to be obtained from Stores Department).
- (vii) Pending payments to suppliers' age-wise analysis (to be obtained from the Finance Department).
- (viii) Statement of the L/Cs opened and L/Cs matured (to be obtained from Finance Department).

Further, the purchase chief should also arrange for publishing information (except for trading information) on the website as per Annexure-8.

20.2 COMPUTERISATION:

The Units shall make all out efforts to computerize the total material planning, purchase and stores functions so as to strive towards an Integrated Material Management System at the earliest.

20.3 USE OF INTERNET FACILITIES:

Internet has become an important tool to aid the Purchase activities. Internet facility should be made use of by the Purchase Department for information on product specifications, new suppliers, alternate products, new products, indicative price, which will aid in improving the tendering process and also for better negotiations

20.4 DO's and DON'Ts

Brief list of DO's and DON'Ts for Purchase activity (extract from compendium of CVC & other guidelines for purchase and works contracts issued by CVO, HMTL) is enclosed as Annexure-9 for quick reference.

LIST OF ANNEXURES

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ANNEXURE-1**DEFINITIONS FOR QUICK REFERENCE****M P R**

Material Purchase Request, authorized by material engineering chief

OFFER

An offer is the response from a source to an Enquiry. An offer is considered to be valid if it is not a late/regret/unsolicited offer. It refers to the submission of quotation by a firm in the form of price for supplying the item to the required specification and quantity or for a service to be rendered in response to an enquiry. The quotations submitted by Tenderers may be classified as in time, regret, unsolicited, and late.

IN-TIME OFFER

In-time offer refers to valid offer received in time against a tender enquiry.

REGRET OFFER

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

UNSOLICITED OFFER

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

LATE OFFER

Late offer is one which is received after the closing due date and time.

PURCHASE ORDER

Purchase Order is a contract placed on a supplier with our agreed terms and conditions on acceptance of his valid offer for supply of the items/services stated therein. The purchase order value for comparison refers to total value including the applicable levies and taxes/duties i.e., total cost to the company.

REPEAT ORDER

Repeat orders are those that are placed on same suppliers / vendor based on previous order without calling fresh offers / tenders.

COMPETENT AUTHORITY

Competent Authority shall refer to the authority competent to sanction/approve the purchase proposals as per the "Delegation of Powers",

CAPITAL ITEM

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

DGS&D RATE CONTRACT

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

LETTER OF INTENT

Letter of intent is an authorisation to the supplier for taking up production and supply of the item mentioned therein, subject to regularisation by a purchase order within a reasonable time but not later than 30 days.

RPAD – Registered Post Acknowledgement Due

L/c: Letter of Credit

Company means HMT or its subsidiaries/Units as the case may be

However, in the case of imports / procurement from foreign sources International Commercial Terms (INCOTERMS) shall be used as appropriate. A brief definition and the terms used are as follows:

INCOTERMS

When negotiating an international sales contract, both parties need to pay as much attention to the terms of sale as to the sales price. To make it as clear as possible, an international set of trade terms (INCOTERMS) has been adopted by most countries that defines exactly the responsibilities and risks of both the buyer and seller including while the merchandise is in transit.

"Incoterms" is an abbreviation of International Commercial Terms, which were first published in 1936 by the International Chamber of Commerce (ICC). Since that time there have been six different revisions and updates to the Incoterms. The Incoterms provide a common set of rules for the most often used international terms of trade.

The goal of the Incoterms is to alleviate or reduce confusion over interpretations of shipping terms, by outlining exactly who is obligated to take control of and/or insure goods at a particular point in the shipping process. Further, the terms will outline the obligations for the clearance of the goods for export or import, and requirements on the packing of items. The Incoterms are used quite frequently in international contracts, and a specific version of the Incoterms should be referenced in the text of the contract.

Although the Incoterms are widely used and exceedingly handy, they are not meant for every type of contract. Specifically, the terms used in a contract state exactly when the shipper unloads and relinquishes obligation, and when the buyer takes over for carriage and

insurance. The Incoterms are not meant to replace statements in a contract of sale that outline transfers of ownership or title to goods. Therefore, the Incoterms may not be of use when looking to resolve disputes that may arise regarding payment or ownership of goods.

