

# Sub - Contract Procedure 2017



**A NAVARATNA COMPANY**

Empowering the Nation's Defence Forces

का.आ.सं. Office Order No. प्रका HO/591/031

20.04.2017

विषय - उप-ठेका प्रक्रिया - 2017

**Sub: Sub-Contract Procedure - 2017**

संदर्भ - का.आ.सं. प्रका/591/021 दिनांक 01.07.2010 (यथा संशोधित)

**Ref: Office Order No. HO/591/021 dated 01.07.2010 (as amended).**

-o0o-

- 1.0 दिनांक 01.07.2010 के कार्यालय आदेश सं.प्रका/591/021 तथा परवर्ती जारी संशोधनों में उप-ठेका से संबंधित मामलों में अनुपालन की जानेवाली प्रक्रिया का उल्लेख किया गया है। कंपनी की वर्तमान आवश्यकताएँ, बहु-ईकाई प्रचालन, समीक्षा बैठकें, विभागों की प्रतिपुष्टी को ध्यान में लेते हुए प्रक्रिया की समीक्षा की गई है।  
The procedure to be followed in Sub-Contract matters are laid down in the Office Order No. HO/591/021 dated 01.07.2010 and subsequent amendments. A review of the procedure has been made taking into account existing needs of the company, the context of its multi-unit operations, review meetings, feedback from Departments, etc.
- 2.0 इस समीक्षा के आधार पर, उप-ठेका प्रक्रिया 2017 शीर्षक संशोधित कार्य विधि इस कार्यालय आदेश के साथ यूनिट/एसबीयू/कार्यालय द्वारा अनुपालन हेतु संलग्न किया गया है।  
Based on this review, revised procedure titled 'Sub-Contract Procedure 2017' is enclosed along with this Office Order for adoption by Units / SBUs / Offices.
- 3.0 यह संशोधित कार्य विधि तत्काल प्रभाव से जारी होता है तथा इस विषय पर इससे पूर्व जारी सभी आदेश/अनुदेश को अधिक्रमित करता है।  
The revised procedure comes into force with immediate effect and supersedes all earlier orders / instructions issued on the subject matter.



अध्यक्ष एवं प्रबंध निदेशक

**CHAIRMAN & MANAGING DIRECTOR**

का.नि./म.प्र.

EDs / GMs

यूनिट मा.सं./वित्त प्रमुख

UNIT HR / FINANCE HEADS

क्षे.का./वि.के. प्रमुख

RO / MC HEADS

कंपनी सचिव

Company Secretary

नि.(अनु. व वि.)

नि.(बैं.कों.)

नि.(अ.यू.)

नि.(विपणन)

नि.(मा.सं.)

नि.(वित्त)

सीवीओ

D(R&D)

D(BC)

D(OU)

D(MKTG)

D(HR)

D(F)

CVO



# SUB - CONTRACT PROCEDURE 2017

**Bharat Electronics Limited**  
(A Government of India Enterprise)  
Registered & Corporate Office:  
Outer Ring Road, Nagavara,  
Bengaluru – 560045.  
Website : [www.bel-india.com](http://www.bel-india.com)



## CONTENTS

Para No./ Annexure No.	Subject	Page No.
1.0	Introduction	5
2.0	Objectives	5
3.0	Reasons for Sub – Contracting	5
4.0	Responsibilities of the Departments / Officers	7
4.1	Responsibilities of Indenting Department / Officer	7
4.2	Responsibilities of Industrial Engineers	9
4.3	Responsibilities of Sub-Contract Department / Officer	10
4.4	Responsibilities of Finance Officers	13
4.5	Responsibilities of Quality Control Officer	13
5.0	Establishment of Vendors	13
6.0	Delegation of Powers	16
7.0	Placement of Orders	17
7.1	Ordering Procedure at IED Estimated Price	17
7.2	Repeat Orders	18
7.2.2	Placement of order on Rate contract	18
7.3	Ordering Procedure By Tendering Process	18
7.4	Price Negotiation in respect of Tendered items	20
7.5	Price Preference to Public Sector Undertakings / Small Scale Sector / Indigenous Suppliers, etc.	21
7.6	Procurement from MSE	22
7.7	Management approvals through FLM	23
8.0	Sub-Contract / Service Order	24
9.0	Bank Guarantee & Insurance	25
10.0	Material Accounting of Issues & Receipts	26
11.0	Despatch of Materials	28
12.0	Receipt of Materials	29
13.0	Inspection & Drawl	29
14.0	Recovery of Cost of Material	31

Para No./ Annexure No.	Subject	Page No.
15.0	Payment Terms	32
16.0	Tooling	33
17.0	Review of Sub-Contract Orders	33
18.0	Assistance to Sub-Contractors	34
19.0	Amendment to Sub-Contract Orders / Repeat Orders	34
20.0	Role of Central Sub-Contract Department (BG) & Unit Sub-Contract Department	35
20.1	Role of Other Units Vendor Evaluation Committee (VEC) Activities	36
21.0	General Terms & Conditions	36
22.0	Vendor Rating	36
23.0	Risk Management	36
24.0	Grievance Redressal	36
25.0	Start Ups	37
26.0	Reverse Auction	38
ANNEXURE-1	Check List for Sub-Contract Request	39
ANNEXURE-2	Request for Quotation(RFQ)	41
ANNEXURE-3	Questionnaire for Survey and Registration of New Sub-Contract Vendors	43
ANNEXURE-4	Procedure for De-Registration, Suspension & Banning of Firms	47
ANNEXURE-5	Sub-Contract Order Release Procedure	51
ANNEXURE-6	General Bank Guarantee	59
ANNEXURE-7	Bank Guarantee for Advance	61
ANNEXURE-7a	Advance Payment	63
ANNEXURE-8	Certificate By Vendors for Material Lying With Vendors	75
ANNEXURE-9	General Terms & Conditions	77
ANNEXURE-10	General Terms & Conditions (For BOM Order)	79
ANNEXURE-11	Vendor Rating Report	81
ANNEXURE-12	Splitting of Order Quantity-CVC Guidelines	89
ANNEXURE-13	Online Registration procedure through BEL website (add)	93
ANNEXURE-14	Guide Lines for the Integrity Pact	97

<b>Para No./ Annexure No.</b>	<b>Subject</b>	<b>Page No.</b>
ANNEXURE-15	BEL Out Sourcing Policy	109
ANNEXURE-16	The Gazette of India for Start up	115
ANNEXURE-17	Reverse Auction	119

BLANK



**SUB - CONTRACT PROCEDURE - 2017****1.0 INTRODUCTION**

The procedure to be followed in Sub-Contract matters were laid down, inter-alia, in the Office Order No. HO / 591 / 021 DT. :1.07.2010 and subsequent amendments. A review of these procedures was made in year 2017 taking into account existing needs of the company, the context of its multi-unit operations and the special characteristics akin to the situation in the high technology field in which the company is operating. Keeping in view the implementation of SAP in all Units / SBUs, the Sub-contract procedure is revised to incorporate suitable changes including SRM process, File Lifecycle Management (FLM) and delegation of powers. As per above the following procedures are laid down for adopting by all the units.

**2.0 OBJECTIVES**

The objectives of all Sub-Contract activities in Bharat Electronics are to ensure that :

- 2.1 The required materials / services to prescribed specifications are outsourced from reliable vendors, in right quantities, at the right times and at right prices.
- 2.2 Fair and consistent practices are followed in sub-contracting with a view to establish long-term business relationships with the vendors.
- 2.3 The total 'lead time' for procurement is reduced to the minimum.
- 2.4 Sub-contracting should be in areas both of low / high technology to achieve the optimum cost benefits, along with the benefits for diverting the efforts to high-technology areas.
- 2.5 Capital investment in infrastructure intensive and low-end are as is minimised.
- 2.6 The economics and legal interests of the company are safeguarded at all times.
- 2.7 Import substitution is achieved at a faster rate.
- 2.8 To increase the vendor base through on-line vendor registration process.
- 2.9 Outsourcing of manufacturing activity for machined parts and mechanical assemblies and system integration are to be decided by the production control head / project manager keeping in view of the following :
  - a) Meeting the required rate of production
  - b) Avoiding fixed investments
  - c) In house capacity
  - d) Improving cost Effectiveness
  - e) Meeting project delivery schedules.

**3.0 REASONS FOR SUB - CONTRACTING**

The need for sub-contact to outside agencies arises due to the following reasons :

- 3.1 The manufacturing / service facility is available in the unit but cannot be executed due to capacity constraints in the following areas :
  - a) Items of fabrication including machining, sheet metal work etc.
  - b) Service jobs like plating, painting, heat treatment, Screen-printing, Engraving etc.
  - c) Electronic assembly work like cable forms, cable assembly, PCB assembly, sub-unit /

Unit assembly etc., & electronic units testing like PCB assembly, sub-unit etc.

- d) Whole equipment assembly (including fabrication, assembly, testing and also environmental testing)
- e) Secondary operations like moulding, spot welding, die / wire bonding, tinning, Branding, assembly and testing of active and passive components
- f) Manufacture of PCB blanks (single-sided, double-sided and multilayer).
- g) Manufacture and assembly of transformers, coils and chokes, etc.
- h) Packing cases for finished equipment and components (either carpentry or any other type).
- i) Photo-copying, Printing, Binding, Drafting and preparation of Technical Catalogues, Marketing Leaflets and Technical Literature related works.
- j) Development of product from Schematic drawings, involving the works like, Circuit design, PCB lay-outs, first-off sample manufacturing, Testing and Software development.

3.2 The facilities are not available in the unit for some of the operations / process, in the manufacturing chainlike :

Industrial tailoring, FRP moulding, rubber mouldings, plastic mouldings, castings, Forgings, extrusions, springs, Name plates etc & for some special jobs like Aluminium skinned shelters, FRP shelters, metal forming.

3.3 Items falling under the category castings, wood works, Plastics, Labels, Adhesive stickers, name plates and rubber moulding, Technical literature, Chemical milling, Buffing & polishing, hard anodizing, Zinc spray and sand / shot blasting are considered as "NO NORMS ITEMS". Refer Circular No. 16300 / MSD / MS BG / 65 dated 13<sup>th</sup> Jan 2015 issued by MS BG unit.

3.4 Outsourcing activities are to be decided on the guidelines of outsourcing policy of BEL as referred to in Annexure No. 15

### **3.5 CLASSIFICATION OF MATERIAL**

3.5.1 The following Materials shall be procured through Purchase as per purchase procedure :

- a) Materials having material type (in ERP) as purchase parts for Standard as created by Standards department and for Non Standard as created by D&E & Standards. These materials shall have MPN.
- b) Material which are used as Non Production items (having MPN or supplier reference in PR / Drawing).
- c) All Capital items and Spares for Capital items.
- d) Exclusive D&E items if MPN is not assigned and suggested Vendor is mentioned in the PR / Drawing for development projects.

3.5.2 The following Materials or services shall be processed through Sub contract as per Sub-Contract procedure :

- a) Items which are to be fabricated or assembled as per BEL documents with or without BEL material.

- b) Operations not necessarily limited to Turning, Milling, Jig Boring, plating, painting, mechanical assembly, PCB assembly, Cable assembly, cabling and wiring, any other services other than mentioned in Purchase Procedure 2016, Clause 6.5 etc.
- c) Any item not covered under purchase procedure as per 3.5.1 shall be processed through sub contract procedure.

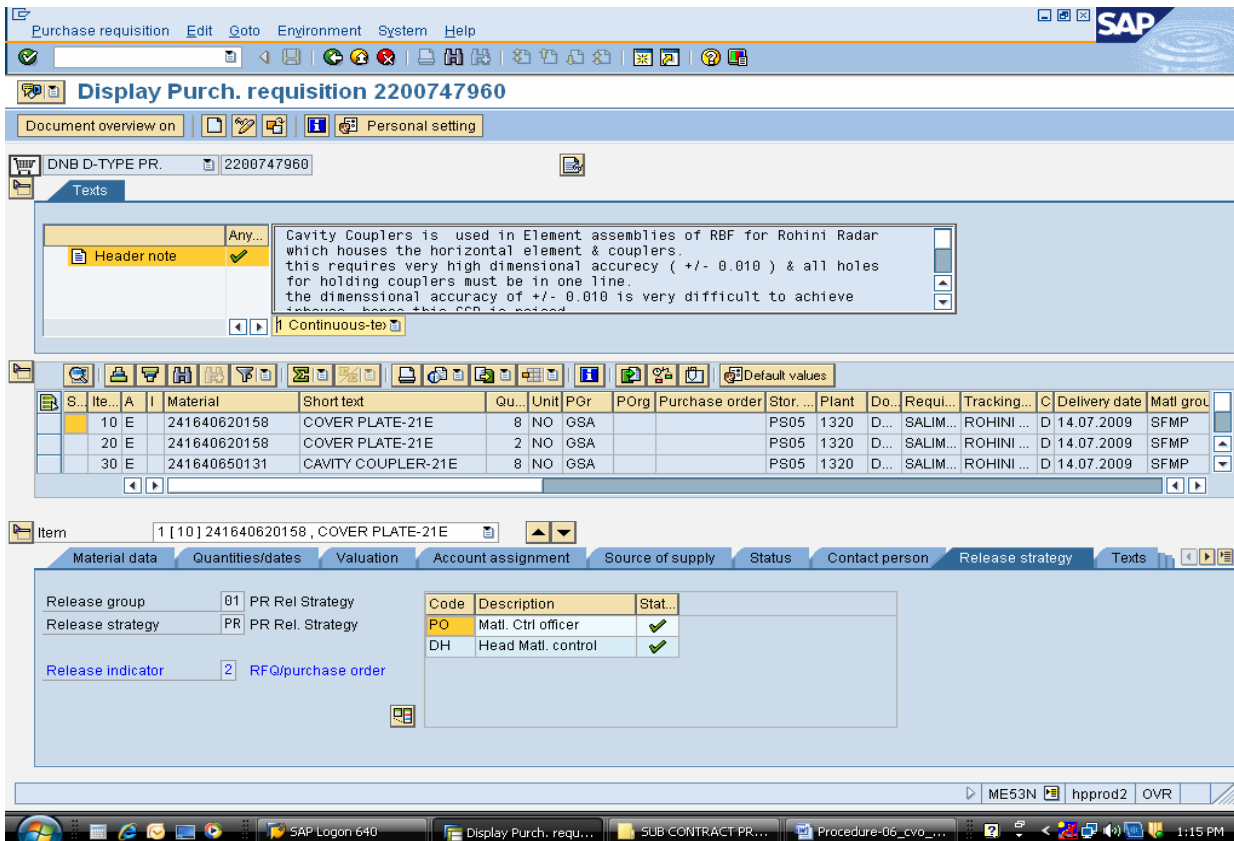
3.5.3 The Services mentioned in Purchase Procedure 2016, clause 6.5 / 6.5.1 considered as works to be processed as per works contract manual.

#### **4.0 RESPONSIBILITIES OF THE DEPARTMENTS / OFFICERS**

##### **4.1 RESPONSIBILITIES OF INDENTING DEPARTMENT / OFFICER**

The indenting department is normally the production control department in the production setup. It shall establish the need and quantum of sub-contract, taking into account the in-house facility / capacity available by adopting the following steps :

- 4.1.1 Based on sale order, run the MRP in SAP using transaction code ZPP002 and check with free stock pegging. Before running MRP production control shall maintain MRP, Accounting, Costing, Work Scheduling, Valuation and Quality views including J1ID table for all the manufactured parts and assemblies for the ensuing year. MRP than shall be run using SAP for generating planned orders. Planned orders shall then be converted into Production orders and PRs using transaction Mass / Individual conversion of planned orders to production order / PRs.
- 4.1.2 List of manufactured parts and assemblies shall be derived from the MRP run (bill of materials) by production control. After ascertaining the capacity available in-house items to be outsourced (Sub-Contracted) are identified and consolidated list of (MRPof) items (to be Sub-Contracted) is prepared. In cases where production control is not able to generate consolidated MRP at a time, individual PR may be raised wherein production control should certify that in-house capacity has been explored.
- 4.1.3 However, if for any reason the Sub-Contract items / service could not be included in the MRP / bill of material, individual Sub contract Requisition may be raised manually by production control for order processing with or without BEL free issue materials.
- 4.1.4 Assist the vendors in any technical clarifications needed.
- 4.1.5 Check that an up-to-date drawing exists in SAP for all the items Sub-Contracted, so as to enable the Sub-Contract department to have easy access to the drawings which will in turn cut short the lead time.
- 4.1.6 Specimen Sub contract Request used in SAP are shown below :



**Display Purch. requisition 2200747960**

Document overview on [Icons] Personal setting

DNB D-TYPE PR. 2200747960

Texts

Header note: Cavity Couplers is used in Element assemblies of RBF for Rohini Radar which houses the horizontal element & couplers. this requires very high dimensional accuracy ( +/- 0.010 ) & all holes for holding couplers must be in one line. the dimensional accuracy of +/- 0.010 is very difficult to achieve

S.	Item	A	I	Material	Short text	Qu.	Unit	PGr	POrg	Purchase order	Stor. ...	Plant	Do...	Requi...	Tracking...	C	Delivery date	Matl grou
10	E			241640620158	COVER PLATE-21E	8	NO	GSA			PS05	1320	D...	SALIM...	ROHINI ...	D	14.07.2009	SFMP
20	E			241640620158	COVER PLATE-21E	2	NO	GSA			PS05	1320	D...	SALIM...	ROHINI ...	D	14.07.2009	SFMP
30	E			241640650131	CAVITY COUPLER-21E	8	NO	GSA			PS05	1320	D...	SALIM...	ROHINI ...	D	14.07.2009	SFMP

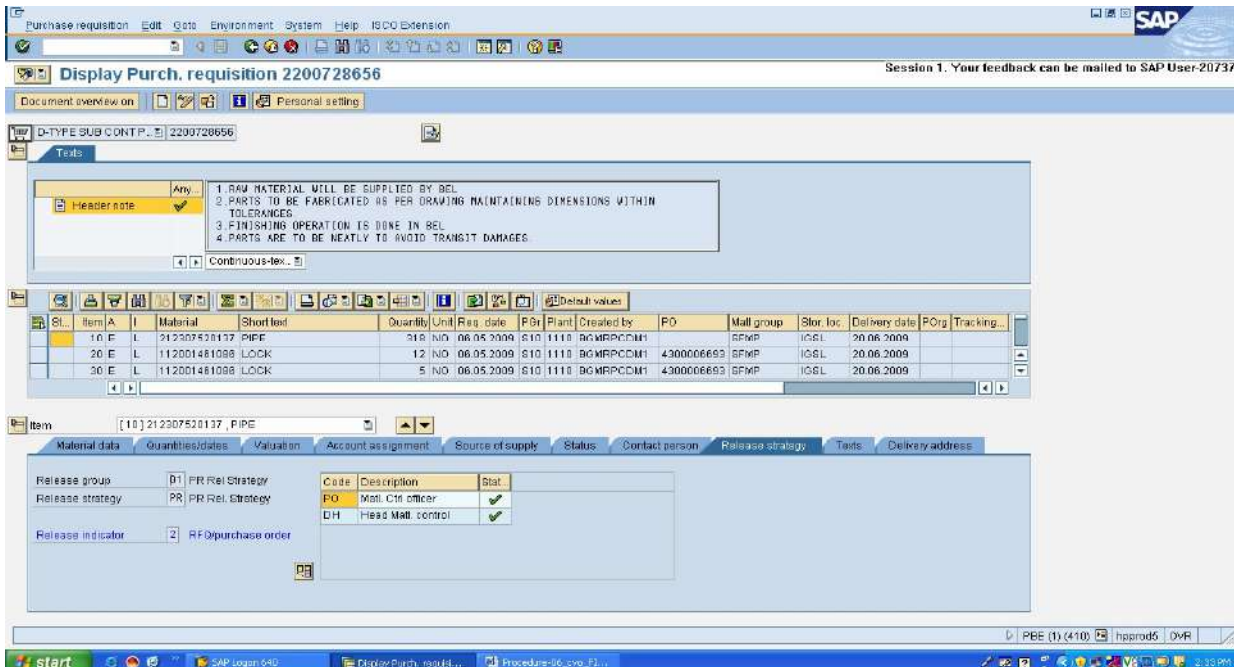
Item: 1 [10] 241640620158, COVER PLATE-21E

Release group: 01 PR Rel Strategy  
Release strategy: PR PR Rel. Strategy  
Release indicator: 2 RFQ/purchase order

Code Description Stat...  
PO Matl. Ctrl officer ✓  
DH Head Matl. control ✓

ME53N hpprod2 OVR

Fig :1 Sub contract Request (Vendor Material) CNB / DNB / FNBTYP



**Display Purch. requisition 2200728656**

Document overview on [Icons] Personal setting

D-TYPE SUB CONTR... 2200728656

Texts

Header note: 1. RAW MATERIAL WILL BE SUPPLIED BY BEL  
2. PARTS TO BE FABRICATED AS PER DRAWING MAINTAINING DIMENSIONS WITHIN TOLERANCES  
3. FINISHING OPERATION IS DONE IN BEL  
4. PARTS ARE TO BE NEATLY TO AVOID TRANSIT DAMAGES

S.	Item	A	I	Material	Short text	Quantity	Unit	Req. date	PGr	Plant	Created by	PO	Matl group	Stor. loc.	Delivery date	POrg	Tracking...
10	E	L		212307520137	PIPE	210	NO	06.05.2009	S10	1110	BGMRPCCDM1		SFMP	IGSL	20.06.2009		
20	E	L		112001481098	LOCK	12	NO	06.05.2009	S10	1110	BGMRPCCDM1	4300006693	SFMP	IGSL	20.06.2009		
30	E	L		112001481098	LOCK	5	NO	06.05.2009	S10	1110	BGMRPCCDM1	4300006693	SFMP	IGSL	20.06.2009		