The 13 Incoterms fall into four different groups. These four groups are:

- Departure (E)
- Main Carriage Unpaid (F)
- Main Carriage Paid (C), and
- Arrival (D)

Each group's letter makes up the first letter of Incoterm. For example, if your agreement with a buyer calls for the release of goods by the seller to occur at the seller's location, the Ex Works (EXW) Incoterm would be used. This term states among other things that the buyer is to take over carriage and insurance responsibilities at the seller's dock. Alternatively, if the seller were to deliver goods to the buyer's dock, including all carriage and insurance, a term from the Arrival group such as DDP would be appropriate. The DDP term stands for Delivered Duty Paid and includes in its definition that the seller will deliver goods to the buyer's dock with all carriage, insurance, and duties paid. DDP represents the most obligations for the seller, whereas EXW represents the least.

Caution must be exercised when using Incoterms because the Incoterms relate to particular modes of transportation. For example, some of the Incoterms deal solely with transport by sea. Terms such as FOB and CIF can be used only for ocean bound freight. FOB, meaning Free on Board, translates to the shipper (seller) having upheld his/her part of the agreement when the goods pass the ship's rails at the port of exit. The receiving party (buyer) assumes risk and costs associated with the goods once they pass the ship's rail in the seller's home port. Due to the specific mention of the ship's rails, an aircraft or other mode of transport could not be used with FOB. For a shipment scheduled for delivery by air, rail, or some other form of transport with the same agreement as FOB one would need to use the Incoterm FCA, or Free Carrier. FCA can include other modes of transportation such as road, rail, interland waterway, and air. Whereas transfer under FOB takes place when the cargo passes the ship's rails, transfer with FCA occurs when delivery of goods has been made at a destination previously outlined by the buying party.

INCOTERMS 2000 are internationally accepted commercial terms defining the respective roles of the buyer and seller in the arrangement of transportation and other responsibilities and clarify when the ownership of the merchandise takes place. They are used in conjunction with a sales agreement or other method of transacting the sale.

- **EXW** - Ex Works -- Title and risk pass to buyer including payment of all transportation and insurance cost from the seller's door. Used for any mode of transportation.

- **FCA** - Free Carrier -- Title and risk pass to buyer including transportation and insurance cost when the seller delivers goods cleared for export to the carrier. Seller is obligated to load the goods on the Buyer's collecting vehicle; it is the Buyer's obligation to receive the Seller's arriving vehicle unloaded.
- **FAS** - Free Alongside Ship -- Title and risk pass to buyer including payment of all transportation and insurance cost once delivered alongside ship by the seller. Used for sea or inland waterway transportation. The export clearance obligation rests with the seller.
- **FOB** - Free On Board and risk pass to buyer including payment of all transportation and insurance cost once delivered on board the ship by the seller. Used for sea or inland waterway transportation.
- **CFR** - Cost and Freight -- Title, risk and insurance cost pass to buyer when delivered on board the ship by seller who pays the transportation cost to the destination port. Used for sea or inland waterway transportation.
- **CIF** - Cost, Insurance and Freight -- Title and risk pass to buyer when delivered on board the ship by seller who pays transportation and insurance cost to destination port. Used for sea or inland waterway transportation.
- **CPT** - Carriage Paid To -- Title, risk and insurance cost pass to buyer when delivered to carrier by seller who pays transportation cost to destination. Used for any mode of transportation.
- **CIP** - Carriage and Insurance Paid To -- Title and risk pass to buyer when delivered to carrier by seller who pays transportation and insurance cost to destination. Used for any mode of transportation.
- **DAF** - Delivered at Frontier -- Title, risk and responsibility for import clearance pass to buyer when delivered to named border point by seller. Used for any mode of transportation.
- **DES** - Delivered Ex Ship -- Title, risk, responsibility for vessel discharge and import clearance pass to buyer when seller delivers goods on board the ship to destination port. Used for sea or inland waterway transportation.
- **DEQ** - Delivered Ex Quay (Duty Paid) -- Title and risk pass to buyer when delivered on board the ship at the destination point by the seller who delivers goods on dock at destination point cleared for import. Used for sea or inland waterway transportation.
- **DDU** - Delivered Duty Unpaid -- Title, risk and responsibility of import clearance pass to buyer when seller delivers goods to named destination point. Used for any mode of transportation. Buyer is obligated for import clearance.
- **DDU** - Delivered Duty Unpaid -- Seller fulfills his obligation when goods have been made available at the named place in the country of importation
- **DDP** - Delivered Duty Paid -- Title and risk pass to buyer when seller delivers goods to named destination point cleared for import. Used for any mode of transportation.
- **Note:** EXW, CPT, CIP, DAF, DDU and DDP are commonly used for any mode of transportation. FAS, FOB, CFR, CIF, DES, and DEQ are used for sea and inland waterway

The following chart summarizes the responsibilities of both the buyer and seller for each of the current 13 INCOTERMS.