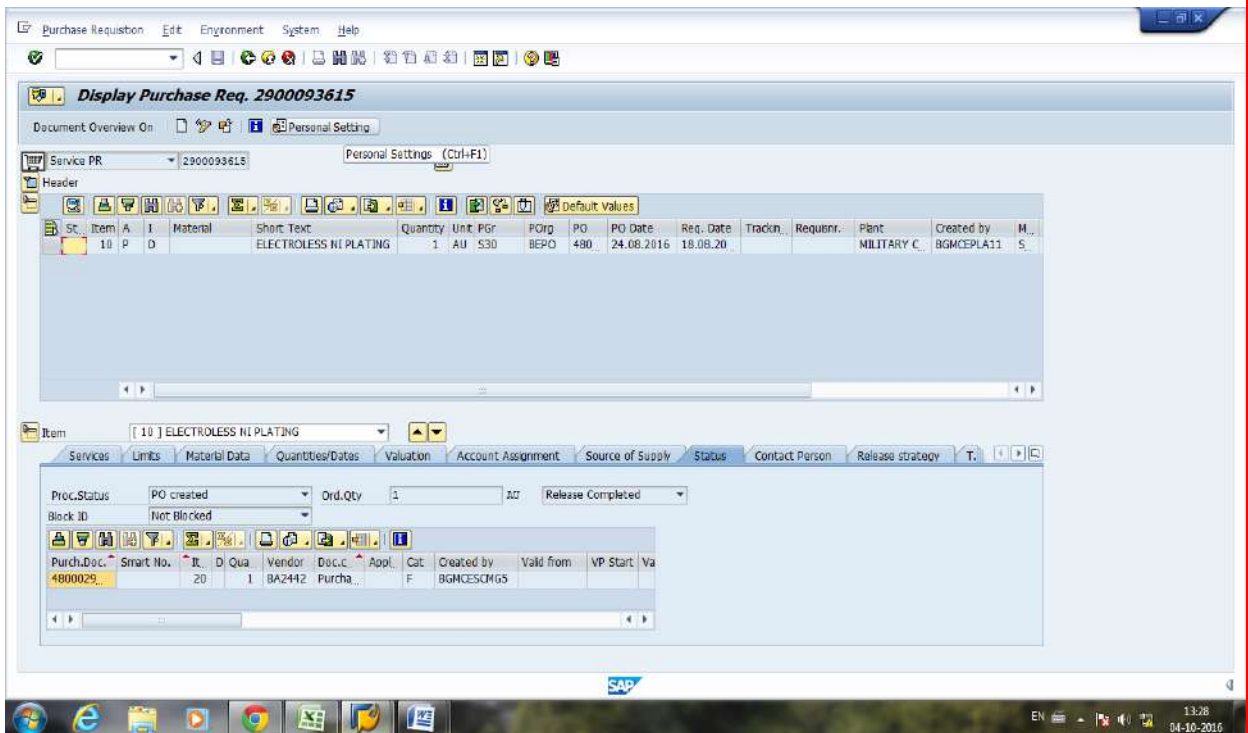
Item: [10] 212307520137, PIPE

Release group: 01 PR Rel Strategy  
Release strategy: PR PR Rel. Strategy  
Release indicator: 2 RFQ/purchase order

Code Description Stat...  
PO Matl. Ctrl officer ✓  
DH Head Matl. control ✓

PBE (1) (410) hpprod5 OVR

Fig :2 Sub contract Request (BEL Material) CSC / DSC / FSCTYP



**Fig :3 Sub contract Request for Service (GNB / FNBTYP)**

- 4.1.7 List of SCRs, with a Checklist (ANNEXURE-1) giving information regarding PR along with a copy of updated drawing with proper vetting by Project-in-charge will be sent to respective Sub-Contract Department for further action.

While issuing the Sub-Contract Requests (SCRs), the indenter should ensure that, all vital information is incorporated in PR, so that; Sub-Contract Department will have all necessary information, about the parts identified for procurement. Details of materials to be issued by BEL on FREE OF COST basis, shall be clearly indicated in the PR.

## 4.2 RESPONSIBILITIES OF INDUSTRIAL ENGINEERS

- 4.2.1 IED / MS of respective SBUS / Unit should estimate unit price based on SAP released BOM and based on the norms finalised by Management Services of the SBUSs / Units. (In the absence of IED / MS, the concerned production control / indenter may provide the estimates).

IED may indicate the estimation price in the sub contract order file which will be used by the sub contract procurement department as a reference for price negotiation and award of contract as applicable.

- 4.2.2 Maintain Unit Cost Estimates for all manufactured parts / assemblies which consists of :

- i) Labour cost only, where materials are supplied free of cost by BEL.
- ii) Labour cost and Material cost where no materials are supplied by BEL.
- iii) Special Tool cost, if any, to be paid to supplier for design, fabrication and use for BEL items only.

- 4.2.4 Work out the standard rates per hour periodically (the periodicity shall be two years) of each category of operations for different Category of Vendors, in concurrence with Finance. The Sub-Contracts department will use these rates for entering into Annual rate contract.
- 4.2.5 Assist the indenting department, in the aggregation of standard man-hours for in-house & Sub-Contract items.
- 4.2.6 While calculating unit price, IED / MS will consider the following :
- NRE / Development work done by the vendors against BEL's jobs.
  - Tools manufactured by the supplier which may not be considered as the property of BEL.
  - The complexity and learning curve.
  - The economics of volume

### **4.3 RESPONSIBILITIES OF SUB-CONTRACT DEPARTMENT / OFFICER**

- 4.3.1 Take out a list of all pending PRs at regular intervals from SAP. Scrutinise the PR(s), check the previous Sub-Contract details and performances by the previous supplier(s). Based on the history of parts subcontract to decide whether to place Repeat Order as per clause 7.2 or go for Enquiry as per clause 7.1.
- 4.3.2 To issue Request for Quotation (RFQ) (ANNEXURE- 2), analyze the quotations received and prepare comparative statements.
- 4.3.3 To hold negotiations with the tenderers, on prices, delivery, terms of payment or other conditions, wherever required, in association with Finance, IED / MS and Indenter, wherever necessary(refer clause 7.4)
- 4.3.4 Maintain source list and prepare Sub contract Orders in SAP, and release Sub contract Orders, as per release strategy in SAP issued by IS (CO) (ANNEXURE-5), after obtaining competent authority's approval, as per delegation of powers, as stipulated by Corporate Office and vetting by Finance and monitor the progress of Sub-Contract order.
- 4.3.5 Assume full responsibility for issual, accountal and collection of materials, to and from the vendors. Fulfil all the Government formalities, in the material transactions. Ensure that all statutory procedures and formalities as applicable, from time to time, (in respect of Excise duty / Sales Tax, etc.) are complied with.
- 4.3.6 Initiate steps for a) Registration of new Vendors, b) Approval of firms for inclusion in Source List using ZMM007, c) Updating Source List and d) Vendor Rating.
- 4.3.7. Enter into Annual Rate Contract with the Vendors, including finishing process (like plating, painting, etc.)
- 4.3.8 Obtain Bank Guarantee for the relevant amount from the vendors, as applicable and ensure that, the Vendors obtain the Insurance Policy for high values, wherever applicable. Refer Clause 4.4.4 for maintenance and renewal Bank Guarantee.
- 4.3.9 Co-ordinate with Finance for prompt payments to the vendors, on-time and for the recoveries, if any, from the vendors and to act as a single window of the company, for the vendor-related issues.

4.3.10 Sub-Contract divisions are required to issue the materials to the supplier through the SAP transaction code ZIMM002. This makes the inventory of the material available with the vendor in a separate location named as Vendor Storage Location (VNSL). This will help to monitor the inventory holding at supplier premises with respective Sub-Contract order.

4.3.11 Specimen Sub contract order Vendor Material / BEL Material / Service is shown below :

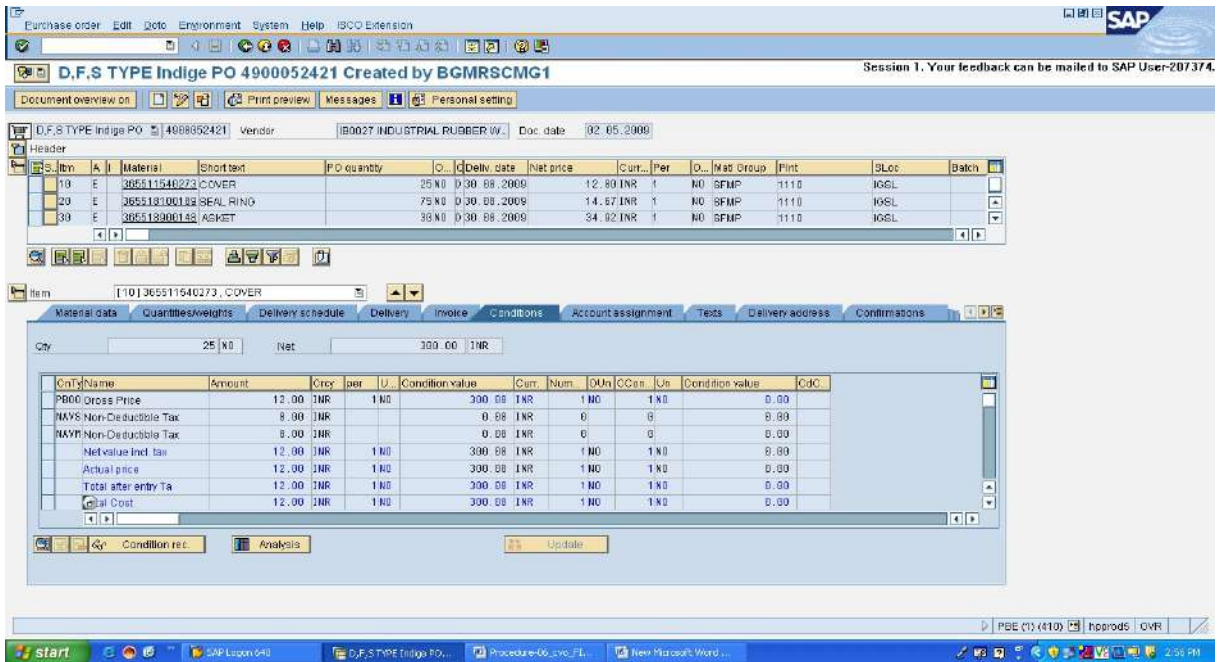


Fig :4 Sub contract Order (Vendor Material)

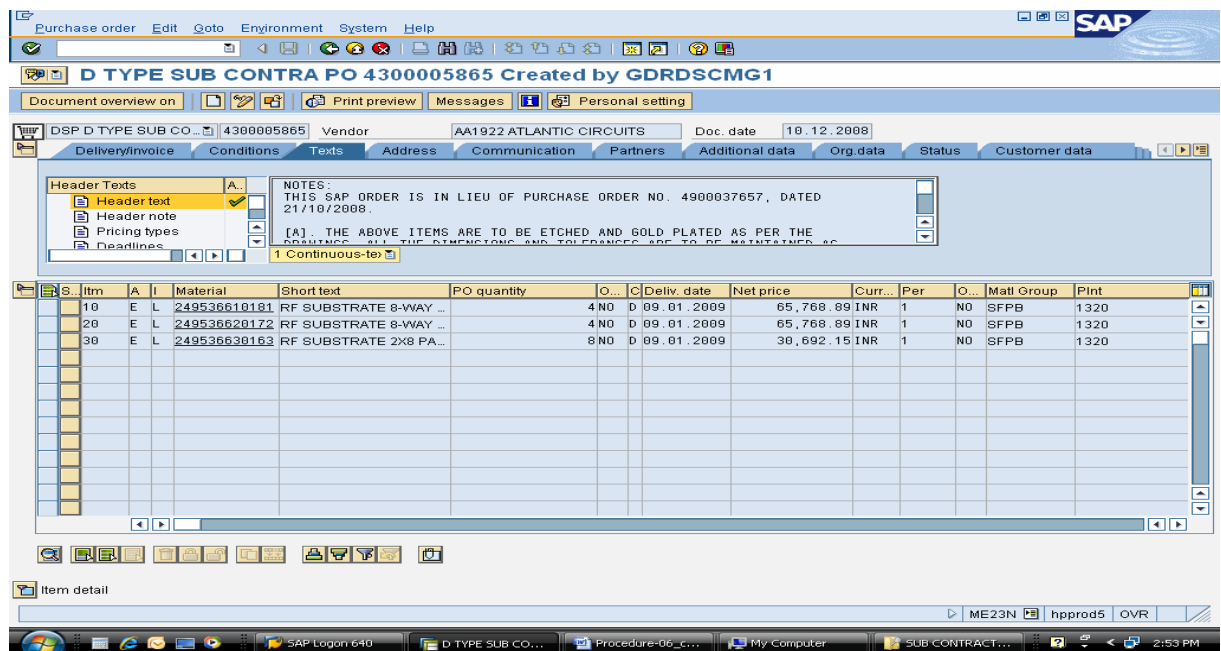
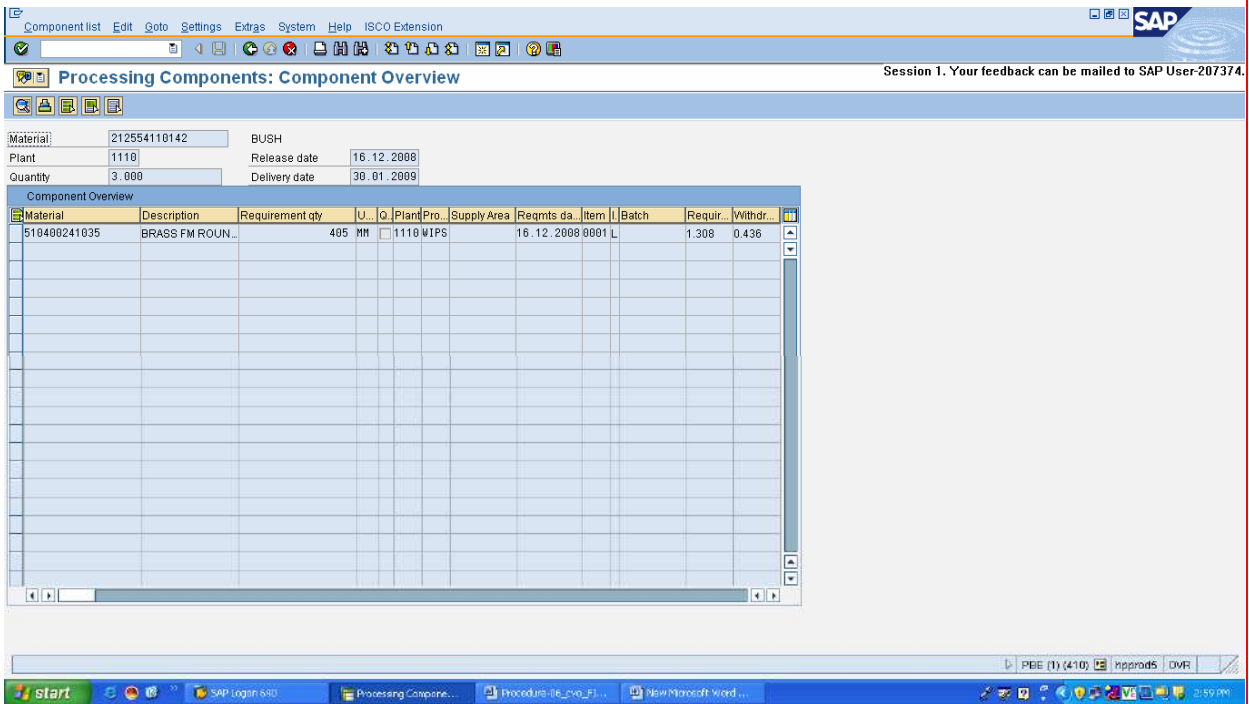


Fig :5 Sub contract Order (BEL Material)

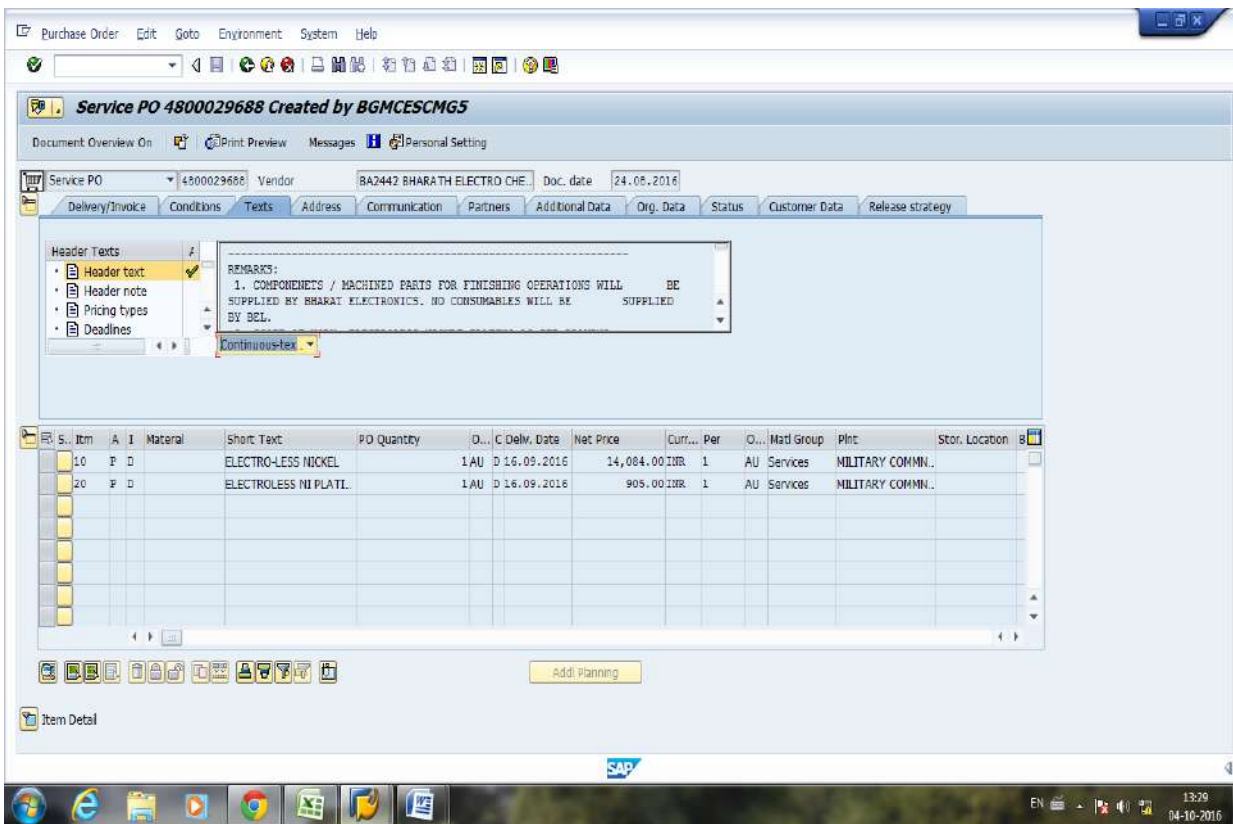


Component Overview

Material: 212554110142 BUSH  
Plant: 1110 Release date: 16.12.2008  
Quantity: 3.000 Delivery date: 30.01.2009

Material	Description	Requirement qty	U.	Q.	Plant	Pro.	Supply Area	Reqmts da.	Item	Batch	Requir.	Withdr.
510409241035	BRASS FM ROUN...	405	MM		1110	WIPS		16.12.2008	0001	L	1.308	0.436

Fig :6 Sub contract Order (BEL Material) Bill of Material



Service PO 4800029688 Created by BGMCESCMG5

Service PO: 4800029688 Vendor: BA2442 BHARATH ELECTRO CHE Doc. date: 24.08.2016

Header Texts:

REMARKS:  
1. COMPONENTS / MACHINED PARTS FOR FINISHING OPERATIONS WILL BE SUPPLIED BY BHARAT ELECTRONICS. NO CONSUMABLES WILL BE SUPPLIED BY BEL.

Item	Material	Short Text	PO Quantity	C Deliv. Date	Net Price	Mat Group	Plant	Stor. Location
10	ELECTRO-LESS NICKEL		1 AU	16.09.2016	14,084.00 INR	AU Services	MILITARY COMMN.	
20	ELECTROLESS NI PLATI.		1 AU	16.09.2016	905.00 INR	AU Services	MILITARY COMMN.	

Fig :7 Service Order



**4.4. RESPONSIBILITIES OF FINANCE OFFICERS**

- 4.4.1 Ensure that the prescribed rules and procedures have been followed and the cannons of financial propriety have been observed at the time of entering into Annual Rate Contract. Purchase finance is to scrutinize and conduct vetting of the Sub contract Orders before it is released as mentioned in Clause 6.1(b)
- 4.4.2 Associate with IED / MS in finalizing standard rates per hour. Also, act as a member of Price Negotiation Committee.
- 4.4.3 Make prompt payments to the vendors, as per the payment terms.
- 4.4.4 Central Sub-Contract department in case of Bangalore Complex and respective Sub-Contract Departments in case of other units shall have the primary responsibility of maintaining the Bank Guarantee obtained by divisions while Finance department will have the responsibility of monitoring the same.
- 4.4.5 Associate with Vendor Committee, for establishing new Vendors.

**4.5 RESPONSIBILITIES OF QUALITY CONTROL OFFICER**

- 4.5.1 Follow the procedure laid down in the Quality Manual, for ensuring the Quality of the incoming materials.
- 4.5.2 Rationalize the volume of inspection of incoming materials, by inspecting the same at Vendor's premises.
- 4.5.3 Associate with the Sub-Contracts department for selection / evaluation / approval / deletion of vendors and to audit the processes of the vendor.
- 4.5.4 Educate the vendors on defect-prevention and to train them on Statistical Process Control techniques.

**5.0 ESTABLISHMENT OF VENDORS**

As Quality, Delivery and Cost are of prime importance, extreme care is to be taken in the selection and establishment of Vendors, in each category, to have a healthy competition. To meet these requirements the committee will be constituted at SBUSs / UNIT level. The process of establishment of vendors shall include the following steps :

- A. Registration of New Vendors / Development of Alternate Sources
- B. Source List & Vendor Rating
- C. De-registration, Banning and Suspension of Vendors.

**A. Registration of New Vendors / Development of Alternate Sources**

- 5.1 Generally all the interested Vendors across the country are uploading their details / credentials in the BEL web portal as continuous process. Central Sub-Contract / ISCO will monitor the list of uploaded new vendors based on their process / category and scrutinise the documents up loaded online. Depending upon the requirements of SBUS / UNIT Sub-Contract departments the list will be distributed once in every three months, to the respective SBUS / UNITs Vendor Evaluation Committee (VEC) for further evaluation.
- 5.2 The Sub-Contract / VEC head shall select the required process vendors who have registered online and send a questionnaire as per ANNEXURE- 3. On receipt of the reply for the questionnaire the necessary financial and capacity criteria are to be evaluated by the committee as explained in the clause 5.3.

5.3 The vendor Evaluation Committee is appointed by the unit head or competent authority, comprising the following representatives :

- a) Head of the production division : Chairman
- b) Head of Sub-Contracts of respective SBUS s / Units. : Member Secretary
- c) Representative of IED / MS . : Member.
- d) Representative of Production control / Indenter : Member.
- e) Representative of Finance : Member.
- f) Representative of Quality control : Member.
- g) Representative of Specialized processes like : Co-opted Member.  
 Manufacturing PCB, PCB assembly, Lead lining etc.

This committee will study the filled-in Questionnaires, along with the enclosed supporting documents submitted by new Vendors, short-list suitable Vendors and inspect their premises, for assessing their capabilities and infrastructure. If, the facilities available with the Vendor is adequate in all respects and the Vendor meets the required criteria, the Committee will recommend for Registration as Active Vendor for approval by competent authority. On completion of this process the evaluated vendor will be added to the process vendor directory of BEL. This process is to be followed on continual basis as a procedure to expand the vendor base.

#### 5.3 (a) Deemed Vendor:

Vendors registered in other defence PSU can be considered as deemed registered vendors For non project materials. Cross reference is provided in the BEL website for checking and utilising the registered vendors of other DPSUs. Efforts should be made to make use of these vendors for participating in the tenders, subject to availability of details of vendors such as Vendor name, Vendor code, Postal address, Contact phones & fax numbers, e-mail ID, Product category of non project materials etc., as these details are the minimum requirements for BEL to register a vendor and do transactions. In case these deemed vendors are selected for order processing the necessary process and procedures required by BEL will be adopted for evaluation.

#### B. SOURCE LIST AND VENDOR RATING

- a) Source List should be maintained for Process / Operation wise.
- b) This source List should be maintained in SAP.
- c) Based on Process / Operations, Vendors have to be categorized and maintained in SAP. New vendors can also be added to this list based on their capabilities / evaluation report.
- d) A Transaction code is to be made available in SAP to know the evaluated / approved vendors for different processes along with their capabilities.

5.4 Once registered, Trial Orders (maximum of TWO) will be given, to assess the performance of Vendor, with reference to Quality, Delivery and Price.

- 5.5 A separate Vendor Evaluation Committee, involving, representatives from Sub-Contract, Quality and Production Departments, will be constituted by SBUS / Unit Head, for assessing the performance of Registered Vendors. The senior-most member in the committee shall be Chairman of the committee. This Committee will review the performance of Registered Vendors.
- 5.6 The assessment of performance is based on, System Generated Vendor Rating and subsequently, the Committee shall recommend for approval to the SBUS / Unit Head, only if, the Vendor Rating is above desired benchmark (fixed by the Vendor Committee of respective Unit / SBUS), for inclusion in Source List.\*\*The process of maintaining active vendor and deactivating dormant vendors to be done by Central Sub-Contract department in case of BG Cx and respective Sub-Contract Departments in case of other units in coordination with Corporate Standards department.
- 5.7 Source List should consist of :
- 5.7.1 Vendors approved by the SBUS / Unit Head after giving trial order and assessing the performance by the Committee, as explained above, and
- 5.7.2 Vendors continuously giving good performance in regular supplies and whose vendor rating is above benchmark.
- 5.8 Review of Source List is to be carried out once a year during April / May. New Source List is updated, as and when, Vendors are approved for inclusion and it is a continuous process.

### C. **DE-REGISTRATION / SUSPENSION / BANNING OF VENDORS**

- 5.9 If the performance of any Vendor in Source List, is not satisfactory, to the desired level, during the process of procurement of parts from Vendors, there will be a need for discontinuation of services of Vendors, based on their performance regarding quality, delivery and ethical practices. Any unethical behaviour shall call for action against the vendor of deletion from the vendor list / banning / suspension / Encashment of Bank Guarantee as considered appropriate by GMs / SBUS Heads / Unit Heads / Functional Director in accordance with procedure ref. no 18869 / IB / MS Dated :12.01.2009 (Refer to Annexure-4.)
- 5.10 The Approved list of Vendors is classified, according to the nature of work they can handle, such as Casting / mouldings, Machining, (2) Special machining, (3) Fabrication, (4) Welding (5) assembly (6) whole assembly, (7) Sub units with embedded software (8) Software development Services (9) other production related services like painting / plating etc. as well as by their capabilities.

The firms will be in categories A, B & C as under :

**Category 'A1'** : *Large Public Sector / State Sector firms with adequate in-house R&D, Engineering, Production and Quality Control.*

**Category 'A2'** : *Large Private Sector Industries or Medium Public Sector / State sector Firms with adequate in-house Engineering, Production and Quality Control.*

**Category 'B'** : *Medium or Small Private Industries without much Engineering, but with adequate Production and Quality Control.*

**Category 'C'** : Small Scale Industries including BEL Ancillary units with requisite Production facilities

NOTE: Qualitatively, firms coming under category A1 and A2 are deemed to require no assistance from BEL and would undertake the job based on the order. Firms coming under Category 'B' may need some engineering support only. Firms coming under Category 'C' require not only engineering support but also a careful check of quality.

- 5.11** On the pattern of loading, the capacities in BEL Industrial Estate is fully explored to give maximum encouragement to the ancillaries and the preference should be in the order of Category 'C', 'B', 'A2' & 'A1'.

## 6.0 DELEGATION OF POWERS

- 6.1** In case of Sub-Contract matters, the delegation of powers to various levels of executives shall be made by competent authority, as per sub-delegation of powers, from time to time. However, the extent of powers delegated in respect of Sub-Contract, is mentioned below :

Sl. No.	Nature of Powers	Sub Delegation of Powers			
		S / C Head E IV & above	Divisional / MM Head E-VI & above	Unit Head / GM / SBUS Head	Director (BC) / Director(OU)
1	Single Tender	Upto Rs.25,000	Up to Rs.50,000	Upto Rs.100 lakhs	Upto Rs.1000 Lakhs
2	Limited Tender	Upto Rs.1,00,000	Up to Rs.5,00,000	Up to Rs.200 lakhs	Up to Rs.2000 Lakhs
3	Cases where other than the original lowest Tender is proposed to be chosen (for reasons to be recorded)	Nil	Up to Rs.50,000	Up to Rs.100 Lakhs	Up to Rs.1000 Lakhs
4	Cases where orders are proposed on more than one party at different rates (For Reasons to be recorded)	Nil	Up to Rs.25,000	Up to Rs.100 Lakhs	Up to Rs.1000 Lakhs
5	Cases where the prices proposed to be accepted exceed BEL manufacturing costs	Rs.25,000	Rs.50,000	Up to Rs.100 Lakhs	Up to Rs.1000 Lakhs
6	Repeat Orders Upto 100% of the value of the original order at the same price within 12 months of the original order and no price decline in the market	Upto Rs.1,00,000	Up to Rs.5,00,000	Up to Rs.200 lakhs	Up to Rs.2000 Lakhs
7	Open Tender	Nil	Nil	Upto Rs.300 lakhs	Upto Rs.2000 lakhs
8	Single Tender without IED estimation	Nil	Rs.25,000	-	-
9	Limited Tender without IED estimation	Rs.50,000	-	-	-

**Note :**

All the above values are exclusive of Taxes / Duties .

All orders above Rs.1000 lakhs in the category Sl. No. : 1, 3, 4 & 5 are to be approved by procurement Committee of directors.

All orders above Rs.2000 lakhs in the category Sl. No. : 2, 6, 7 are to be to be approved by procurement committee of directors.

Functional Directors will be the competent authority to approve proposals in their respective functional areas viz. Director (BC) for purchase proposals in respect of Bangalore Complex, Director (OU) for purchase proposals in respect of Other Units, Director (R&D) in respect of D&E proposals from CRL, Director (HR) for proposals from HR function, Director (Marketing) & Director(Finance) for proposals from their respective functional areas. However in respect of BG and Other Units, Director (BC) and Director (OU) will be the approving authority for all purchase proposals across the various functional areas."

- 6.1. a) The head of the Sub-Contracts department shall have the powers to place letter orders for jobs of development nature / trial jobs with a maximum limit of Rs.10000 / - per order.
- 6.1. b) Concurrence and Release of P.O. in ERP (scrutiny and vetting ) of sub contract Order is to be done by Finance (value excluding taxes and duties.)

Orders with value up to Rs. 25,000 / - on ST basis and orders up to Rs 50,000 / - on LT basis can be released without vetting / concurrence of Finance.

**6.2 RELEASE OF SUB CONTRACT ORDERS IN SAP**

Sub contract Orders are to be released in SAP as per guidelines issued by IS (CO). Refer Annexure 5

**6.3 SIGNING OF SUB CONTRACT ORDERS**

After the proposal for Sub-Contract has been approved as per the delegation of Powers in Para 6.1 the following level of Sub-Contract Officers are authorized to sign the Sub-Contract in the

<b><u>Level of the Executives</u></b>	<b><u>up to Rs</u></b>
E - I / E-II	25,000
E - III	1, 00,000
E - IV	2, 00,000
E-V or Head(Sub-Contract)	FULLPOWERS

**7.0 PLACEMENT OF ORDERS**

The modes of order processing to be adopted are indicated in the section of delegation of power at Para 6.0. Further details of the ordering processes are given below :

**7.1 ORDERING PROCEDURE AT IED ESTIMATED PRICE**

- 7.1.1 Limited Tender (LT) is to be conducted among the approved list of vendors maintained as source list in each SBUS / UNIT. In the tender so conducted if L1 price is within +25 % of the IED estimated price the Sub-Contract head can propose the order recording the suitable justification in the proposal. Otherwise PNC shall be conducted by the approved PNC committee.

7.1.2 The IED estimated price may be offered to the approved supplier selected by the committee based on previous performance. This is to be done for order values up to Rs.25,000 keeping in view of the project urgency and delivery requirements.

7.1.3 For order processing without IED estimate, Head of Sub-Contract may process order based on Single tender / limited Tender with mentioned limits as Referred in Table at 6.1 Sl. No. 8 and 9)

7.1.4 Exchange Rate Variation (ERV)

ERV clause is applicable when it is mentioned in the RFQ for contract/ agreement/ Sub-Contract order and subject to inclusion of ERV clause in the respective of BEL customer order.

ERV reckoning date should be considered as last date of submitting of commercial bids.

**7.2 REPEAT ORDERS** : Repeat Orders, for quantities up to 100% of original order quantity, shall normally be placed on the same vendors who supplied them earlier, within a period of One year. The additional quantity of 100% shall be including amendments to various orders, for the originally ordered part. If for some valid reasons the repeat order cannot be placed on this vendor, the item shall be treated as a new item and Para 7.1 to be followed. For repeat orders, no increase in unit price shall be allowed; instead, efforts should be made to get price reduction from the supplier. The approving authority for repeat orders will be as per delegation of powers mentioned in table 6.1.

**7.2.1** Repeat Orders against a previous order may be considered under the following circumstances, where-in :

- a. Parts ordered vide original P.O. have been delivered partially or in full quantity successfully.
- b. Original order did not cover urgent / emergent demand.
- c. Original order is not placed, to split the required quantities, with a view to avoid approval of the competent authority.
- d. There is no downward trend in price, as ascertained through market intelligence.
- e. The firm is prepared to hold the same prices, terms and condition, including delivery schedule as per the original order.
- f. The requirement is for jobs of identical nature / specification, nomenclature etc, Minor improvements in specifications or phasing out of products due to obsolescence, should not be precluded from purview of repeat order.
- g. The original order placed, should be on the basis of lowest (negotiated) price and was not on delivery preference.

**7.2.2 Placement of order on Rate contract**

This refers to the orders which can be placed on approved vendors one or more based on annual rate contract established for a specific process / services. The rate contract shall be established through tendering process among approved vendors and select one or more vendors based on their capability of process and the negotiated L1 price valid for a stipulated time frame.

**7.3 ORDERING PROCEDURE BY TENDERING PROCESS**

7.3.1 When no Approved Vendors are available for a new item / job / process, the procedure for Establishment / Registration of Vendors has to be followed as per Para 5.0. Limited Tender Enquiries to be sent among the established Vendors only.

7.3.1.1 If Approved / Established Vendors are less than or equal to FIVE, enquiries are to be sent

to all the Vendors (minimum of THREE vendors shall be established in each category). In case more than FIVE Approved / Established Vendors are available, a minimum of FIVE Vendors to be sent Tender Enquiries, to encourage sufficient competition and to get fair price. Reasons for selecting these Vendors to be specified, like, a) insufficient volume of work, b) unutilized capacity of vendor is certified, c) past performance records and Order Book position of the Vendors, etc.\*\*When enquiries are issued for the next time, for the same job, remaining vendors to be given preference, in order not to promote a certain group of vendors, but to give opportunity to all Vendor.

7.3.1.2 **Pre-qualification / post-Qualification** shall be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account of their,

- 1) Experience and past performance on similar contracts for last 2 years
- 2) Capabilities with respect to personnel equipment and manufacturing facilities
- 3) Financial standing through latest ITCC Annual report (balance sheet and profit and loss account) of last 3 years.

The quantity, delivery and value requirement shall kept in view, while fixing the Pre Qualification criteria. No bidder should be denied pre-qualification / post-qualification for reasons unrelated to its capability and resources to successfully perform the contract. This clause is governed by corporate circulars or office orders issued from time to time.

7.3.1.3 ***SPLITTING OF ORDER QUANTITY***

If splitting of the requirement would be to the advantage of the Company in maintaining the time schedule, the same should be decided before calling for tenders. In all such cases, the same should be made clear to all the tenderers while calling for the tenders. Where it becomes necessary to split the order, the order may be split on L1 and higher bidders in ascending order of their quotes at L1 rates.\*\*Refer to circular No. 21326 / 18 / 07-08 / CO-VIG dated 31<sup>st</sup> May 2007 (Annexure-12).

7.3.2 Limited Tender Enquiries shall be sent to :

- a) Approved Vendors,
- b) Ancillary Units, wherever exists and
- c) New Vendors, for trial and subsequent evaluation

7.3.3 RFQ (ANNEXURE-2) should indicate Tender opening date, time and place. Also, Vendors are to be informed in the enquiry that they are welcome to be present during the Tender opening (in respect of OPEN / LIMITED Tenders only).

7.3.3.1 It is preferred to use e-Procurement to the maximum extent, to avoid errors in the process of Tendering. E-Procurement procedure to be implemented in to as per the guidelines issued by IS (CO) from time to time.

7.3.4 Estimated value shall be made before the enquiry is sent. In Units / SBUSs, where Industrial Engineering Department (IED) does not exist, estimation of cost shall be made by Production Control Department, based on drawings.

7.3.5 Depending upon the estimated cost of the job, minimum notice period shall be given for submitting quotation as follows :

- |      |                       |                    |
|------|-----------------------|--------------------|
| i)   | upto Rs. 1.0 Lac      | Within 1 week      |
| ii)  | Rs.1.0 Lac–Rs.5.0 Lac | Within 10 days and |
| iii) | Above Rs.5.0 Lacs     | Within 2 weeks     |

7.3.6 In normal process quotations shall be received through sealed covers only. However in case of Quotation through Fax / e-mail, Head SC dept shall receive, sign, keep in a closed envelope and drop in Tender box, to maintain secrecy. For this, a dedicated FAX / personalized e-mail ID by Sub-Contract Head should be maintained.

7.3.7 Tenders to be opened by Tender Opening Committee, comprising of representatives from Finance and Sub-Contract Departments. Comparative statements are to be prepared by Sub-Contract Department. Evaluated L1 shall be arrived at, taking into account, the Total Cost to BEL. In case of e-procurement the tender cannot be opened before the opening date and time. The tender details are always available in the system after opening date and hence the tender may be opened by the Sub Contract Officer.

7.3.8 When there is only a single response to the limited tender enquiries, it should normally be re-tendered. If, on account of urgency or other reasons (to be recorded), it is proposed not to re-tender, it may be treated as a case falling under Para 7.3.9.

7.3.9 Where, on account of urgency, the Head of the Sub-Contracts Department proposed to contact only one source, or to give a notice of less than the duration indicated in Para 7.3.5, Head of Sub-Contract Department shall obtain a concurrence / approval from the indenting Divisional Head, recording the reasons for the urgency and for selecting a particular source.

7.3.10 In the case of import of sub systems/components from foreign OEM's required in the execution of Sub Contract order, principal approval from OEM and Sub Contract supplier is to be obtained for re export of the products to other countries by BEL. This approval from OEM will not be inimical to the interest of the country of OEM and their export regulations.

#### **7.4 PRICE NEGOTIATION IN RESPECT OF TENDERED ITEMS**

7.4.1 Following Negotiation committees may be formed, including one member from Finance, every year based on the approving authority for procurement proposals by the respective SBUSs / Units as per the SDOP.

- a. For proposals up to Divisional Head
- b. For proposals up to Unit Head
- c. For proposals up to Functional Directors / Procurement Committee.

The approval for the Negotiation committee may be taken from one level above the approving authority of the proposal.

Normally negotiations shall not be conducted for limited / restricted / open tenders. In



exceptional cases negotiations may be conducted with L1, if the L1 price is not as per the estimate or market price or previous procurement price etc. Sub Contract department Head may approve the requirement for negotiation on case to case basis. The reason to conduct negotiation shall be part of the Procurement proposal. However for ST or Resultant ST cases, negotiations are imperative either for price or terms and conditions. For negotiations for ST or resultant ST cases approval from competent authority is not required.

The estimated price shall be based on scientific analysis. In case the quoted price is more than the estimated price, negotiations may be held with the lowest vendor if the difference observed between the estimated price and the price quoted by the vendor's is not justifiable.

However, if it is found that price bid is abnormally high, then retendering may be considered after reassessing the estimates prepared. Vendor called for negotiation shall be informed that an opportunity is given to improve the bid but at no stage shall the prices be increased or makes conditions more unfavourable to the company (BEL). All negotiations shall be conducted jointly by Negotiation Committee Members

Negotiation through phone / fax / e-mail is permitted.

7.4.2 The following guidelines, issued by CVC shall be followed while negotiating with L1 :

- i) Negotiation will be held with L1 only, as an exception and only in case of proprietary items or in items with limited source of supply. Counter offer to vendor will also amount to negotiation.
- ii) Negotiation will be held after due application of mind and after recording valid, logical reasons to justify negotiations. The Committee recommending negotiations will be responsible, if, negotiations have unnecessarily delayed the release of order. The Committee should also record explanations, in case of inability to obtain desired results.
- iii) Approval for award of Contract should not exceed one month from the date of submission of recommendations. For approval at higher levels, 15 days may be added at each level. The overall time frame should be within validity period of tender.
- iv) When L1 backs out, there should be re-tendering, among the remaining Vendors and, if sufficient time is available, include some more Vendors.

## **7.5 PRICE PREFERENCE TO PUBLIC SECTOR UNDERTAKINGS / SMALL SCALE SECTOR / INDIGENOUS SUPPLIERS, ETC.**

Guide lines regarding price preferences for particular categories of suppliers, as issued by Government of India, from time to time, may be kept in view while taking purchase decisions.

7.5.1 Government guidelines on purchase preference for Central Public Sector Enterprises (CPSEs) are issued from time to time. It is to be noted that ban on post tender negotiation does not mean that policy of Government of India for purchase preference for public sector should not be implemented. In such cases CPSEs though not L1, may be considered, as per Government guidelines in force.

7.5.2 Under no circumstances CPSEs should be used as a shield or a conduit for getting costly inputs or for improper purchases. Justification on economic and other grounds should be gone into before considering such proposals.