	<u>EXW</u>	<u>FCA</u>	<u>FAS</u>	<u>FOB</u>	<u>CFR</u>	<u>CIF</u>	<u>CPT</u>	<u>CIP</u>	<u>DAF</u>	<u>DES</u>	<u>DEQ</u>	<u>DDU</u>	<u>DDP</u>
SERVICES	Ex Works	Free Carrier	Free Alongside Ship	Free Onboard Vessel	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered At Frontier	Delivered Ex Ship	Delivered Ex Quay Duty Unpaid	Delivered Duty Unpaid	Delivered Duty Paid
Warehouse Storage	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Warehouse Labor	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Buyer/Seller*	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Forwarder's Fees	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Ocean/Air Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Charges On Arrival At Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Buyer	Buyer	Seller	Seller	Seller
Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery To Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

* There are actually two FCA terms: FCA Seller's Premises where the seller is responsible *only* for loading the goods and *not* responsible for inland freight; and FCA Named Place (International Carrier) where the seller *is* responsible for inland freight.

ANNEXURE-2**A. RESPONSIBILITIES OF PURCHASE DEPARTMENT:**

The functions of Purchase Department, inter alia, are:

- (i) Adherence to guidelines contained in the purchase manual
- (ii) Maintenance of an updated Vendor Register system.
- (iii) To issue enquires / tenders, analyse the quotations received and prepare comparative statements with a view to obtain competitive prices to HMT.
- (iv) To conduct negotiation with L1 tender.
- (v) To keep tender box with lock for receiving offers in sealed tenders. Tender box shall be opened in the presence of vendors and representative of finance department in the case of Open Tender, Limited Tender, Single Tender etc.,.
- (vi) To ensure fair opportunity to tenderers / suppliers and competitive prices & terms and assured quality to HMT
- (vii) To issue Purchase Orders in time after obtaining competent authority's sanction and follow up for supplies and periodical review of pending Purchase Orders.
- (viii) To follow-up with suppliers for timely supply and replacement/settlement of claims and other dues from suppliers and closure of purchase order is ensured.
- (ix) To co-ordinate and assist Finance and Inspection Dept. in settlement of bills and recovery of dues if any.
- (x) To submit applications for import clearance and obtain technical clearances and Import Licenses wherever applicable.
- (xi) To enter into annual rate contracts with committed delivery schedules for standard items, wherever advantageous to HMT.
- (xii) To enter into service contracts for transportation, customs clearance and maintenance of equipment, etc.,
- (xiii) To ensure after-sales-service is fulfilled by the supplier during warranty and post-warranty period .
- (xiv) To effectively plan and control the inventory level.
- (xv) To be alert and responsive to the changes in production programme and change in requirement of material.
- (xvi) To keep abreast with Government regulations relating to purchases, various statutory levies thereon and Import- Export policy. To ensure claim of all taxes/duties exemptions/duty drawbacks etc., as applicable, for national /international procurements
- (xvii) To submit monthly MIS reports.
- (xviii) To interact frequently with Purchase Departments of other Units with a view to sharing of information regarding price, source of supply, payment terms, vendor rating etc.,
- (xix) To ensure that insurance claims are preferred in time, for items damaged / lost in transit.

- (xx) Standardization and computerization of Purchase activities and inventory controls.
- (xxi) All relevant data regarding Purchase Function should be recorded and maintained, as required for the internal use as well as providing the information as per present provision of Right To Information Act.
- (xxii) No purchase orders shall be placed against anticipated customer orders except under special circumstances for which prior specific approvals of competent authority shall be taken(Project Department / Engineering Department).
- (xxiii) Review of show cause Notice from Customs, counter claims from vendors and advance payments for items rejected subsequently.
- (xxiv) Minimize dependency on imports.
- (xxv) Serve as an information center on materials viz., prices, sources of supply, specifications etc., to all other Units / Departments.
- (xxvi) Ensure inventory is at an optimum level.
- (xxvii) Ensure that the economic and legal interests of the organization are safeguarded at all lengths.
- (xxviii) Ensure that advanced new technologies like usage of internet etc are adopted for more effective procurement practices.