## 7.6 PROCUREMENT FROM MSE

7.6.1 Government has notified a new Public Procurement Policy for Micro, Small Enterprises (MSE) which is effective from 1st April, 2012. The Policy mandates that 20% of procurement of annual requirement of goods and services will be sourced from the micro and small enterprises. Government has also earmarked a sub target of 4% procurement of goods & services, out of the 20%, from MSEs owned by SC / ST Entrepreneurs. It is expected that the policy will help to promote MSEs by improving their market access and competitiveness through increased participation by MSEs in Government purchases and encouraging linkages between MSEs and large enterprises.

In line with Government Policy, the following guidelines shall be strictly adhered to :

7.6.2 Every purchasing organization (Division / Department / Unit / SBUS / Central Services Group etc.) shall set an annual goal for procurement from the MSE sector at the beginning of the year, with the objective of achieving an overall procurement goal of minimum 20 percent of the total annual purchases of the products or services produced or rendered by MSEs.

7.6.3 Out of 20% target of annual procurement from MSEs, a sub-target of 4% (i.e., 20% out of 20%) will be earmarked for procurement from MSEs owned by SC / ST entrepreneurs. However, in the event of failure of such MSEs to participate in the tender process or meet the tender requirements and the L1 price, the 4% sub-target for procurement earmarked for MSEs owned by SC / ST entrepreneurs will be met from other MSEs.

NSIC Data Bank on SC/ST Entrepreneurs in the MSE's category may be verified for the credentials. This data as per the website of Ministry Of Defence may be utilized for procurement from SC/ST Entrepreneurs of MSE's.

7.6.4 The participating MSEs in a tender, quoting price within the band of L1+15% may also be allowed to supply a portion of the requirement by bringing down their price to the L1 price, in a situation where L1 price is from someone other than an MSE.\*\*Such MSE s may be allowed to supply up to 20% of the total tendered value.\*\*In case of more than one such eligible MSE, the supply will be shared equally. ( Annexure No.\*\*17 Office Order)

7.6.5 Every purchasing organization (Division / Department / Unit / SBUS / Central Services Group etc.) will continue to procure 358 items (whichever is applicable to BEL) from MSEs, which have been reserved by Ministry of MSEs for exclusive purchase from them.

7.6.6 The Unit / SBUS shall identify specific items earmarked for procurement from MSEs. The list of these items shall be made available in BEL website ([www.bel-india.com](http://www.bel-india.com)) and is updated periodically based on production plan of the respective Unit / SBUS.

7.6.7 To reduce transaction cost of doing business, Micro and Small Enterprises shall be facilitated by providing them tender sets free of cost, exempting Micro and Small Enterprises from payment of Earnest Money (EMD), adopting e-procurement to bring in transparency in tendering process.

7.6.8 Payment to the MSE vendors shall be made within 30 days from the date of receipt of items as per the guidelines issued by the Government of India.

### 7.6.9 Payment term for materials for MSMEs:

For the Sub-Contract orders placed for materials procurement, Minimum 90% of payment should be made within 30 days after goods received at BEL and balance after acceptance of goods at BEL.

#### 7.6.10 Advance to MSMEs/SMEs:

Advance upto 15% to MSMEs/SME's may be considered against submission of Bank Guarantee of 110% of advance from a Scheduled Commercial Bank following the procedure of the company.

### 7.7 MANAGEMENT APPROVALS THROUGH FLM

As part of e-governance initiative, ERP File Lifecycle Management System (FLM) has been implemented to create, approve and maintain the files in the system with all the attachments. Implementation of ERP modules and Document Management System, complete logistics, accounting and documentation shall be in the system. Similarly file approval process in system will bring down paper movements and delay in whole process because of manual involvement. FLM implementation has been done to bring the transparency in the system and to make the complete process paperless and without manual intervention.

The following General Guidelines for raising and approving proposals through FLM shall be followed :

1. These guidelines are applicable to all approvals, vetting, management sanction files related to all functional areas.
2. All documents not available as soft copy related to any proposal shall be scanned and attached to FLM Files.
3. All external correspondence received through e-procurement portal, e-mails or attachment of e-mails shall be uploaded in html, PDF format or in any other suitable format. All attachments will have the login details, time and date stamp with complete audit trail in FLM. Attachments cannot be deleted and tampered after upload once the file is forwarded. Users shall not delete important mails related to tendering process and other important activities received through official e-mail id.
4. Users shall attach the html, PDF format or any other suitable format of internal mail correspondence in FLM.
5. All ERP reports are generated and attached by system in FLM will have time and date stamp and it cannot be tampered. Reports shall be either directly attached from ERP to FLM or soft copy shall be attached.
6. Any procurement initiated through manual process where ink signed BULK bids or quotations have been received, such proposals shall not be put up through FLM.
7. If procurement is done through e-procurement or e-mail, Only ink signed copy of any further correspondence or documents received from external agencies related to tendering process and other important activities having financial impact shall be scanned and attached. The initiating department shall maintain the hard copies of ink signed correspondence if received from vendors, customers and other external agencies. Only correspondence having financial impact shall be treated as important and hard copies shall be kept. Ink signed copies of Post PO documents required by any agency in original only shall be kept, all other documents shall be scanned and uploaded in relevant files in FLM.
8. Signed internal documents like letter related to PR, comparative statement, Minutes of Meeting etc shall be scanned and attached in FLM system.
9. Any quotation received through e-mail shall be attached in html and PDF format and Finance shall ascertain the quotations by checking mails, same way as it is done in old system. The print out and scanning of mails shall be avoided. In case checking mails by Finance is not feasible, signed and scanned copies of mails shall be attached.

10. The internal audit / vigilance will have authorization to display the files in FLM directly and no hard copy of files which are uploaded in FLM will be demanded. Authorization will be given to Internal audit / vigilance for auditing the files in FLM system.
11. Government Auditors will be given logins to view the required files in the system, print outs of the files shall be given only in exceptional cases, if demanded. Files need to be sent to Government Audit by the respective Owner of the file.
12. Certain files where original documents from external agencies are to be checked and ascertained like DoT / BSNL payment, letter orders, cash Purchase, items purchased in remote locations, regularizations file against bulk sanction etc such files shall not be raised in FLM.
13. If more than one agency is signing any document viz., Comparative statement, Minutes of Meeting etc, file shall be raised in FLM with document as attachment and after approval by all agencies, the same shall be treated as signed & vetted.
14. After final approval of file in FLM, File will be sent to finance for PO release. The release of Purchase orders in ERP by Finance will be treated as vetted.
15. Closed PO Files raised in FLM module shall be archived by IS-CO as per prevailing policy of the company.
16. In case all the quotes received through e-mail, the dual password (designated officials from purchase and finance departments) may be adopted to download the quotes. These quotes will be attached in pre-PO file in FLM and the same executives will approve the pre-PO file. It shall be treated as signed mails from finance and purchase." The user manual of FLM may be refer in SAP system (ZIS)

## 8.0 SUB-CONTRACT / SERVICE ORDER

- 8.1 Sub-Contract order shall indicate clearly, the part number, description / Specification, issue No. of the drawing, quantity, price, delivery schedule, Sale order no., and the Bill of materials, including consumables, that will be provided by BEL 'free of charge'(Refer Fig.-6). It shall also indicate the details of Tools, Inspection gauges, matching parts, proto models supplied on returnable basis. In respect of materials to be provided by BEL, the production control Department will determine the materials and the quantity needed for executing each item and draw up a standard Bill of materials indicating the cutting and machining allowances.

Whenever the Sub-Contractor requests for some consumables and other materials (although originally meant to be procured by him), it can be issued on 'free of charge' basis with suitable rate reduction keeping in view the "cost to BEL or price quoted by Vendor for that item", whichever is higher. The order shall be amended accordingly. Materials in BOM to be issued on FREE OF CHARGE basis are to be part of Tender Form / Enquiry.

- 8.2 In respect of assembly jobs, **exact** quantity of materials is issued to the Sub-Contractors. As far as possible, exact materials are issued in matching quantities (Kit-launching) to avoid delay in completing the orders.
- 8.3 The Sub-Contract order shall clearly spell out either that the scrap generated be returned by the vendor or where it is decided that the scrap material need not be returned, it is enough if scrap value, estimated by IED / MS, at current price is deducted in labour charges from the Vendor.

## 9.0 BANK GUARANTEE & INSURANCE

### 9.1 GENERAL BANK GUARANTEE

Sub-Contract department of all SBUS's / Units shall obtain General Bank Guarantee from Scheduled Banks as detailed below (ANNEXURE-6) from the established Vendors, on renewable basis.

Value of Materials against Sub-Contract / Service Orders in Rupees	Value of BANK Guarantee
	Electronic Assy Vendors & Fabricators in Rs
50,001 to 1, 00,000	10,000 / -
1, 00,001 TO 3, 00,000	20,000 / -
3, 00,001 TO 10,00,000	30,000 / -
Above 10,00,000	50,000 / -

- ❖ No bank guarantee is required for the value of the materials issued up to Rs.50,000 against the sub contract order.
- ❖ Wherever applicable Integrity pact Bank Guarantee is to be provided by the supplier.( Refer ANNEXURE- 14 )
- ❖ For values of free issue materials supplied by BEL to Sub Contract vendors above Rs.10 lakhs, a bank guarantee of Rs.50,000 plus an undertaking bond from the suppliers stating that the free issue materials will be under safe custody of the vendors. The supplier will be responsible for returning the free issue materials either in the manufactured form or modified form as per Sub contract order. However the insurance during the period of materials lying with supplier will be covered by BEL.(refer clause 9.3)
- ❖ IS-Co will introduce transaction for entering the bank guarantee details against a sub contract order for the value of free issue materials. A validation will be put in place by IS-CO to monitor value of free issue materials given to a supplier for the orders placed by each unit (Company code).
- ❖ In case of BG unit the bank guarantee of sub contract vendors is to be entered by each sub contract department and monitored by central sub contract for renewal and validity.
- ❖ In case of other units the bank guarantee details will be entered by the sub contract department and monitored by unit finance department.
- ❖ Bank guarantee details like vendor name, bank details, amount of bank guarantee, date of bank guarantee, Sub contract order No. to be entered in SAP by Sub Contract department at the time of issue of materials against Sub contract order.

Sub contract of all SBUS's / Units including Central Sub Contract departments in BG shall have the primary responsibility of maintaining the Bank guarantees, furnished by Vendors, while, Finance department will have the responsibility of monitoring the same.

### 9.2 BANK GUARANTEE FOR ADVANCE

Sub-Contract Department shall obtain Bank Guarantee (from Scheduled Banks) from the Vendors for an amount equal to the advances made against development work, fabrication / development of tools, purchase of special test equipment and purchase of raw materials as per ANNEXURE-7.

### 9.3 INSURANCE COVERAGE

If the value of materials supplied free of cost to the vendor is more than Rs. 5,00,000 / - at any point of time, the Sub-Contract department should ensure that the vendor obtains Insurance coverage in the joint names of BEL and the vendor for risks like Fire, Theft & Burglary, Flood, Earthquake, Explosion, Riots, Strike, Malice Damage, Impact Damage, Lightning, infidelity of the Sub-Contractor, etc. The premium shall be reimbursed by BEL to the vendor after the finished items are delivered by the vendor.

NOTE : Ancillary Units of BG Cx need not furnish Bank Guarantee in respect of Para 9.1; however necessary Bank Guarantees / insurance is to be obtained from them in respect of Para 9.2 & 9.3.

### 10.0 MATERIAL ACCOUNTING OF ISSUES & RECEIPTS

10.1 Pull List for issue of materials to the Sub-Contractors will be taken from SAP (ZMM010), by the Sub-Contracts Department. The materials shall be issued in exact quantities indicated in the Bill of materials. This system of drawl of materials is applicable in the following cases :

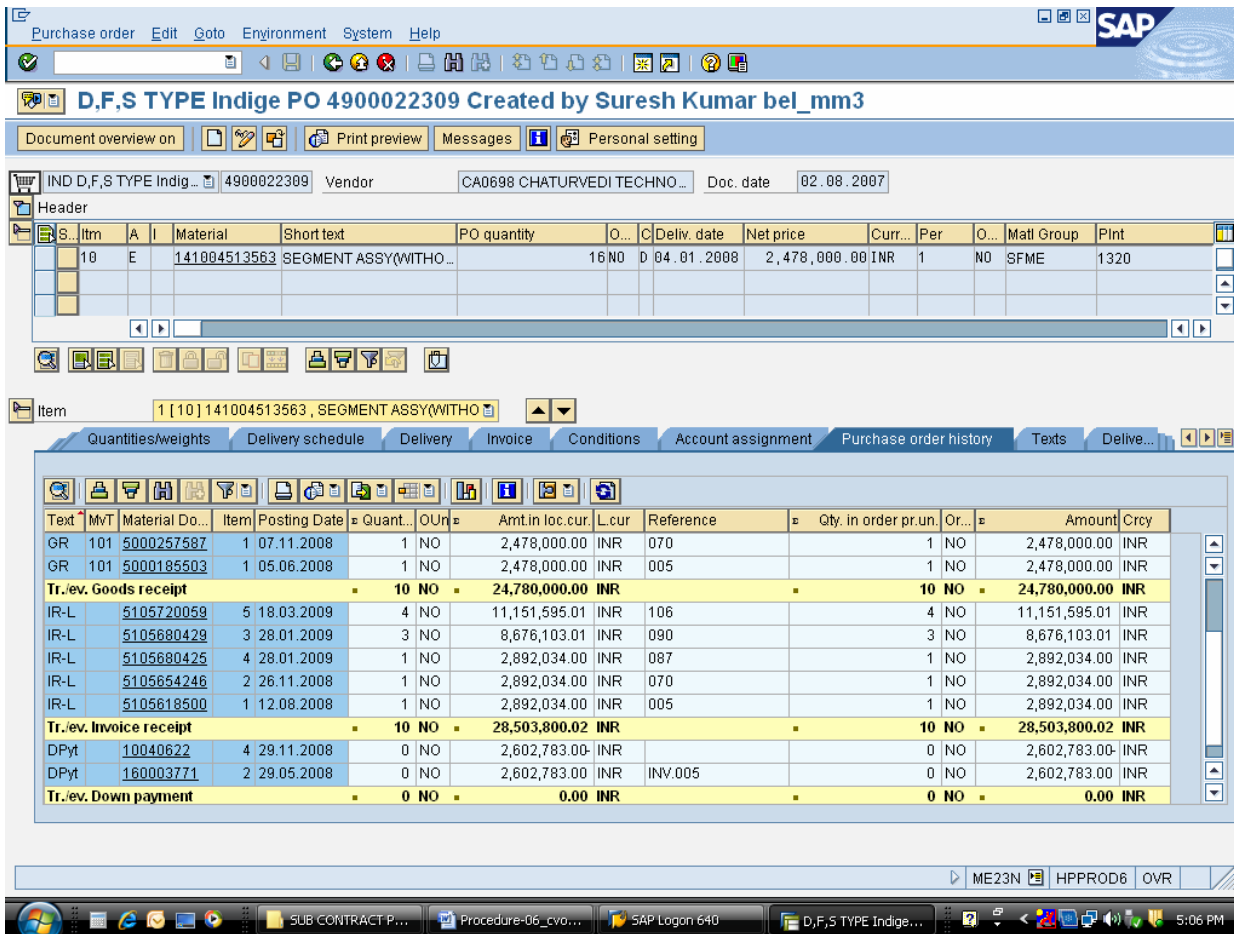
- a) For all raw materials issued for fabricated items.
- b) For all the purchased components issued for electronic assembly jobs including cable forms, PCB assembly, sub-assembly and equipment. It is preferable to issue the materials in matching quantities for receipt of finished items without delay.

Note : In case the materials already drawn against a Sale order for in-house manufacturing jobs, which are to be Sub-Contracted because of load conditions in the shop floor, such materials will be first store returned and then drawn against Pull List and issued to the Sub-Contractor. In such cases, a consolidated store Return Note and a consolidated Pull List may be used.



**Fig : 8 Pull List**

- 10.2 For jobs like plating, painting, Heat Treatment, Galvanising and any type of intermediate operations, Service order will be placed. In case of Service orders, the semi-finished items are routed to Sub-Contractor from the shop floor. In order to reconcile between items sent from shop floor and received back from the Sub-Contractors, an up-to-date register has to be maintained by the Sub-Contracts department, which should be available for verification, at anytime.
- 10.3 For the finished items received back from the Sub-Contractor, the Order history as shown below for an item can be seen from SAP against any Sub contract Order



The screenshot shows the SAP Purchase Order History for document D,F,S TYPE Indige PO 4900022309. The main table displays the following data:

Text	MVT	Material Do...	Item	Posting Date	Quant.	OUn	Amt.in loc.cur.	L.cur	Reference	Qty. in order pr.un.	Or...	Amount	Crcy
GR	101	5000257587	1	07.11.2008	1	NO	2,478,000.00	INR	070	1	NO	2,478,000.00	INR
GR	101	5000185503	1	05.06.2008	1	NO	2,478,000.00	INR	005	1	NO	2,478,000.00	INR
<b>Tr.ev. Goods receipt</b>					<b>10</b>	<b>NO</b>	<b>24,780,000.00</b>	<b>INR</b>		<b>10</b>	<b>NO</b>	<b>24,780,000.00</b>	<b>INR</b>
IR-L		5105720059	5	18.03.2009	4	NO	11,151,595.01	INR	106	4	NO	11,151,595.01	INR
IR-L		5105680429	3	28.01.2009	3	NO	8,676,103.01	INR	090	3	NO	8,676,103.01	INR
IR-L		5105680425	4	28.01.2009	1	NO	2,892,034.00	INR	087	1	NO	2,892,034.00	INR
IR-L		5105654246	2	26.11.2008	1	NO	2,892,034.00	INR	070	1	NO	2,892,034.00	INR
IR-L		5105618500	1	12.08.2008	1	NO	2,892,034.00	INR	005	1	NO	2,892,034.00	INR
<b>Tr.ev. Invoice receipt</b>					<b>10</b>	<b>NO</b>	<b>28,503,800.02</b>	<b>INR</b>		<b>10</b>	<b>NO</b>	<b>28,503,800.02</b>	<b>INR</b>
DPyt		10040622	4	29.11.2008	0	NO	2,602,783.00	INR		0	NO	2,602,783.00	INR
DPyt		160003771	2	29.05.2008	0	NO	2,602,783.00	INR	INV.005	0	NO	2,602,783.00	INR
<b>Tr.ev. Down payment</b>					<b>0</b>	<b>NO</b>	<b>0.00</b>	<b>INR</b>		<b>0</b>	<b>NO</b>	<b>0.00</b>	<b>INR</b>

Fig :9 Purchase Order History

10.4 The movements of materials to Sub-Contractors and their receipt back in BEL will be maintained by Sub-Contracts department as per prevailing Central Excise and CENVAT rules.

11.0 DESPATCH OF MATERIALS

11.1 LOCAL DESPATCHES

The Sub-Contracts department shall arrange the delivery of the materials to the Sub-Contractors along with Excise Material Gate Pass generated using ZIGP001 and ZIGP007. Acknowledgement should be obtained from the Sub-Contractors accordingly. Free issue materials sent out to the sub contractors for assembly, fabrication etc., as per Sub Contract order which will go in parts as sub-system/assembly and come back in different forms on a Sub-Contractor DC/invoice shall be issued under "NON-RETURNABLE" gate pass category.

11.2 OUT STATION DESPATCHES

The Sub-Contracts department shall forward the released materials issued against pull list along with Excise Material Gate Pass generated using ZIGP001 and ZIGP007. To Shipping / Transit Section of MM Division for onward transmission. Shipping / Transit section shall forward a copy of the packing-cum-delivery advice note with the supplier's acknowledgement to the Sub-Contract department. The Sub-Contracts department will maintain the records pertaining to Excise documents.



## **12.0 RECEIPT OF MATERIALS**

12.1 The Sub-Contracts Department, shall review and control quarterly, the quantities of materials issued, materials lying with the Sub-Contractors, quantities returned / yet to be returned using SAP transaction code MBLB and ME20 or ZIPP011 or ZMM040.\*\*A report on these shall be submitted to the production Head of the indenting division once in six months (as on 30th September & 31<sup>st</sup> March).

12.2 Sub-Contracts Department will also obtain a certificate (ANNEXURE-8), from each Vendor, acknowledging the extent of materials lying in his possession, order-wise Once in a year as on 31<sup>st</sup> March.

Note : In SAP scenario, the FREE ISSUE materials issued against Orders, will be moved to VENDOR STOCK using ZMM090 / ZMM008 (Vendor location is considered as storage location for RM). As and when the supplies are received and Goods Receipt (GR) is made the FREE ISSUE materials stock will be accounted against that GR to the extent of supplies received and balance outstanding with vendor can be monitored on daily basis using ME20 / MBLB transaction for a vendor. Based on this report Sub-Contract department will obtain a Certificate from each vendor, acknowledging the extent of materials lying in their possession, order-wise once in a year as on 31<sup>st</sup> March

## **13.0 INSPECTION & DRAWL**

Supplies received from Sub-Contractors will be delivered to the respective SBUS / UNITS I.G. Stores. The divisional I.G. Stores will prepare necessary GR (Use MIGO) and arrange for further inspection. After inspection and acceptance, these items will be delivered to the Divisional / Departmental stores. Further :

- a) Items accepted against GR will be drawn against SAP generated SR's.
- b) Items accepted against Service Orders, Service Entry sheet will be prepared by IG using ML81N transaction to the extent of Service job quantity accepted.

Specimen GR and Service Entry Sheets are shown below


		GR - Inspection Report GR No : 5000180011 GR Date : 01.04.2008		PO No : BEPO/GSA/490023210 PO Date : 19.09.2007		PO Type : IND Desc : D.F.S TYPE indige PO		Page 1 of 1					
Vendor Code : TA1136 TRATEC ENGINEERS PVT LTD EAST OF KAILASH, -110065 440, KAILASH TOWER II, NEW DELHI - India		Invoice No : Inv Date :		Bill of Lading/LRRR/Courier : REF ICRR77124907		Daily Note/Daily Challan No : 2261		No of Items : 1					
Plant : 1320 SLoc : IGSL		No of Cases & Wt : REG PO050532											
GR SL	BEL Part No	MPN	Insp Lot No	UJ DOC NO	FO Uom	Qty Ordered	Qty Invoiced	Qty Recd	Qty Discrep	Qty Accepts	Qty Rejected		
1	141004691267	141004691267	01000927049	4922581243	NO	1.000	1.000	1.000	0.000	1.000	0.000		
10	AZ. HOUSING		Other acceptance decision (see UD text)	29.05.2008	NO						0.000		
	WBS:GUAT-06RF-01-PTY												
	141004691267		IND	GDCCEQMG-RH						PS07	537.700.00 (INR)		
1. *Item directly issued from stores to underlor DCM DC A Sh Deepak GR for, regularisation only old PO 505312 ICR 77124907													
Goods Received On 19.02.2008				Sign Stores Officer(IG)				GR Received on				Inspected By : Date	
Certified By: Date:				GR Retd on				Sign Stores officer(Folding Stores)					

Fig : 9 GR - Inspection Report



Company  
 SATYAM PRECISION COMPONENTS PVT LTD  
 40A/10, SITE-4, INDL AREA,  
 GHAZIABAD

**Entry Sheet for Services Performed**

Number/Date  
 1000046438 / 02.06.2009  
 Purchase order tem/Date  
 4700015118/10 / 22.05.2009  
 machining by wire cutting  
 Your vendor number with us  
 SA3192

ITEM IS O.K.&NO MAT PENDING WITH VENDOR REF : 1/42 DT 1.6.09

Service Entry line Service Item	Description OrdQty	BillQty	Unit	UnitpriceINR	Net Val. INR
10 00010	241452330150 6.000	6	NO	600.00	3,600.00
20 00010	241452340151 6.000	6	NO	525.00	3,150.00
Total value :INR					6,750.00

Approved By

Signature

**Fig : 10 Service Entry Sheet**

#### 14.0 RECOVERY OF COST OF MATERIAL

Whenever, raw-materials, manufactured parts, components and consumables are issued to Sub-Contractors on free of cost basis, the Head, Sub Contracts will review all cases where materials have not been returned either as finished product or as materials themselves at the time of closure of orders. The cases will be categorized with recovery action as follows :

14.1 Orders completed with marginal shortages based on value. Any short closure of Sub contract orders, to be put-up to Unit Head / SBUS Head for Approval with proper justification Where supplies have been totally rejected due to faulty materials supplied by BEL or wrong instructions, modifications intimated subsequent to full or partial execution of job.

In this case, no recovery will be made but on advice from Head of Sub-Contracts

department in consultation with the Head of production control with Finance concurrence, the value will be adjusted against the concerned production work order after obtaining approval of Unit Head / SBUS Head. An internal enquiry should be conducted in case of issuance of faulty materials and wrong instructions to fix responsibility for appropriate action.

14.2 Where supplies have been totally rejected.

In this case, the current purchase price of the material plus 5% will be recovered from the Sub-Contractor on advice to Material Account, in addition to forfeiting the Bank Guarantee.

14.3 Where the material has been lost, the case should be treated as issue of materials on sale basis and recovery should be effected accordingly.

14.4 Where materials have been misappropriated by Sub-Contractor and where the Sub-Contractor has failed even to attempt to fulfil the orders and not returning the material issued :

These cases should be treated as issue of materials on sale basis and recovery effected accordingly. In addition the following actions to be taken against the Vendor :

- i) Forfeiture of Bank Guarantee, and
- ii) Banning the Vendor from business
- iii) File FIR with Police for misappropriation.

14.5 In all the above cases, Sub-Contracts department should furnish the quantity of raw-materials outstanding with the Sub-Contractor for which the recovery value is to be worked out. Finance will work out the value to be recovered from Sub-Contractors on the lines indicated in the respective clauses. Finance will send monthly consolidated advice for recovery to Bills Payable along with the Journal Entry passed, debiting the relevant code Head (Materials issued to Sub-Contractors - Recoverable) and crediting to the corresponding code Head (Materials issued to Sub-Contractors free of cost) to clear respective outstanding amounts remaining in Sub-Contracts ledger. A copy of this advice should be endorsed to Sub-Contracts department.

## 15.0 PAYMENT TERMS

### 15.1 PAYMENT OF ADVANCE

Advance payments, along with the Sub contract Order or at intermediate points, should not be entertained. In exceptional cases, where supplier insists upon such advance payment, can be released against Bank Guarantee, as per ANNEXURE-7, from Scheduled Banks and the same may be followed as per management guidelines issued vide circular Nos. 18281 / 99 / 010-001 dated 28-02-2007, 18281 / 99 / 010-009 dated 17<sup>th</sup> July 2008, 18281 / 99 / 010-006 dated 22<sup>nd</sup> April 2009 (Annexure-7a), and amended from time to time.

15.2 FINAL PAYMENT: 100% payment shall be made for the accepted quantity within 30 days from the date of receipt of materials. The time duration of 30 days includes activities like, GR preparation, Inspection, UD (Usage Decision) and payment. Final payment is for accepted quantity, only after delivery and inspection, but, not against mere delivery.

15.3 Tooling cost, if any, will be paid for the accepted tool within 30 days from the date of acceptance of first - off sample by BEL' s inspection.

15.4 MICRO, SMALL AND MEDIUM ENTERPRISES. These vendors are to be classified accordingly in the BEL vendor master. The request received from the vendors to be scrutinised and classified by Standards Department and suitably flagged in the vendor master list. The stores division to inspect and accept the materials within stipulated time. The delay in

acceptance and payment attracts interest and penalties. In case of rejection, stores division has to inform the vendors promptly in time. Finance has to ensure that payments are made within the due dates.

- 15.5 Sub-Contracts Department will prepare the list of GRs cleared during the first week every month and forward the same for further verification by finance and arranging payment. (USE QA33 for report). Finance to review the bills cleared status using Fbl1n / Zfim023 reports.
- 15.6 For updating payments not effected within 30 days of receipt of materials. The final report of bills not paid within 30 days of receipt of material may be sent to Unit / SBUS Head, in the first week of every month for review and action, indicating the status and reasons for pendency of bills.
- 15.7 Preferably, mode of payment should be through ECS / EFT / RTGS.

**15.8 Global contracts/ agreements / Sub-Contract orders**

When domestic and foreign vendors participate in contracts across the country, the domestic vendors can also opt for payment through Letter of credit (L/C) and inspection certificate from BEL should be the part of mandatory list of document for releasing the payment through letter of credit (L/C)

**16.0 TOOLING**

- 16.1 Special Tools, wherever cost is paid by BEL, shall become the property of BEL. These tools will be used by the Sub-Contractor only on BEL orders.
- 16.2 A statistical register be maintained & updated regularly in respect of the tools that are available with various Sub-Contractors where the tooling costs have been paid by BEL. This directory shall be circulated amongst other divisions / units once in quarter to avoid duplication if any.
- 16.3 The suitable Tool No shall be specified in the SAP Sub-Contract Order against Material / item.

**17.0 REVIEW OF SUB-CONTRACT ORDERS**

- 17.1 Sub-Contracts Department will review, in the last week of every month, the status of manufacture of Sub-Contract items and the issues and receipts of items at Sub-Contractor 'send using' transaction codes ME2L / ME2N / ME2M / ME2J.

NOTE : A single report consisting of PO No., Material, Item No, Short Text, Vendor, PO Date, PO Release Date, Qty., Qty. To Be Delivered, Qty. To Be Invoiced, GR No, UD Code, Lot Size, Invoiced Amount, Invoice Date, Invoice No, MIRO Text, Vendor Advance, What Amount, Amount Paid, Currency, Check No, C / E Date shall be used for monitoring the status of PO item.

- 17.2 A quarterly review shall be made by a senior executive nominated by Unit / SBUS Head, along with Sub-Contracts and production control department store view the status and issues affecting the performance of Sub-Contracting activities and to take remedial measures to address the issues.
- 17.3 Once a production / Assembly sale order is closed, all the Sub-Contract orders relating to that sale order should be specially reviewed and action taken to in finalize accounting of materials.
- 17.4 Sub-Contractor-wise database shall be maintained by Sub-Contracts department indicating order number, quantity, value, delivery date, and performance in terms of delivery, rate of

rejections and respective vendor rating.

- 17.5 Sub-Contracts department shall keep abreast of the developments outside, with regard to new sources of Sub-Contracting which may need consideration, by the committee on vendor establishment.

## 18.0 ASSISTANCE TO SUB-CONTRACTORS

- 18.1 The Sub-Contracts department is the agency to provide all the needed technical assistance to the Sub-Contractors with the support of production control and quality control departments.
- 18.2 In case any Sub-Contractor needs assistance by way of special tools / gauges etc., Sub-Contracts department may arrange to lend them on **"RETURNABLE GATE PASS" using transaction code ZIGP001 and ZIGP007**. Wherever possible, for execution of specific jobs. These tools / gauges should be watched for prompt return within two weeks of the order completion. Where the jobs are repetitive, efforts should be made to persuade the Sub-Contractor to acquire the special tools / gauges.
- 18.3 When the tools / gauges are returned by the Sub-Contractor, as per the terms, with an inspection certificate the Sub-Contract department shall hand it over to the divisional tool stores. In case of damages / loss of tool, the cost has to be recovered as per **"IED estimate / Divisional Tool Crib Advice"**

## 19.0 AMENDMENT TO SUB-CONTRACT ORDERS / REPEAT ORDERS

Amendments to Sub-Contract Orders are the changes made in any content of the original order, to reflect a changed situation pertaining to the execution of the original order.

Amendment to Sub-Contract orders generally arises because of the following :

- a) Necessity to modify the specification.
- b) Extension of delivery date.
- c) Amendment to quantity.
- d) Change in terms of Payment
- e) Transfer of another name as per request of the supplier
- f) Necessity to short close the order.

### 19.1 MODIFICATIONS INSPECIFICATIONS

Modification in specifications may be requested by the Indenting officer only, who had originally approved the Sub-Contract with the concurrence of the indenting department, subject to the condition that the quality of the material and price are not affected thereby. If the manufacturing cost of the material is likely to change due to the modification, suitable reduction in the price should be negotiated with the supplier. Concurrence of the Finance / IED should be obtained before any modification / amendments to Sub contract orders, where financial concurrence has been obtained earlier.

NOTE :

1. If, modifications are being made even before the beginning of work with the Vendor, it shall be treated as an new item and re-tendering shall be done as per Para 7.3.
2. If, modifications are made after the progress of work with the Vendor, the same shall be treated as Amendment to the original order.

### 19.2 EXTENSION OF DELIVERY DATE

- 19.2.1 Change in the date of delivery, if requested by the supplier, may be considered and agreed to by the officer approving the Sub-Contract in consultation with the indenting department provided the reasons for requesting extension in delivery date put forward by the supplier are justifiable and the order was not placed on TIME PREFERENCE basis. It should, however, be sure d that there would be no extra financial commitment for the company due to the extension of the delivery date (due to such development as increases in statutory levies, etc.) and the same should be made very clear to the supplier while extending the delivery date.
- 19.2.2 Requests for extension of delivery date in cases where the order had been placed on time preference basis should be rejected if alternate supplies can be arranged at the risk and cost of the supplier. If this is not possible, extension of date subject to levy of liquidated damages may be granted by the divisional Head / Unit Head not less than the rank of EVII, with concurrence from Finance Department.
- 19.2.3 Requests for advancing the delivery date should be carefully examined and not normally be accepted unless it is in the company's interest to do so. Where they involve earlier payment to the supplier as well, the concurrence of finance should be taken before acceding to the request.
- 19.2.4. If material is not available for issue to Sub-Contract or as per BOM, Sub-Contract Head, in consultation with Production Control, can amend the delivery schedule

### 19.3 AMENDMENT TO QUANTITY

Sub-Contract order may be amended to incorporate additional requirement of same item received from the indenting department or reduction in quantity ordered, with the concurrence of the supplier. It may however be ensured that price reduction if any, owing to increase in the quantity is availed of at the time of amending the order. Total of additional quantity amended and quantity ordered through Repeat Orders, if any, should not exceed 200% of original ordered quantity, during a period of THREE years.

### 19.4 NECESSITY TO SHORT CLOSE THE ORDER

In case the balance quantity of material outstanding on the supplier is no longer required by the indenting department, the order may be short closed to the extent of quantity already supplied and accepted, with the concurrence of the supplier. If a supplier regrets his inability to supply a small balance quantity left against an order, the same may be short closed with the concurrence of the indenting department, provided the company would not be put to any adverse consequences thereby.

### 20.0 ROLE OF CENTRAL SUB-CONTRACT DEPARTMENT (BG) & Unit Sub-Contract Department

**Central Sub-Contract BG shall be responsible for the bellow mentioned activities :**

- Coordinate with all ancillary units at Bangalore and arrange collection of license fee.
- Coordinate with SBUS contract in providing suitable job works to the ancillary units.
- Provide necessary vendor code required by SBUS Sub-Contract in liaison with corporate standards.
- Monitor list of Sub-Contract vendors registered and update in SAP periodically. The dormant vendors are also to be identified and deleted from the vendor master.

- Establishment of new Vendors / Exclusion of vendors in case of poor performance.
- Entering into Annual Rate Contract for Packaging, Plating, Painting, PCB etc.,
- Liaison regarding Sales Tax / Excise formalities.
- Issue of Form 37 / Form 'C' to vendors.
- Preserving and renewing the General Bank Guarantee.
- Categorised all the operations / process of Sub-Contract and update in SAP.
- Maintain Process Vendor Directory in SAP in co-ordination with IS / CO & SC departments.

### **20.1 Role of Other Units Vendor Evaluation Committee (VEC) Activities**

- Constitute a Vendor Evaluation Committee (VEC) at unit level.
- Co-ordinate with Central Sub-Contract division of BG / IS-CO for new vendors list.
- Establishment of new Vendors / Exclusion of vendors in case of poor performance.
- Entering into Annual Rate Contract for Packaging, Plating, Painting, PCB etc.,
- Categorised all the operations / process of Sub-Contract and update in SAP.
- Maintain Process Vendor Directory in SAP in co-ordination with IS / CO & unit SC departments

### **21.0. GENERAL TERMS & CONDITIONS**

Sub-Contract / Service Orders released by BEL should accompany the "GENERAL TERMS & CONDITIONS TO SUB-CONTRACT / SERVICE ORDER" as per ANNEXURE-9 for orders With vendor material and ANNEXURE-10 for orders with BOM from BEL.

### **22.0 VENDOR RATING**

Based on the National Specification JSG : 015-1995, methodology for Vendor Rating procedure for Sub-Contract parts has been arrived with quality, delivery (use transaction code ZQM053). The details of the methodology are furnished at ANNEXURE-11.)

A committee formed by SBUS / units will review the vendor rating generated by SAP.

### **23.0 Risk Management**

As per the office order No HO / 866 / 001 dated 22 / June / 2011 & revised OO HO / 866 / 002 dated 6 / 05 / 2015 the concerned Sub-Contract head shall perceive & take appropriate mitigation / alternative actions or measures shall be taken.

### **24.0 GRIEVANCE REDRESSAL**

24.1 Any bidder or prospective bidder aggrieved by any decision, action or omission of the procurement process may within a period of 10 days or such other period specified in the pre-qualification documents, Vendor Registration documents or Tender documents, from the date of such decisions, make an application for review to the concerned Sub-Contract department clearly giving the specific ground or grounds on which the vendor feels aggrieved. The application for review can be filed only by the bidder or vendor who has participated in the tender.

24.2 In case of two bid system, application for review related to the financial bid can be filed only by the vendor whose technical bid is found acceptable.



- 24.3 The official to whom the application for review has to be addressed shall be indicated in the pre-qualification documents, vendor registration documents or tender documents as the case may be. Based on this application for review, decision on whether the tendering process shall be suspended pending disposal of the application shall be decided by the Sub-Contract department.
- 24.4 After examining the application and the available documents, Sub-Contract may decide on the relief to be considered appropriate to the applicant and communicate its decision to the applicant and to the other bidders or prospective bidders.
- 24.5 The grievance application shall be reviewed at a level of Head of Sub-Contract or by an Officer not less than the rank of AGM nominated by the Unit / SBUS head for proposals where approving authority is CMD, the grievance shall be reviewed by concerned Director.
- 24.6 **Grievance Redressal Committee** : If the grievance application is not disposed of within the allowed time or if the bidder feels aggrieved by the decision, the bidder can file an application for redressal by the concerned Sub-Contract redressal Committee within 15 days of expiry of date of receipt of the decision., Redressal committee to be constituted with Head of Finance, Head of HR and Head of Unit / SBUS. Redressal committee at corporate level to be constituted with GM (Finance / CO), nominated member from GM (HR)-CO and Head.
- 24.7 The decision of the Grievance Redressal Committee is final.

## **25.0 START UPS**

Start-Ups will be decided based on the conditions stipulated in Gazette notification No. 113 dated 18/02/2016/G.S.R180 (E) issued by Dept of Industrial Policy & Promotion, Ministry of Commerce and Industry ( Refer Annexure – 16).

- 25.1 Areas of engagement with start-ups may be identified and publicized through BEL website.
- 25.2 The following eligibility criteria may be relaxed subject to meeting performance and quality requirements for Start-ups to encourage their participation in BEL procurement:
- a) Prior Turnover
  - b) Prior Experience

### **25.3 Advance to start-ups:**

Advance upto 15% to Start-ups may be considered against submission of bank guarantee of 110% of advance from a scheduled commercial bank following the procedure of the company.

To obtain the benefit of advance a start-ups shall be required to obtain certificate of an eligible business from the Inter-Ministerial board of certification as stipulated in notification No. 133 dated 18/02/2016 /G.S.R180(E).

## **26.0 REVERSE AUCTION**

- 26.1 Introduction: Reverse auction is an online real-time procurement technique utilized by the procuring entity to select the successful submission of lowest bid online. This involves the presentation by suppliers or contractors of successively lowered bids online during a scheduled period of time and the automatic evaluation of bids. The reverse auction process can be used to replace any price bid evaluation procedure to determine L-1 like the comparison of sealed price bids.
- 26.2 Applicability: Procurement by means of an e-reverse auction should be engaged under following conditions:
- 26.3 Reverse Auction Can be adopted for common and large volume goods or services or processes which are not strategic to the company. This may be adopted where many established suppliers are available thereby producing a competitive market and for which the key awarding decision is price.
- 26.4 Procurement of common goods and services, which are those where performance and quality characteristics can explicitly be defined beforehand in the bidding documents using widely-known and unambiguous market specifications. Services whose characteristics are largely intangible, whose progress tends to have a degree of unpredictability, and their inputs and outputs typically vary from project to project (and therefore are hard to define beforehand) will not be considered a common service.
- 26.5 The reverse auction can be adopted only for domestic Sub-Contract orders The reverse auction procedure to be followed is as per annexure - 17.

-oOo-

**CHECKLIST FOR SUB CONTRACT REQUEST**

SCR NO : \_\_\_\_\_ DATE : \_\_\_\_\_

Part No. : \_\_\_\_\_ Qty. : \_\_\_\_\_ ISSUE LEVEL : \_\_\_\_\_  
 Part No. : \_\_\_\_\_ Qty. : \_\_\_\_\_ ISSUE LEVEL : \_\_\_\_\_  
 Part No. : \_\_\_\_\_ Qty. : \_\_\_\_\_ ISSUE LEVEL : \_\_\_\_\_  
 Part No. : \_\_\_\_\_ Qty. : \_\_\_\_\_ ISSUE LEVEL : \_\_\_\_\_  
 Part No. : \_\_\_\_\_ Qty. : \_\_\_\_\_ ISSUE LEVEL : \_\_\_\_\_

1. Are all MRP Views Maintained? :
2. Is Work Scheduling View Maintained? :
3. Are Accounting Views Maintained? :
4. Is Valuation type Maintained? :
5. Is Quality View Maintained? :
6. Is PR made in correct category? :
7. Is Acct. assignment Maintained? :
8. Is Item Category filled for DSC / CSC / GNBPR? :
9. Is G / L Account written correctly? :
10. Is J11D Table maintained :
11. Is PR request date filled?(In Item Qty / Date stab) :
12. Is PR released date filled?(In Item Qty / Dates tab) :
13. Are All Items of PR released? :
14. Is PR Released Date & Delivery Dates written? :
15. Is Project name written in Tracking No. field? :
16. Is Project Engr. name written in Requisitioner field? :
17. Is VETTED rgs copy enclosed? :

(For fast ordering of items, In case of P1 status drawings, 5 sets of drawings are to be enclosed)

PROJ. ENGR NAME : \_\_\_\_\_ SIGN. : \_\_\_\_\_

DATE : \_\_\_\_\_

BLANK

**REQUEST FOR QUOTATION**

Attn :  
 Fax No. :080-8362692  
 E-mail :serendip@mantraonline.com

SI0036  
 SERENDIP ASSOCIATES PVT LTD  
 PEENYA INDUSTRIAL AREA,  
 -  
 -BANGALORE - 560058 ,  
 India.