B. RESPONSIBILITIES OF FINANCE DEPARTMENT:

- (i) To ensure that the prescribed rules and procedures have been followed and that the canons of financial propriety have been observed in the procurement.
- (ii) To extend necessary help to minimize the lead time
- (iii) To have effective inventory control on the material procurement.
- (iv) To be responsive to the changes in production programme and change in requirement of material.
- (v) To ensure maximum credit facility is available from vendors so that the working capital could be effectively managed.
- (vi) To ensure that the insurance claims are preferred for items damaged in transit in co-ordination with stores and purchase department.
- (vii) Obtaining of Statutory Forms from Government Authorities and coordinate with Purchase Department / Stores in respect of activities relating to issue of C & D Forms as per clause pertaining to "Issue of Statutory Forms".

Constitution of Committee**Purchase Committee:**

The constitution of the Unit Purchase Committee shall be as under:

Material Chief	Chairman
Finance Chief	Member
Purchase Chief	Convener

All purchase proposals should be routed through the above committee.

Purchase Co-ordination Committee:

For value upto 1 Lakh:

Material Chief	Chairman
Finance Chief	Member
Purchase Chief	Convener

For value above 1 Lakh:

Unit Chief	Chairman
Material Chief	Member
Finance Chief	Member
Purchase Chief	Convener

The Chiefs of Engineering, Design / R&D and Inspection Departments can be invited as and when required, while the indenter shall also be invited for the meeting to take collective decision. Purchase Co-ordination Committee should meet at least once in a week.

The proceedings of the Purchase Co-ordination Committee shall be recorded in the relevant files and duly authenticated by the Chairman of the committee.

ANNEXURE-4**Vendor Registration Format**

Sl. No	Particulars	Details
1	(a) Name and address of the vendor (b) Please specify whether you are : Manufacturer / Manufacturer's Authorised Distributor / Authorised Dealer / Stockist. (In case of Manufacturer, please specify address of works / office if any.) (c) Telephone No. (d) Fax. No. (e) Email ID (f) Company Profile (Please enclose) (g) Turnover of the Company for the past three years (h) Bankers Details	
2	Quality system implemented – ISO 9000 / QS 2000 etc.	
3	Name, address & Telephone No. of the owner / proprietor	
4	Details of HMT Employees having financial interest in the Unit.	
5	Central Excise Range / Division to which the unit belongs	
6	Sales Tax Registration No. – Central & State	
7	Registration No. (SSI etc.)	
8	Details of products offered. Please enclose product catalogue	
9	Details of Machinery / facilities available	
10	Details of Inspection / Testing facility	
11	Manpower / Organization structure	
12	Details of your Major customers	
13	Are you exporting products / services? If so, please furnish details of exports for past 3 years.	
14	Are you supplying to any other units of HMT and if so, give details of the Units.	
15	Do you have your authorized dealers / service centers, if so, please furnish the details of network of your Authorized Dealers/Service Centers in India.	

Declaration: I / We declare that the details given above are true and correct.

Place:

Signature of Authorised person

Date

With Company Seal

FOR OFFICE USE ONLY

REMARKS:

Signature of Head of Purchase

Date

Recommended for Total

Not Recommended

Purchase Order / Sample

Authorised Signatory


VENDOR CODE ALLOTTED: NO:.....

"R" (Registered) Status given

After receiving the Goods, they are inspected and the following status is given:

- (a) Approved with "A" Status if accepted
- (b) If rejected get replacement – Inspect and follow SI.No.1
- (c) Not approved if rejected

ANNEXURE-6
FORMAT FOR IMPORT APPROVAL

		COMPANY								UNIT :			
REF: Unit/ IMP/Prop/Year/SN		REQUEST FOR APPROVAL FOR IMPORTS DURING (Year)								DATE:			
1. Machine/Product :		Customer :								Covered Under Order : (Confirmed Order No) ----- ---			
Sno	Item		Supplier / Place	Supplier's Offer Ref.&Date	Offer Value (CIF)				MFLC*	For Delivery Landed Cost Rs.	Payment Terms	Delivery Date	
	Description	Qty. Planned (Nos.)			Currency	Total Value	Exchange Conversion Rate	Value In Rs.				Reqd By Unit	Indicated In Offer
Total													
2. Machine/Product :		Customer :								Covered Under Order : (Confirmed Order No) ----- ---			
Total													