Bharat Electronics Ltd.,  
 Jalahalli Post,,  
 Bangalore Complex  
 Bangalore-560013  
 Karnataka-INDIA  
 Telephone : 080 22195893  
 Fax : 91-80-28381601  
 Email : subcontractmr@bel.co.in

Department :PURCHASE/BEPO/S10

Our Ref: MR-SC-522

Date :15.05.2009

Your Ref :

Date

Closing Date :20.05.2009

Please quote by return **Email/Fax/Sealed Cover** the best prices for following items quoting our reference

PR/RFQ	LINE ITEM	BEL PART NO DESCRIPTION	ISSUE LEVEL	Manufacturer Manufacturer Part Number	QUANTITY	UNIT	Dely. Start Dely. End	CURRENCY/ UNIT PRICE
2200730955 3100057155	1	112004099389 CONTAINER FITTEDUP	Iss:		4	NO		

The following details may please be furnished in your Quote:

- |                                       |                       |
|---------------------------------------|-----------------------|
| 1. Terms of Payment :                 | 2. Terms of Price :   |
| 3. Duties :                           | 4. Taxes :            |
| 5. Name and Full address of your firm | 6. Delivery Schedule: |
| 7. Standard Terms & Conditions Apply. |                       |
| 8. Any Other Terms.                   |                       |

Seller's Contact: :

Fax No.

Telephone No.

Head Radar Subcont

HEADER TEXT: 01. RAW MATERIAL WILL NOT BE SUPPLIED BY BEL.

02. SUPPLIER HAS TO USE THEIR OWN RAW MATERIAL.

AND FABRICATE/MILL/TURN/MOULD/WELD/BEND/DRILL/TAPP/GRIND/ AS PER DRG.

03. ALL DIMESIONS ARE CRITICAL AND IMPORTANT.

04. DRAWINGS BELONGS BEL TO BE RETURNED ALONG WITH QUOTES.

05. FIRST OFF APPROVAL TO BE OFFERED BEFORE BULK SUPPLY.

06. Material confirmation certificate required to be provided in supply

07. PRE-DELIVERY INSPECTION TO BE CARRIED OUT BY SUPPLIER & COMPLETE DIMENSION REPORT TO BE SENT ALONG WITH THE SAMPLE / BULK SUPPLY.

08. DEVIATION IF ANY REQUIRE FROM THE DRAWING SPECIFICATIONS SHOULD BE CLEARLY INDICATED IN QUOTATION

09. FINISHING OPERATION LIKE PAINTING, PLATING WILL BE DONE BY BEL

10. MOQ IF ANY INDICATE IN QUOTE

11. PAYMENT TERMS ---100% PAYMENT WILL BE MADE WITH IN 15 DAYS

AFTER CLEARANCE BY BEL -QA

12. DELIVERY AS INDICATED.

BLANK

## BHARAT ELECTRONICS LIMITED

### SURVEY AND REGISTRATION OF NEW SUB-CONTRACT VENDORS (Questionnaire)

1. **NAME AND ADDRESS OF THE FIRM**
  - a) Name :
  - b) Postal Address :
  - c) Factory Address :
  - d) Category of Industry :

(Indicate Large / Medium / SSI / Others)
2. **STATUS**
  - a) Whether Proprietary / Partnership / Private:
  - b) Limited / Public Limited :
3. **BRIEF BIO DATA OF THE PROPRIETOR / PARTNERS**
  - a) Name of the Owner :
  - b) Owners Phone No. :
  - c) Partner Name, If any :
  - d) Phone Number :
4. **WORK AREA / POWERCONSUMPTION**
  - a) Land :
  - b) Building and Power Connection :
5. Date of Commencement and experience  
In the Line :
6. No. of Employees employed :
7. **CAPABILITY OF INDUSTRY**
  - a) Design, Development, Manufacturing and Testing :
  - b) Manufacturing and Testing
  - c) Manufacturing :
8. Details of Collaborators / Technical Assistance / License Taken :

9. Details of Products / Services Currently Dealt with (Attach Details) :
10. Details of registration / Approvals Obtained : (Attach relevant certificates)
- a) SSI :
- b) DGS &D :
- c) BIS :
- d) Govt. Departments :
- e) PSU's :
11. **Production Facilities**
- a) List of Machinery and their capacities : (List May be closed)
- b) Capital Invested
- Land :
- Building :
- Plant and Machinery :
12. ISO9001 / AS9100B Certified (Attach Copies) :
13. EMS14001 Certified (Attach Copies) :
14. Tooling Facilities :
15. **Inspection Facilities (Attach relevant List)**
- a) Availability of all essential Equipments for Quality Control Measurements :
- b) Calibration Facilities :
- c) Is it independent of Production :
- d) Strength of Inspection Personnel :
- e) Inspection Instruments and Equipment :
- f) Availability of consent from Pollution Control Boards :
16. Major Customers whom you they have Dealt : (Attach List)
17. Banker :
18. Particulars of other reputed Organisation with whom Registered as approved firm :
19. Special Remarks / Observations :



**FOR BEL USE**

Date of visit by BEL Officials	:
Easy accessibility to the Industry	:Satisfactory / Not Satisfactory
Availability of all relevant operations	:Satisfactory / Not Satisfactory
Availability of Storage Space	:Satisfactory / Not Satisfactory
Adequacy of Inspection Facility	:Satisfactory / Not Satisfactory
Knowledge of ISO Standards	:Satisfactory / Not Satisfactory
Knowledge of EMS issues	:Satisfactory / Not Satisfactory
House Keeping	:Satisfactory / Not Satisfactory

VISITED BY

Signature

Date

- a) Representative of PC
- b) Representative of Fabrication
- c) Representative of Assembly
- d) Representative of Quality
- e) Representative of IED
- f) Representative of SC

REMARKS :

Approved / Not Approved  
 (Give reasons if not approved)

**NOTE** : This format is made available in the internet site of BEL web portal Inspection model. This can be filled / modified accordingly with proper approving authorities of VEC Members

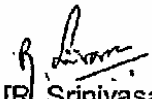
BLANK

**BHARAT ELECTRONICS  
CORPORATE MANAGEMENT SERVICES**

No. 18869/IB/MS  
Dt. 12.01.2009

**Sub.: Procedure for Banning of Firms**

Management has approved the procedure for Banning of Firms, which is enclosed for strict compliance by all concerned.



[R. Srinivasan]  
DGM (MS) / CO

All Unit / SBU Heads }  
All GMs/EDs } With a request to issue necessary instructions  
to all concerned

All Directors, CVO }  
CMD } For kind information please

**SUB: PROCEDURE FOR BANNING OF FIRMS****1.0 Scope**

BEL enters into contract with firms for supply of materials and rendering services. The firms should ensure to carry out the entrusted work as specified in the order. However certain firms fail to meet the above requirements resulting in considerable hardship to the company. Some firms resort to unethical practices causing loyalty and security concerns to the company / country. In order to overcome these situations and to ensure conformity with the order, we have to take adequate preventive actions. One of the methods employed is to eliminate such firms from participating in our future supplies / services. Business dealings with any firm may be stopped by banning that firm.

**2.0 Procedure for banning**

**2.1** The proposal for banning of a firm may be initiated by any affected department giving detailed justification for the same.

**2.2** The proposal for banning is required to be routed through any one of the following departments concerned:

- 2.2.1** Purchase
- 2.2.2** Contracts
- 2.2.3** Sub-Contracts
- 2.2.4** Standards(for standard items only)

**2.3** Based on the information received from the initiating department, a show cause notice shall be served on the firm by head of the department of Purchase / Subcontract / Contracts. The reply if any received, from the agency shall be examined and the recommendation for banning, if any, shall be forwarded for the approval of the competent authority as defined below:

- 2.3.1** Head, Corporate Standards, in respect of Standard items
- 2.3.2** SBU / Unit Head
- 2.3.3** Unit head if more than one SBU is involved, as applicable:
- 2.3.4** CMD

In case no reply is received within 30 days of sending the show caution notice, case for banning shall be processed further.

However, if reply furnished by the agency is satisfactory and is duly endorsed by the initiating department and the banning is not justified, then the proposal shall be treated as closed.

**2.4** The proposal for banning shall be approved by the appropriate authorities as under.

**2.4.1** If the banning is for standards items then it shall be approved by Head Corporate Standards

**2.4.2** If the banning is within the SBU only, then it shall be approved by the respective SBU Head.

**2.4.3** If the banning is at the Unit level, then it shall be approved by the respective Unit Head.

**2.4.4** If the banning is at Company level, then it shall be approved by Corporate Office.

**3 Applicability**

In line with the above, it is clarified that the banning order

- 3.1** Issued by Corporate Standard / Corporate Office / Ministry of Defense shall apply to all the offices / SBUs / Units.
- 3.2** Issued by SBUs / Units shall be applicable to respective SBUs/Units.
- 3.3** Issued by other companies do not automatically apply to BEL.

**4 REVOCATION**

- 4.1** The revocation of banning shall be approved by the same competent authority that has earlier approved the banning of that firm. The revocation order shall be issued by the concerned departmental head of purchase / Sub- contract/ Contracts after completion of banning period, with the approval of Corporate Office /Unit / SBU / Corporate Standards, as the case may be.
- 4.2** Revocation can be considered during the period of banning at the Corporate Office / Unit / SBU / Corporate Standards, depending on the proper justification by the initiating department of the SBU / Unit.
- 4.3** Communication for revocation of ban received from M.O.D. shall be effected accordingly.

**5 Approved Vendors List:**

The records shall be updated from time to time by Corporate Standards Department for standard components, regarding the banning of firm and revocation after receiving proper intimation. In other cases, such updated records of banning / revocation shall be maintained by concerned purchase / sub-contract / contracts department.

BLANK

## SUB CONTRACT ORDERS RELEASE PROCEDURE

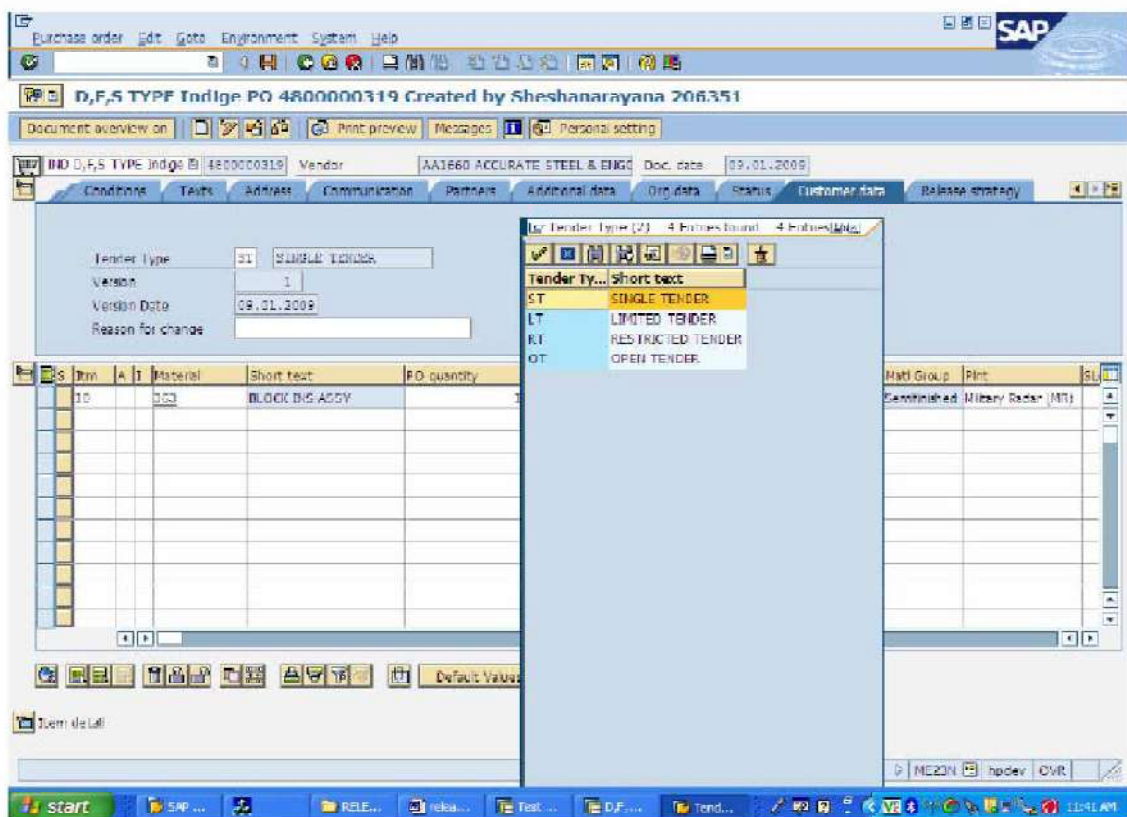
INFORMATION SYSTEMS – CO

30/01/2009

Procedure for Release Strategy, Version and updating the tender type in Purchase Order:

**1. Updating the tender type:**

In the Purchase order Header data, under the Customer fields maintain the Tender type using the List of values option as shown below.



**2. Version :**

On saving the purchase order created using ME21N, the version gets updated to -1 (Draft) along with the system date as version date automatically.

### 3. Release of PO:

Based on the PO document type and value, release strategy gets activated as per the table below. Suppose the value of IND type PO created by purchase department is >INR 50,000.00, the same has to be put up for management approval along with noting. Authorized person in concerned purchase department has to release using ME29N for release code S1 and the file is routed to Finance after necessary approval from management based on the value of the PO. Authorized finance person will release for S2 at which instance the version gets incremented to 0 (Original). After the receipt of file in the purchase department, purchase order print will be taken and sent to supplier. (Refer Annexure I for flow chart).

Purchase Order	Doc type	Release Group	Release Strategy Description	PO Value INR	Release code	Release by
Standard	IND,INC,IMP,IMD,DEC,DEE	PT	Y1 PO Value <=50000	<= 50,000	S3	Purchase Manager
Standard	IND,INC,IMP,IMD,DEC,DEE	PT	Y2 PO Value >50000	>50,000	S1 S2	Purchase Finance
Inter-unit Stock transfer	DIP,CIP,FIP	PT	Y3 Inter unit stock transfer release	All	S4	Prod. Ctrl Manager
Sub-contract	DSP,CSP,FSP,ESP	PT	Y4 Sub-contract release	All	S5 S6	Subcontract Finance



Purchase order Edit goto Environment System Help SAP

**D,F,S TYPE Indige PO 480000319 Created by Sheshanarayana 206351**

Document overview on Print preview Messages Personal setting

IND D,F,S TYPE Indige 480000319 Vendor AA1600 ACCURATE STEEL & ENGG Doc. date 09.01.2009

Conditions Texts Address Communication Partners Additional data Org.data Status Customer data Release strategy

Release group PO Release on Value  
 Release strategy Y2 VAL >50000  
 Release indicator X PO block for Released

Code	Description	Sta...
S1	Release by Purch Off	
S2	Release by Pur.Ngr	

S	Item	A	I	Material	Short text	PO quantity	O...	Deliv. date	Net price	Curr...	Per	O...	Matl Group	Plant	SL
	10			363	BLOCK INS ASSY		15000	09.01.2009	103,000.00	INR	1	NO	Semifinished	Military Radar (MR)	
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					

Item detail

ME23N hodev OVR

start

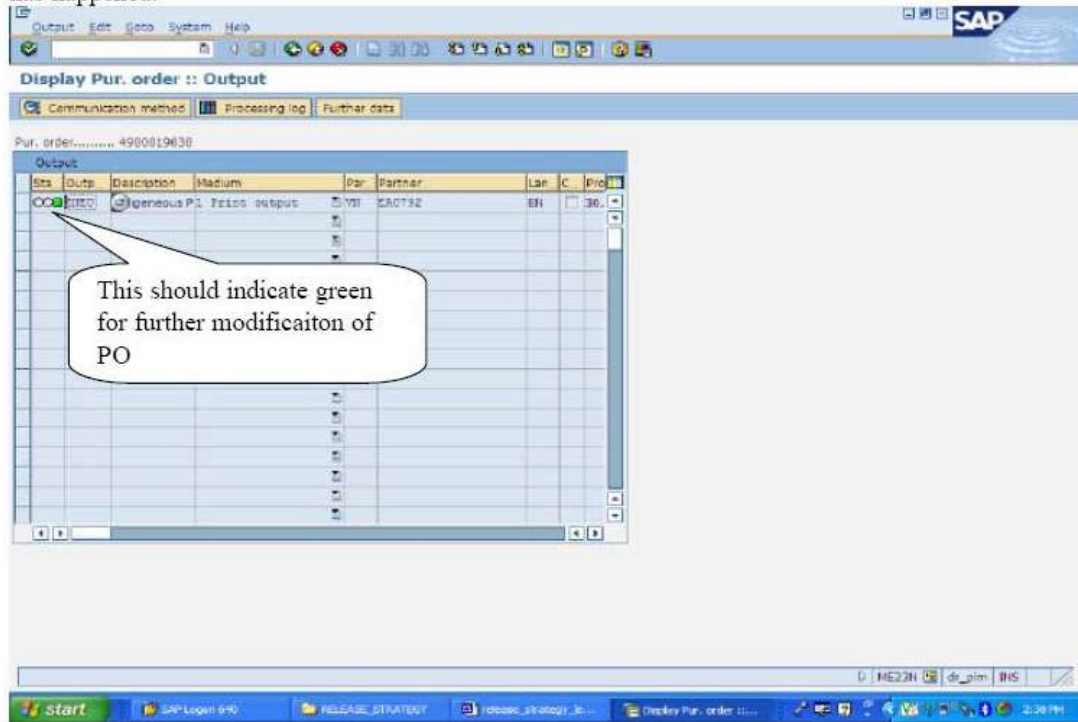
**4. Print output of PO:**

If the print output is taken at the stage of draft, the out put will have 'DRAFT' remark printed. Also, if printed before release of PO, the out put will have remark 'PO NOT RELEASED'. Version date will be printed as PO date.



### 5. Further modifications to PO:

The system will not allow changes in PO until print out put is taken after final release has happened.



Sta	Outp	Description	Medium	Par	Partner	Lan	C	Pro
000	GREEN	Homogeneous P.L. Trziso output		501	SACT32	EH		36.

### 6. Changes to PO:

Changes to Purchase order can be done using ME22N. If the release indicator of the purchase order is 'R', then at the time of posting, the version gets incremented and version date also gets updated. The user can maintain reason for change field.

Version gets incremented only if there is change in the following fields of purchase order:

1. Item is deleted
2. Company Code
3. Item line Quantity
4. Net price
5. Price unit
6. Net order value in PO currency
7. Gross order value in PO currency
8. Sales Tax Code
9. Over delivery tolerance limit
10. Shipping instructions
11. Inco terms 1
12. Inco terms 2
13. Terms of payment

**7. Existing Purchase Orders :**

Existing released purchase orders will remain in released condition only, with creation date as PO date in the output. Further any changes to the same will trigger the new release strategy.

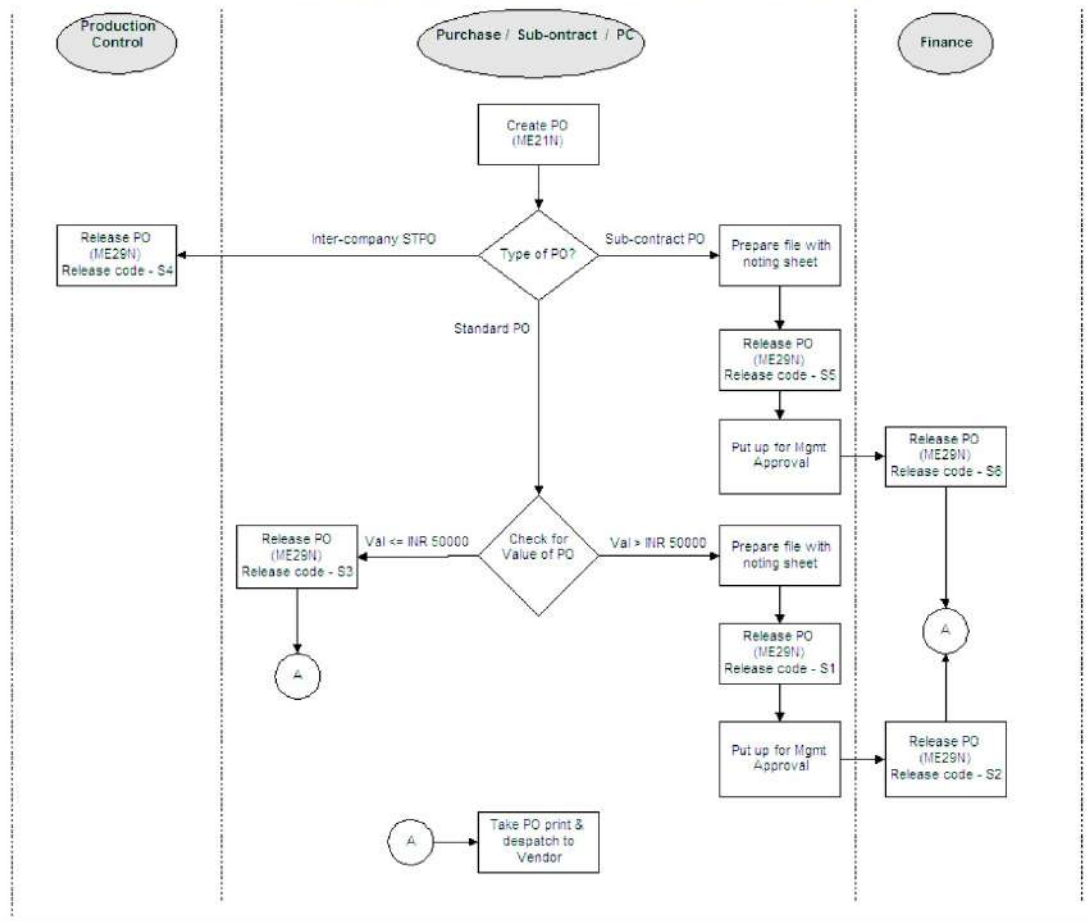
**8. Check list for PO vetting:**

The following Check list can be used by Finance to vet the Purchase order.

1. PO type should be as per PR type ( Ex. INC C type indigenous PO, DEC – Defence foreign PO Etc.,)
2. In the header tab:  
Payment terms, Inco terms to be entered  
Conditions: Freight payable to supplier is FRB2 in foreign currency where applicable  
Freight payable to freight forwarder FRB1 – with value 1 or 10 to be Entered  
Freight forwarder code to be entered in details of the condition  
FRB1  
Miscellaneous charges and packing forwarding charges to be entered by selecting the relevant conditions in header
3. In the item detail tab:  
Invoice tab – proper tax code to be selected as per quotation  
Delivery tab: the mode of dispatch to be selected in the shipping instruction Field  
Conditions tab: the entry tax conditions ZENT and ZSNT to be selected and relevant tax percentage to be entered wherever applicable for Capital items and spares.  
Along with this condition the condition JEXS is also to be entered without entering any value to this. This condition will calculate the net applicable price for entry tax calculation purpose.  
Delivery Tab: The applicable valuation type as per PO type ( like INC,IMP) should be available  
Quantities and weight tab: the conversion units of measures can be entered For ordering different unit of measure wherever required.
4. For service orders the details of services to be entered in the services tab of the item details.
5. For sub-contract orders the material to be supplied to vendor to be checked and entered correctly ( under material data – components in the item details tab).

RELEASE PROCEDURE - PURCHASE ORDER

ANNEXURE



BLANK

**BANK GUARANTEE FOR MATERIALS**  
**(To be executed on stamp paper of Rs. 100.00)**

1. In consideration of Bharat Electronics Ltd., .....(herein after called BEL., .....) having agreed to supply materials, components, tools, jigs and fixtures for the fabrication of components / Parts / Assemblies in accordance with various Sub - contract orders, placed on M / s.....(Here in after called Sub-Contractor) subject to the Sub-Contractor furnishing a Bank Guarantee for an amount of Rs.....(Rupee.....Only) against the value of such materials, components, tools, jigs and fixtures supplied under various sub contract orders placed by BEL from time to time and to unconditionally and without demur pay to the extent of Rs.....
2. That we (hereinafter called the "BANK"), accordingly at the request of the Sub-Contractor.....Herein expressly, irrevocably and unreservedly guarantee as principal obligors an amount up to the total of.....for the fulfilment of obligation towards any loss / damage to the materials, components , tools, jigs and fixtures etc., supplied to the Sub-Contractor. In the event of BEL determines that.....is in default, we here by assume and under take to pay forth with to BEL on demand without demur and without recourse to.....to the amount required by the default, up to the maximum amount stated above.
3. Payment shall be made to BEL upon our receipt of BEL's letter demanding the payment, accompanied with written declaration stating :
  - (a) That the materials, components, tools, jigs and fixtures etc., supplied to the Sub-Contractor ..... has been lost / damaged.
  - (b) That ..... was given written notice of default.
  - (c) That.....has failed to rectify the loss within thirty (30) days of such notice.
  - (d) That such condition of non-performance exists as on the date of making the claim.
4. We here by further agree that BEL shall have the fullest liberty, without affecting in any manner our obligations hereunder with or without our consent and knowledge to vary any terms of the Sub - contract order in consultation and mutual agreement with the party and either for bear or enforce any of the terms and conditions relating to the Sub-Contract order. The bank shall not be relieved from its liability by reason fany such variation or indulgence by BEL or any such matter or things what so ever which under the law relating to the sureties would, but for this provision, have the effect of so relieving the Bank. The bank guarantee shall be a continuing Bank guarantee and shall not bed is charged by any change in our constitution or in the charter of our bank.
5. This Bank guarantee shall become operative upon the dispatch of the materials, components, tools, jigs and fixtures etc., to the Sub-Contractor.....The Bank guarantee herein contained shall remain in force and effect till twelve calendar months from the date of executing this guarantee. However, BEL shall have no right under this guarantee after (A) twelve months from the date of executing this guarantee unless notice of demand under this guarantee has been served on the Bank during the continuance of this guarantee i . e., up to and inclusive last day of the month completing the period of guarantee (B).
6. The liability of the Bank under this Bank guarantee will expire and all BEL's right will be forfeited upon the above mentioned expiry date and we shall be relieved and discharged from all liabilities under this Bank guarantee unless any claim from BEL is received before the said release date.

7. We undertake to pay the company money so demanding not withstanding any dispute or dispute(s) raised by the contractor(s) / supplier(s) in any suit or proceeding pending before any court or Tribunal relating thereto our liability under this guarantee being absolute and unequivocal.

Dated.....Day of.....

Signature

For (Banks Name)

(Banks Seal)

(A) Here indicate No. of months sufficient to cover the last instalment of delivery under the order.

(B) Here indicate (date) last day of them on the completing the period in (A).



**BANK GUARANTEE FOR ADVANCE PAYMENT  
 (to be executed on Rs. 100-00 stamp paper)**

1. In consideration of M / s. Bharat Electronics Ltd., accompany incorporated under the Indian Companies Act having its Registered office at Outer Ring Road., Nagavara, Bangalore–560045, and its unit at.....(Hereinafter called the company which expression shall unless excluded by or repugnant to the context includes their successors and assigns) having agreed to effect advance payment of Rs. .... (Rs.....) to M / s.....(Here in after called the supplier Which expression shall unless excluded by or repugnant to the context includes their successors and assigns) for supply of.....in accordance with terms and conditions contained in Purchase / Sub-Contract order No..... on production of a deed of guarantee by a scheduled Bank / national Bank for Rs..... (Rupees ONLY).
2. We ..... having its office at..... do hereby undertake and agree to indemnify and keep indemnified the said company to the extent of Rs..... (Rupees.....) being the advance payment made by the company in respect of the said contract, against any loss or damages, costs, charges or expenses caused to or suffered by the said company by reason contained in the said contract and to unconditionally pay the amount claimed by the said company on demand without any demur to the extent of Rs..... (Rupees.....)
3. We....further agree that the said Company shall be the sole hudge as to and to the extent of loss, damage, costs, charges and expenses suffered or incurred by the said company on account thereof, and the decision of the said company that the said supplier has committed such breach or breaches and as to the amount or amounts of loss, damage, costs, charges and expenses suffered by the said company shall be final and binding on us.
4. That We, .....further agree that the guarantee here in contained shall remain in force and effect during the period that would be taken for the satisfactory performance of the said contract or till the expiry of all guarantee and warranty periods in accordance with the terms and conditions of the contract and that it shall continue to been force able till all the dues of the said company under the said contractor by virtue of any terms and conditioned governing the said contract have been fully paid and their claims satisfied and discharged and till the company certifies that the terms and conditions of the said contract have been fully and properly carried out by the said supplier and accordingly discharges this guarantee subject, however, that the said company shall have no right under this guarantee after .....unless a notice of demand under this contract has been served up to and inclusive of .....
5. We, .....Lastly under take not to revoke this guarantee during its currency except with the previous consent of the said company in writing and agree that any change in the constitution of the said supplier or the said bank shall not discharge our liability hereunder.
6. Notwithstanding anything contained herein above, our liability under this guarantee is restricted to Rs.....(Rupees.....) and subject to the condition that the cheque be released for an amount of Rs.....(Rupees.....) in favour of M / s.....and our guarantee shall remain in force until.....unless a demand / suit or action to enforce a claim under this guarantee is filed against the said Bank in writing on or before.....all the said company's rights under this guarantee shall be forfeited and we shall be relieved and discharged from all liabilities there under.
7. Executed this.....at.....

BLANK

**Office of the Director (Finance)**

No. 18281/99/010-001  
28th February 2007

**Delegation for payment of interest free advance in  
Supply/Sub Contract/AMC Contracts****A. Preamble :**

1. BEL purchase / sub contract procedure provides for payment of interest free advance in the supply / sub contract orders on a case to case basis, with the prior approval of the competent authority. Subsequently vide CVC guidelines on the subject i.e. *O.M. No.NU/POL/19 dtd. Dec 1997, O.M.No.NU/POL/19 dtd. 30.09.98 & O.M. No.4CC-1-CTE-2 dtd. 08.06.04,,* Central Vigilance Commission introduced certain restrictions on payment of advances. Since then individual cases requiring payment of interest free advance were being put up to the Board for approval and at times post facto approvals were obtained in case of urgency. To bring down the procurement process time and avoid post facto approvals it was felt essential that a procedure be formulated keeping in mind the principles of equity, transparency and fairness which is the spirit of the CVC guidelines, to empower BEL Management to take appropriate decisions on the matter, through powers delegated by the Board. The Board in the 328th meeting held on 23<sup>rd</sup> January 2007 has approved the procedure for paying interest free advances as given below for strict compliance.
2. SBUs / Units / Offices are to note that in any procurement proposal, all efforts must be made to convince the suppliers/sub contractors/service providers to agree to our standard payment terms without interest free advances. Even if it becomes unavoidable to agree for advance, first the feasibility of charging interest on advance should be seen. This is necessary not only because of the CVC guidelines but also keeping in view our future fund flows based on the position of debtors and reduction in advances consequent to the introduction of Defence Procurement Procedure 2006, resulting in a squeeze in the cash flows. The proposed procedure in the following paragraphs does not give a carte blanche right to give advances in an unrestricted manner but is an enabling provision to pay interest free advances in very genuine cases so the production / R & D / other manufacturing related processes do not get hampered.

**B. Procedure :**

1. Grant of interest free advances can be considered only in **select cases** as listed below :
  - a. Small value items of imports (where the order value is  $\leq$  US \$ 5,000), where the requirement is components/sub assemblies needed for production and the supplier has not agreed for usual mode of payment through LC;
  - b. Cases where the supplier is sourcing an item for BEL exclusively, and where the supplier insists on advance payment as financial commitment from the company;
  - c. In the case of TOT payments, where the collaborator insists on initial advance and stage payments (linked to milestones). In the case of deliverables, at all stages of the supplies viz. FF, SKD, CKD, IM stage, where payment of advance / progressive payments against milestones, need to be followed as part of the mutually agreed terms of the TOT / Supply contract with the Collaborator/TOT partner;
  - d. Wherever an indigenous source has been identified by a design agency or where work is carried out exclusively for BEL as per BEL specifications or in case of subcontract orders, where the development and design of tools are as per BEL design;
  - e. Whenever indigenisation of parts is being taken up, and the identified supplier has taken up the necessary jobs on design, mould, prototype, jigs etc payment of advance to cover the cost can be considered so that vendors are encouraged to take up such assignments for the success of the ongoing indigenization efforts;
  - f. In case of AMC / maintenance contracts undertaken by OEMs / authorized agents of OEMs and other service providers, where advance is insisted to be paid on a periodical basis for rendering the service.
2. If the advance is to be granted without interest, record of circumstances and facts in each such case should be clearly brought out in the respective procurement file.

3. Though there may not be any mention of advance payment in the NIT, it should be stated in the tender document that the evaluation of the tenders would be on “ **Cost to BEL** “ basis and if different payment terms are quoted by the prospective suppliers, the cost to BEL has to be worked out by the **discounted cash flow method for evaluating LI**. The interest rate used will be the SBI PLR rate prevailing from time to time { **present rate of SBI PLR is 12.25 % p.a.**}.
4. In case of proprietary / single vendor item, where interest free advance is to be granted, efforts have to be made to obtain corresponding cost advantage from the vendor for the product / service in lieu of the interest and the outcome of such efforts is to be recorded in the file.
5. Request for advance payments, if any should be submitted / quoted in the techno commercial/price bid. Requests for advance payments, if any, received after opening the price bids should not be entertained.
6. Penal interest (**equivalent to 2 % above the prevailing SBI PLR rate**) on advance should be charged in the cases where the supplier/sub contractor is unable to execute the order for whatever reason resulting in cancellation / short closure of the order/delay in supplies. The outstanding advance amount with penal interest has to be refunded by the supplier/sub contractor in case of cancellation/short closure of the order. In case of delay in supplies, the penal interest payable is to be recovered from the payments due to the supplier / sub contractor or collected from them as the case may be. For the purpose of calculating the penal interest payable, the period of delay has to be calculated with reference to the scheduled date of supplies / completion of milestones as per the purchase order/sub contract order. The conditions relating to charging / recovery of penal interest should be incorporated in all the orders which provide for release of advances.
7. Any release of advance should be **against Bank Guarantee (BG)**, which will provide adequate security for the advances paid. BG will be required in all cases except in cases of small orders for imports as specified at para 1(a) above, maintenance contracts only on OEMs and authorized agents of OEMs as specified at para 1 (f) above, orders placed on Defence PSUs and in respect of other PSUs (on case to case basis) with the approval of CMD. The validity period of the BG should be three months more than the scheduled date of completion of supply so as to enable the SBU / Unit to take necessary action to encash the BG, if required. The value of the BG should be the advance amount paid plus 10 % thereon or the advance paid plus the estimated interest amount on the outstanding advance for the period the

advance is likely to remain with the party, whichever is higher, to cater for any eventual interest liability.

8. In case of progressive advances, release of such payments are to be made after satisfying the progress of the work/the completion of the specified milestone with the required certification from the supplier, and against BG.
9. In all orders involving advance payment, the method of adjustment of advances progressively in the settlement of bills is to be clearly brought out in the terms of the order so that necessary clarity is there in adjustment of advances paid.
10. Before agreeing for advance clause in the supply / sub contract order, it has to be verified that there is no **overdue** advance against the supplier / sub contractor in the respective SBU / Unit which proposes to release the advance. The responsibility of monitoring the history of the supplier / sub contractor with reference to the advance drawn will be with the concerned MM / Sub Contract department. In the case of AMC contracts, the release of the AMC amount in advance will be only after satisfactory certificate by the user for the previous instalment paid, if any.

**C. Delegation :**

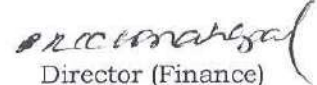
The delegation of powers for payment of advances is given in **Annexure A**. All cases where there is a need to pay interest free advances should have the prior approval of the competent authority as per this delegation. A detailed file should be put up for approval of the competent authority with all the necessary details as appropriate to the individual case. A check list giving the details to be covered in the file is at **Annexure B**.

**D. Monitoring & Reports :**

1. In addition to the present practice of monitoring in the SBU / Unit, a report by the SBU / Unit on overdue advances should be put up to the Operational Directors concerned once in a quarter and to CMD through Director (Finance) once in six months, with the action proposed in each case to settle the advances. The report should be sent within 30 days of the close of the quarter/half year.
2. MM / Sub Contract department should ensure validity of the BG till settlement of the advances paid. The MM / Sub Contract dept should advise the concerned Finance Dept. atleast one month in advance regarding BGs that are nearing expiry date, wherever encashing the BGs is required.

3. The MM/Sub Contract department should advise the Finance department suitably of any penal interest to be charged on advance given in the event of any delay in the supplies.

*The above procedure comes into force with immediate effect.*

  
Director (Finance)  
L  
28/12

All Unit / SBU Heads

**Copy to:**

Director (R&D)/Director (Per.)/Director (OU)/Director (BG)/Director (Mktg.)/ CVO

CMD : for information please

ANNEXURE A

DELEGATION FOR PAYMENT OF ADVANCES

Sl No	Particulars	Limit for release of Advance	Delegation	Bank Guarantee
1	<b>Imports</b>			
a	Orders upto US \$ 5000 or equivalent	Upto 100 % of the order value.	GMs – Upto US \$ 2,500 Directors – Upto US \$ 5,000	No Bank Guarantee
b	Other Orders	Upto 50 % of the order value, of which initial advance not to be more than 15 % of the order value. Balance 35 % can be in the form of progressive payments linked to milestones.  Release of advance will be subject to the prevailing RBI Guidelines.	GMs – Upto <b>15 % of the order value</b> subject to a maximum advance amount of US \$ 25,000.  Directors – <b>Upto 25 % initial (including of the order advance) of the order value</b> subject to a maximum advance amount of US \$ 100,000  CMD – Full Powers.	BG from a first class Bank, verified by SBI for an amount equal to 110 % of the advance released <b>or</b> the advance released plus estimated interest amount on the advance (calculated at the SBI PLR rate) for the period the advance is likely to remain with the party, whichever is higher
2	<b>Indigenous purchases from local vendors / sub contractors</b>			
a	Development & supply (including tooling cost for sub contractors)	Upto 50 % of the order value, of which initial advance not to be more than 15 % of the order value. Balance 35 % can be in the form of progressive payments linked to milestones	GMs – Upto <b>15 % of the order value</b> subject to a maximum advance amount of Rs.2 Lakhs.  Directors – <b>Upto 25 % initial (including of the order advance) of the order value</b> subject to a	BG from a Scheduled Commercial Bank in India (other than Cooperative banks) for an amount equal to 110 % of the advance released <b>or</b> the advance released plus estimated interest amount on



Sl No	Particulars	Limit for release of Advance	Delegation	Bank Guarantee
b	Other Purchases	Only initial advance upto 15 % of the order value.	maximum advance amount of Rs. 10 Lakhs CMD – Full Powers  GMs – Maximum advance amount of Rs.2 Lakhs.  Directors – Maximum advance amount of Rs. 10 Lakhs  CMD – Full Powers	the advance (calculated at the SBI PLR rate) for the period the advance is likely to remain with the party, whichever is higher  Same as 2 (a) above
3	AMC contracts	Upto 50 % of the order value in case of half yearly payment and 25 % in case of quarterly payment	GMs – Advance amount upto Rs.2 Lakhs  Directors – Advance amount upto Rs. 10 Lakhs  CMD – Full Powers.	OEMs & Authorised agents of OEMs – Not Required  Other cases – BG to be taken from a Scheduled Commercial Bank in India (other than Cooperative banks), if the advance payment exceeds Rs. 25,000.

**Note :** In the case of 2 & 3 above, if the purchase is from Defence PSUs, the requirement of BG will be exempted. In case of other PSUs, exemption from furnishing BG will be with the approval of CMD on a case to case basis.

## Annexure B

**Check List of minimum details that need to be covered  
in a proposal for grant of interest free advances**

SBU / Unit :

SI No	Particulars
1	Name of the item
2	Required for production /development /AMC / sub contract of
3	Nature of the item (Pls specify the category)
a	Small value orders < \$ 5,000 - Proprietary / Non Proprietary
b	Other orders - Proprietary / Non Proprietary
c	Supplier sourcing an item exclusively for BEL
d	TOT Payments
e	Milestone / delivery payments under TOT Contracts
f	Indigenous suppliers identified by design agency who are carrying out work exclusively for BEL
g	Sub Contract orders where development & design are as per BEL requirement
h	Requirement for indigenous process
i	AMC Contracts
4	Qty
5	Value
6	Supplier
7	Payment Terms
8	Advance proposed to be paid
	Initial
	Progressive
9	Justification for the advance / Negotiation with vendor for non payment of advance.
	Cost advantage given in the quote
	Price quoted with advance
	Price quoted without advance
	Cost advantage obtained in the negotiation
	Price quoted with advance
	Price quoted without advance
10	Amount & Period for which advance will be pending
11	BG to be obtained
	Amount
	Period

Office of the General Manager (Finance)/CO

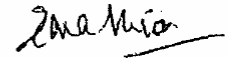
No.18281/99/010-006  
Dt:22.4.2009

Sub: Additional details to be covered in the Check List  
accompanying a proposal for grant of advance

This has reference to Director (Finance)'s circular No.18281/99/010-001 dated 28.2.2007 on the subject.

2. It is to be noted that in the cases where advance paid earlier to the supplier on any order is overdue for adjustment and not backed by a valid Bank Guarantee or such information is received from other Units, no further payment of advance is permitted. To this effect a confirmation is required to be appended in the existing Check List format at Sl.No.12. If further advance is recommended, reasons for the same to be given at Sl.No.13 of the format.

3. A revised checklist incorporating the above points is enclosed. You may please ensure that the revised Check List accompanies any proposal for payment of advance sent for Management's approval in the future.



General Manager (Finance)

All Unit Heads

All Unit Finance Heads

GM(IA)

Annexure B

Check List of minimum details that need to be covered in a proposal for grant of interest free advances		
SBU / Unit :		
Sl No	Particulars	
1	Name of the item	
2	Required for production /development /AMC / sub contract of	
3	Nature of the item (Pls specify the category)	
a	Small value orders < \$ 5,000 - Proprietary / Non Proprietary	
b	Other orders - Proprietary / Non Proprietary	
c	Supplier sourcing an item exclusively for BEL	
d	TOT Payments	
e	Milestone / delivery payments under TOT Contracts	
f	Indigenous suppliers identified by design agency who are carrying out work exclusively for BEL	
g	Sub Contract orders where development & design are as per BEL requirement	
h	Requirement for indigenous process	
i	AMC Contracts	
4	Qty	
5	Value	
6	Supplier	
7	Payment Terms	
8	Advance proposed to be paid	
		Initial
		Progressive
9	Justification for the advance / Negotiation with vendor for non payment of advance.	
	Cost advantage given in the quote	
		Price quoted with advance
		Price quoted without advance
	Cost advantage obtained in the negotiation	
		Price quoted with advance
		Price quoted without advance
10	Amount & Period for which advance will be pending	
11	BG to be obtained	
	Amount	
	Period	
12	Whether any advance paid to the same Party earlier is overdue for adustment? If so, reasons for the same and any LD/penal interest for delay being levied/recovered? Is it backed by a Bank Guarantee?	
13	If advance paid to the same Party is overdue and pending what is the justification for the present proposal to pay further advance?	