* MFLC – Multiplication Factor for landed cost

ROUTE	Indentor	Proposer	Materials Chief	Unit Finance Chief	Unit Chief	Concurred	APPROVED (Competent Authority)
SIGN DATE							

ANNEXURE-9
DO'S AND DON'T'S
Subject : Indent

SN	Dos	Donts
01	Indicate Drg no. Spec and ALL other required information	Don't give incomplete information.
02	Estimate to be realistic	
03	Delivery date to be practical	Do not indicate impractical delivery dates.
04	If single tender – exact reason as per Single Tender clause of Purchase Policy to be indicated.	Do not get confused between ST and Proprietary.
05	Emergency indents to have a speaking note as per purchase policy.	Do not create Emergency. Do not forget to enclose speaking note.
06	If specific brand name / make are indicated, it is proprietary.	Do not treat it as LT just because more than 1 dealer / trader is contacted.
07	All ST indents to be certified by Head of indenting dept.	Do not process without certification by head of indenting dept.
08	Indents and further amendments to be signed by competent authority as per delegation of power, based on value	Amendments cannot be signed by an authority lower than the authority who has signed original Indent.
09	Source standardization should be the approval of Head of the unit as per relevant clause of policy.	Do not mix-up between Source standardization and Proprietary.
10	If some of the items have to be procured as a package from a single source-Indicate clearly, with reasons.	Without this, Do not ask for procurement from single vendor after tender opening.
11	Process Emergency indents with due speed	Do not delay, defeating the purpose of emergency.

Subject : Enquiry

SN	Dos	Donts
01	Contact approved vendors	
02	Evaluate customer approved vendors before price bid opening	Do not combine developmental order/vendors with regular enquiry
03	Obtain competent authority's approval for tendering, as per Policy.	Do not tender w/o proper approval
04	Circulate tender to all approved vendors	Do not omit any approved vendor without proper justification and approval of Unit Chief
05	Minimum Tender time of 2 wks for limited tender & 3 wks for open tender can be reduced with recorded reasons and approval from Unit Chief.	Do not fail to get approval by recording reasons.

SN	Dos	Donts
06	Indicate, Loading factors, buying items as a package from single source, Load distribution criteria etc. (refer details under R/C)	Do not change terms of Enquiry without giving equal opportunity to ALL.
07	Indicate the Annexures enclosed, in the enquiry. Helps vendor to notice in case any enclosure is missing.	Do not forget to indicate total No. of pages and enclosures sent with Enq.
08	When reqt. Is likely change, high value etc. resort to TWO part bid.	If single part bid DO NOT reject for reasons like new vendor which should have been considered before tendering.
09	Completely fill the Enq. Check list before signing enquiry.	Do not leave checklist blank/routinely fill without verifying.
10	Despatch thro' Reg/speed post or courier, File proof of dispatches.	Do not/avoid dispatch thro' normal post.
11	Freeze all Tech. Requirements & Comml. Terms before price bid opening	Do not open price bid without freezing techl & comml. Terms.
12	Give reasonable opportunity to all vendors for clarifications.	Do not proceed unilaterally.
13	Reasons for Rejecting offer to be informed to vendors before price bid is opened	Do not open price bid with out this
14	If necessary obtain revised price bid/ additional prices for revised scope of supply.	
14	BG to be obtained from Nationalized or scheduled bank for the required value	
16	In case advance/stage payment, BG for the equivalent value to be valid till the END of contract or delivery of a marketable product.	Do not allow BG to lapse or fail to get BG value enhanced if PO value gets amended upwards.
17	Price bids of tech. acceptable vendors only be opened.	
18	Be consistent in evaluation / Load sharing	
19	Indicate Purchase preference clause in Enq. (If applicable).	
20	Open tender in Public	
21	ALL pages of offer to be signed by both Finance and MM representative at the time of tender opening.	
22	Any corrections in offer to be re-written and signed by tender committee.	
23	Total number of corrections in each page to be written and signed to avoid any mischief in future. Also, indicate total no of offers received on each offer Eg.1/5, 2/5 etc.	Do not forget this. It will be helpful in case of verification.

Subject : Comparison statement.

SN	Dos	Donts
01	Should be on total cost to HMT	Do not go by basic rate only
02	Calculate on for HMT / Site as the case may be for ALL	
03	Ensure that vendors quote % of applicable taxes and duties	Do not presume or omit
04	Modvat to be deducted wherever applicable	
05	Decide Ranking on the Final price	Do not decide on basic price
06	Ranking on package or item wise to be decided based on Enquiry terms.	Do not change terms after price bid opening.
07	Statement to be signed and counter signed after verification	Do not leave unsigned.
08	For comparison, exchange rate as on the date of tender opening to be considered.	Do not take ER as on CST preparation, since this can tilt rankings daily.

Subject : Negotiation

SN	Dos	Donts
01	Negotiation proposal to be approved by one step higher authority	Do not negotiate without approval
02	Negotiation with L1 only	
03	If enquiry indicates that load shall be distributed on >1 vendor, then specify number of vendors and with specified vendors negotiate for items for which they are L1 only. Then counter offer L1 rates to other specified number of vendors.	Do NOT negotiate with ALL vendors for ALL items.
04	If L1 backs out either before or after ordering L2 does not become L1. Re float.	Do not proceed with L2, if L1 backs out.
05	Get the price reasonableness form indentor	
06	Equip with data for effective negotiation.	Do not hold negotiation blindly or on adhoc basis.
07	Negotiation discussions to be minuted	Do not fail to record MOM
08	Incase of counter offer, price to be justified.	

Subject : Ordering

SN	Dos	Donts
01	Preferable to enclose a detailed note and fixing flags for relevant papers	Do not miss/hide any point in the note / proposal
02	If quantify tolerance is applicable then proposal value shall be for the maximum qty. though payment is restricted to actual.	
03	Obtain finance concurrence before approval, as per delegation of power.	
04	Indicate terms and conditions clearly	
05	Indicate agreed delivery date	Do not indicate del. date unilaterally

06	Penalty for delayed delivery to be decided after analyzing the reasons for delay and fixing responsibility.	
07	Insist for order acceptance from Vendor	
08	Repeat order approval by one step higher authority. Conditions as per Pur policy	
09	PO amendments – approval by one step higher authority in each case limited to unit head	

Subject : Rate Contract (R/C)

SN	Dos	Donts
01	Based on annual plan, collect the approximate requirement from Indentor / Material Plng Dept	Without approximate value and approval, do not send Enquiry
02	Based on the quantity, calculate approximate value of R/C and get approval for tendering	
03	In the Enquiry indicate clearly <ul style="list-style-type: none"> • Enquiry for R/C • Period of R/C • No. of vendors with whom R/C shall be entered into • Load distribution pattern among original L1, L2 etc. • Loading for Payment terms, BG etc. • Whether items shall be procured as a package from a single source. • R/C shall be entered into with number of vendors provided they agree for L1 rates (optional). 	Do not deviate from what is indicated in Enquiry Do not add any new condition without giving equal opportunity to ALL vendors.
04	After price bid opening, prepare CST on total cost considering all Taxes & duties, less modvat as applicable. Loading factors to be added while working out rankings.	Do not go by basic rates alone. Do not forget to add Loading factors & deducting modvat wherever applicable.
05	Get the approval of competent authority (one step higher) for negotiation as per policy (if you decide to negotiate)	Do not negotiate W/O approval.
06	Negotiate with L1 vendor or with Vendors for L1 items only.	Do not negotiate with ALL vendors for ALL items.
07	After negotiation, counter offer L1 rates to others	Do not fail in attempt to bring ALL vendors to L1 rate.
08	Enter into Rate contract with vendors who agree for L1 rates. In rare cases, if it becomes very essential to have R/C with differential rates, full justification has to be given in the PO proposal and competent authority's approval to be obtained.	

09	Procurement/Loading shall be done on non L1 judiciously, and with proper justification, backed by documents.	Do not fail to inform vendors about their performance/failure and the pros & cons.
10	Proposals of Enq. Negotiation and ordering shall be approved by authority decided based on the approximate value for entire R/C period.	Do not forget to indicate the R/C value and get approval at each of these stages.
11	Each of the PO proposal to have a chart indicating (i) Loading done so far, (ii) Original ranking – L1, L2 etc. (iii) Load now proposed (iv) % of total value ordered so far. These to indicated against each vendor.	