**Office of the Director (Finance)**

No. 18281/99/010-004  
17<sup>th</sup> July 2008

**Delegation for payment of interest free advance in  
Supply/Sub Contract/AMC Contracts**

This has reference to the circular no. 18281/99/010-001 dated 28<sup>th</sup> February 2007 issued on the above subject, whereby power to authorize payment of interest free advances in certain specified cases /upto specified limits as delegated by the Board to CMD /Functional Directors / GMs was communicated to all the Units and was being followed. Subsequently CVC has issued circular no. 4CC-1-CTE-2 dated 10<sup>th</sup> April 2007 and 5<sup>th</sup> February 2008, where it has been clearly mentioned that decisions to grant interest free mobilization advance should rest at the level of Board (with the concurrence of Finance) in the organization. A copy of these circulars have already been circulated by Corporate Vigilance to all Unit/SBU Heads and Unit/SBU Finance Heads vide their letter reference No. 21326/31(34)/07-08/CO-VIG dated 24<sup>th</sup> March 2008 and **it is expected that all Units/SBUs are complying with this requirement.**

In order to comply with the guidelines of CVC, there is a **need to discourage the practice of agreeing for such payment terms that stipulate payment of interest free advance at the time of negotiation with the prospective suppliers itself.** BEL's standard payment term **should not envisage payment of any interest free advance be it initial advance or progressive payments.** However wherever there is a compelling need to pay interest free advance, **such proposals need the approval of the Board and will have to be sent to Corporate office with full justification, after ensuring that all the requirements as stipulated in CVC circulars dated 10<sup>th</sup> April 2007 / 5<sup>th</sup> February 2008 are met, and the details as required in the Corporate office Circular no. 18281/99/010-001 dated 28<sup>th</sup> February 2007 are furnished.**

All Unit / SBU Heads are requested to ensure strict compliance of the above requirement. The necessary amendments required in the circular no. 18281/99/010-001 dated 28<sup>th</sup> February 2008 is under preparation and will be issued shortly.

*[Signature]*  
Director (Finance).

lu  
17/7

All Unit Heads / All SBU Heads  
AGM (Finance) / Comp - Bk Cx.  
All Unit Finance Heads / All SBU Finance Heads

Copy to D(BC)      D(OU)      CVO : For kind information.

BLANK

**(CERTIFICATE TO BE TAKEN FROM VENDOR FOR MATERIAL LYING AT HIS WORKS)**  
**CONFIRMATION BY THE VENDOR**

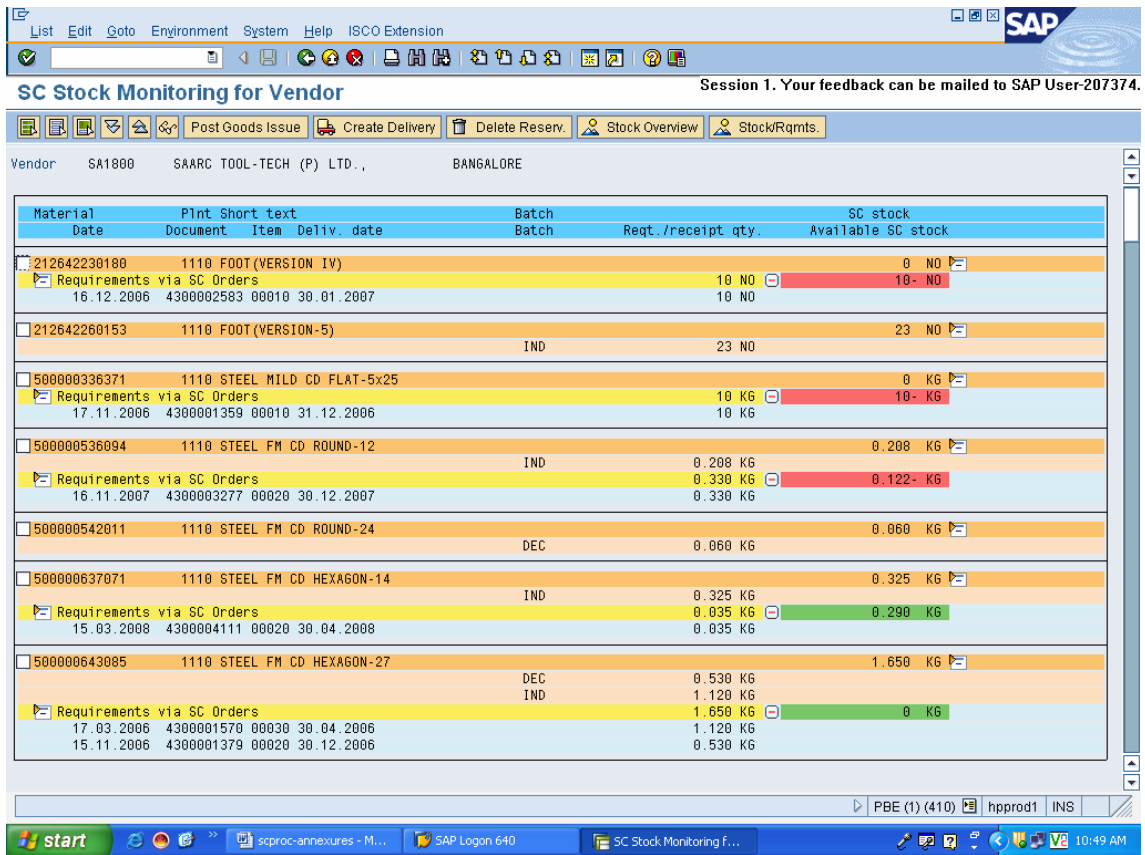
It is certified that all the Material, Qty and Value listed in enclosure, which are received by us against various orders placed by you, are lying with us and is available in the stock of our Company as on 31<sup>st</sup> MAR'

SIGN.

NAME :

SEAL OF THE COMPANY :

**Enclosure - 1**



Vendor: SA1800 SAARC TOOL-TECH (P) LTD., BANGALORE

Material	Plant	Short text	Batch	SC stock
Date	Document	Item	Deliv. date	Available SC stock
212642230180	1110	FOOT (VERSION IV)		0 NO
Requirements via SC Orders				
16.12.2006	4300002583	00010	30.01.2007	10 NO
212642260153	1110	FOOT (VERSION-5)		23 NO
500000336371	1110	STEEL MILD CD FLAT-5x25		0 KG
Requirements via SC Orders				
17.11.2006	4300001359	00010	31.12.2006	10 KG
500000536094	1110	STEEL FM CD ROUND-12		0.208 KG
Requirements via SC Orders				
16.11.2007	4300003277	00020	30.12.2007	0.330 KG
500000542011	1110	STEEL FM CD ROUND-24		0.060 KG
500000637071	1110	STEEL FM CD HEXAGON-14		0.325 KG
Requirements via SC Orders				
15.03.2008	4300004111	00020	30.04.2008	0.035 KG
500000643085	1110	STEEL FM CD HEXAGON-27		1.650 KG
Requirements via SC Orders				
17.03.2006	4300001570	00030	30.04.2006	1.120 KG
15.11.2006	4300001379	00020	30.12.2006	0.530 KG

OUTPUT LIST OF ME20 (Copied to Excel Sheet) is the enclosure for vendor to confirm. / MBLB report can also be used.

BLANK



**GENERAL TERMS AND CONDITIONS (FOR PURCHASE ORDERS - VENDOR MATERIAL)**

1. RAW MATERIAL WILL NOT BE SUPPLIED BY BEL.
2. SUPPLIER HAS TO MANUFACTURE ITEMS AS PER DRG.
3. ALL DIMENSIONS ARE CRITICAL AND IMPORTANT.
4. SUPPLIER HAS TO FABRICATE / MILL / TURN / MOULD / WELD / BEND / DRILL / TAPP / GRIND, ETC .AS PER DRG.
5. IN CASE OF THE SUPPLY BEING REJECTED, THE SAME SHOULD BE REPLACED ON FREE OF COST.
6. FIRST ARTICLE APPROVAL TO BE SOUGHT FROM BEL-QA BEFORE BULK SUPPLY.
7. RE-WORKS IF ANY SHOULD BE ATTENDED ON FREE OF COST.
8. FINISHED PARTS SHOULD BE NEATELY PACKED AND SUPPLIED.
9. KINDLY ACKNOWLEDGE ACCEPTANCE OF ORDER IN RETURN POST / E-MAIL / FAX.
10. PLEASE SEND COPIES OF DELIVERY CHALLENGES TO MANAGER, SC / MR WITHOUT FAIL.
11. DELIVERY / LIQUIDATED DAMAGES

The time for and the date of delivery of the stores stipulated in the Purchase Order shall be deemed to be the essence of the contract, and delivery must be completed not later than the dates specified therein. Should the supplier fail to deliver the stores or any consignment thereof within the period prescribed for such delivery, BEL shall be entitled at their option :

- a) To recover from the supplier agreed liquidated damages, and not by way of penalty of sum of 0.5% (2.5% in case of purchase orders placed on time preference basis) of the value of any stores not supplied in time for each week of delay or part of a week with a ceiling of 10% (25% in case of purchase orders placed on time preference basis), or
- b) To purchase elsewhere, at the risk and cost of the supplier, the stores not delivered, or
- c) To cancel the Purchase Order.

In the event of action being taken under b) & c) the supplier shall be liable for any loss which BEL may sustain but the supplier shall not be entitled to any gain on repurchase made against default.

12. MATERIAL ANALYSIS AND DIMENSIONAL REPORT TO BE SUPPLIED AT THE TIME OF DELIVERY.
13. PAYMENT TERMS : 100% PAYMENT WITHIN 30 DAYS AFTER THE ACCEPTANCE OF THE ITEMS BY BEL QA.
14. EXCISE DUTY EXEMPTION : THE ITEMS ORDERED AGAINST THIS ORDER IS EXCLUSIVELY MEANT FOR THE DEFENCE PRODUCTION. THEREFORE, AS PER THE CENTRAL EXCISE EXEMPTION NOTIFICATION NO.63 / 95 DATED 16.03.1995 AND SUBSEQUENT CENTRAL EXCISE CLARIFICATIONS, THE ITEM SUPPLIED TO BHARAT ELECTRONICS LTD FOR DEFENCE PRODUCTION IS EXEMPTED FROM PAYMENT OF CENTRAL EXCISE DUTY. THEREFORE NO CED IS APPLICABLE AGAINST THIS ORDER
15. PRIOR APPROVAL HAS TO BE TAKEN FROM BEL FOR ITEMS WITH DEVIATIONS.
16. SUPPLIER SHOULD INFORM BEL TO TAKE NECESSARY ACTION WHILE / AFTER EXECUTING THE ORDER IN CASE OF ANY NON-CONFORMITY FOUND IN THE PRODUCT NOTIFIED.
17. SUPPLIER SHOULD ESTABLISH AND MAINTAIN RECORDS TO PROVIDE EVIDENCE OF CONFIRMITY TO THE REQUIREMENTS AND THE SAME SHOULD BE MADE AVAILABLE TO BEL / OUR

COUSTOMERS AND REGULATORY AUTHORITES. IN ADDITION, REGULATORY AUTHORITIES SHALL HAVE THE AUTHORITY TO VISIT AND VERIY AT THE SUPPLIER / ORGANISATION PREMISES AS AND WHEN REQUIRED.

18. SUPPLIER FURNISH PROCESS DETAILS AND OTHER APPLICABLE RECORD INCLUDING SUB-TIER SUPPLIER INFORMATION WHEREEVER APPLICABLE.
19. PLEASE FURNISH A LETTER OF COMMITMENT FOR SAFETY, HEALTH AND PERIOD OF FIVE YEARS.
20. THE INFORMATION REGARDING SUSPECT NON-COFIRMITY / NON-CONFIRMING PRODUCT / ITEM DISPATCHED, IF ANY SHALL BE INFORMED IN WRITING TO THE COMPANY (BEL) WITHIN 12 HOURS OF IDENTIFICATION / OBSERVATION / REALISATION OF THE SAIDNON - COFIRMITY / NON - CONFIRMING PRODUCT / ITEM WITHOUT FAIL.
21. PLEASE FOLLOW THE GUIDELINES OF ENVIRONMNTAL MANAGEMENT SYSTEMS (EMS : ISO14001 :200 LIKE PREVENTION OF POLLUTION OF AIR, WATER, AND LAND. FOLLOW ENVIRONMENT STATUTORY RECYCLE AND REUSE TO CONSERVE NATURAL RESOURCES. INCULCATE ENVIRONMENTAL AWARENESS AMONG ALL YOUR EMPLOYEES.
22. FOR CLARIFICTION PLEASE CONTACT : CONCERNED SUB - CONTRACT HEADS / PERSONON THEIR PHONE NO. / EMAIL ADDRESS.

**GENERAL TERMS AND CONDITIONS (FOR BOM ORDERS)**

1. RAW MATERIAL WILL BE SUPPLIED BY BEL.
2. SUPPLIER HAS TO MANUFACTURE THE ITEM AS PER DRG.
3. ALL DIMENSIONS ARE CRITICAL AND IMPORTANT.
4. SUPPLIER HAS TO HAVE A BRICATE / MILL / TURN / MOULD / WELD / BEND / DRILL / TAPP / GRIND, ETC .AS PER DRG
5. IN CASE OF THE DELIVERED SUPPLY BEING REJECTED, THE SAME SHOULD BE REPLACED ON FREE OF COST.
6. FIRST ARTICLE APPROVAL TO BE SOUGHT FROM BEL BEFORE BULK SUPPLY.
7. RE-WORKS IF ANY SHOULD BE ATTENDED ON FREE OF COST.
8. FINISHED PARTS SHOULD BE NEATELY PACKED AND SUPPLIED.
9. KINDLY ACKNOLEDGE ACCEPTANCE OF ORDER IN RETURN POST / E-MAIL / FAX.
10. PLEASE SEND COPIES OF DELIVERY CHALLENGES TO MANAGER, SC / MR WITHOUT FAIL.
11. DELIVERY / LIQUIDATED DAMAGES

The time for and the date of delivery of the stores stipulated in the Purchase / Sub contract Order shall be deemed to be the essence of the contract, and delivery must be completed not later than the dates specified there in. Should the supplier fail to deliver the stores or any consignment thereof within the period prescribed for such delivery, BEL shall be entitled at their option :

- a) To recover from the supplier agreed liquidated damages, and not by way of penalty of sum of 0.5 % (2.5% in case of orders placed on time preference basis) of the value of any stores not supplied in time for each week of delay or part of a week with a ceiling of 10%(25% in case of orders placed on time preference basis), or
- b) To purchase elsewhere, at the risk and cost of the supplier, the stores not delivered, or
- c) To cancel the Order.

In the even to action being taken under b) & c) the supplier shall be liable for any loss which BEL may sustain but the supplier shall not be entitled to any gain on repurchase made against default.

12. DIMENSIONAL REPORT TO BE SUPPLIED AT THE TIME OF DELIVERY.
13. PAYMENT TERMS : 100% PAYMENT WITHIN 30 DAYS AFTER THE ACCEPTANCE OF THE ITEMS BY BEL QA.
14. EXCISE DUTY EXEMPTION : THE ITEMS ORDERED AGAINST THIS ORDER IS EXCLUSIVELY MEANT FOR THE DEFENCE PRODUCTION. THEREFORE, AS PER THE CENTRAL EXCISE EXEMPTION NOTIFICATION NO. 63 / 95 DATED 16.03.1995 AND SUBSEQUENT CENTRAL EXCISE CLARIFICATIONS, THE ITEM SUPPLIED TO BHARAT ELECTRONICS LTD FOR DEFENCE PRODUCTION IS EXEMPTED FROM PAYMENT OF CENTRAL EXCISE DUTY. THEREFORE NO CED IS APPLICABLE AGAINST THIS ORDER
15. PRIOR APPROVAL HAS TO BE TAKEN FROM BEL FOR ITEMS WITH DEVIATIONS.
16. SUPPLIER SHOULD INFORM BEL TO TAKE NECESSARY ACTION WHILE / AFTER EXECUTING THE ORDER IN CASE OF ANY NON-CONFORMITY FOUND IN THE PRODUCT NOTIFIED.

17. SUPPLIER SHOULD ESTABLISH AND MAINTAIN RECORDS TO PROVIDE EVIDENCE OF CONFIRMITY TO THE REQUIREMENTS AND THE SAME SHOULD BE MADE AVAILABLE TO BEL / OUR CUSTOMERS AND REGULATORY AUTHORITIES. IN ADDITION, REGULATORY AUTHORITIES SHALL HAVE THE AUTHORITY TO VISIT AND VERIFY AT THE SUPPLIER / ORGANISATION PREMISES AS AND WHEN REQUIRED.
18. SUPPLIER FURNISH PROCESS DETAILS AND OTHER APPLICABLE RECORD INCLUDING SUB-TIER SUPPLIER INFORMATION WHEREEVER APPLICABLE.
19. PLEASE FURNISH A LETTER OF COMMITMENT FOR SAFETY, HEALTH AND PERIOD OF FIVE YEARS.
20. THE INFORMATION REGARDING SUSPECT NON-CONFIRMITY / NON-CONFIRMING PRODUCT / ITEM DISPATCHED, IF ANY SHALL BE INFORMED IN WRITING TO THE COMPANY (BEL) WITHIN 12 HOURS OF IDENTIFICATION / OBSERVATION / REALISATION OF THE SAID NON-CONFIRMITY / NON-CONFIRMING PRODUCT / ITEM WITHOUT FAIL.
21. PLEASE FOLLOW THE GUIDELINES OF ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS :ISO14001 :2004) LIKE PREVENTION OF POLLUTION OF AIR, WATER, AND LAND. FOLLOW ENVIRONMENT STATUTORY RECYCLE AND REUSE TO CONSERVE NATURAL RESOURCES. INCULCATE ENVIRONMENTAL AWARENESS AMONG ALL YOUR EMPLOYEES.
23. FOR CLARIFICATION PLEASE CONTACT : CONCERNED SUB - CONTRACT HEADS / PERSON ON THEIR PHONE NO. / EMAIL ADDRESS.

**VENDOR RATING REPORT 09.05.2008****1. Transaction code : ZQM053****2. Input**

- I. Purchasing Organisation (Options : BEPO, NYPO, SIPO) - Mandatory
- II. Plant (E. g. If the report has to be run for an entire company code-say BG complex, then type 11\*. \*\*Similarly 13\* for Ghaziabad etc)
- III. Period (All GRs made during the period will be considered) - Mandatory
- IV. Vendor (Report can be run on a vendor, a list of vendors, or for all vendors)
- V. Radio button group1 : Option to run report for Purchase parts or Sub-Contract parts. (Quality rating and delivery rating calculations are different for Purchase parts and Sub-Contract parts)
- VI. Radio button group2 : Option to choose either a summary report (Ranking list) or Detail report (with GR line items).
- VII. Check-boxes : Option to run report either for foreign vendor only, for local vendors only, or for both.

**3. Logic in picking up data**

- I. GRs for which UD is made completely only are picked up. (That is, cases where UD is not made, or UD is made partially are not considered)
- II. Weightage for Quality Rating is 60 and for Delivery Rating it is 40. \*\*So the total Vendor rating is for 100. \*\* (Service parameters are not considered)
- III. Quality rating is considered as 100% (that is, 60) wherever account assignment is " F" or " K" in Purchase Orders. In these cases, there will not be any option for people in Inspection area to enter the quantity accepted / rejected.
- IV. In case of purchase parts, quantity posted under "Return delivery" is considered as rejected and in case of Sub-Contract items, quantity posted under "Blocked stock" will be considered as rejected.
- V. In case of staggered delivery mentioned in PO, delay in delivery is calculated with respect to the latest delivery date.
- VI. **Foreign Purchase : Po types IMP, IMD, DEE, DEC**  
**Local Purchase : PO types INC, IND**  
**Sub - contract : PO types CSP, DSP, FSP, ESP**
- VII. In case of Foreign POs, days delayed will be [Invoice Date (MIRO) - Delivery Date in PO]. In case of local POs, days delayed will be [GR Posting Date - Delivery Date in PO].

#### 4. Output

##### a. Summary Report (Same for Purchase and Sub-Contract parts)

Summary report has the following fields :

- Y Vendor Code, Y Vendor Name, Y Country key,
- Y Quality Rating,
- Y Delivery Rating
- Y Vendor rating

When the report is run for both foreign and local vendors, users can filter the output based on the field "Country Key". For example, filtering on Country Key = IN will give local vendors; whereas filtering on Country key≠IN will give all foreign vendors. The report can also be sorted on any field.

##### b. Purchase Parts - Detail

Detail report has the following fields :

- Y GR number and Posting date in GR / Invoice Date
- Y PO number and date
- Y Country key—to filter on Foreign and Local Vendors
- Y Plant—useful when the report is run for a set of plants
- Y Purchasing group - records can be filtered on purchasing group. (However, quality, delivery and vendor ratings will be displayed for the vendor as a whole only, and not for a purchasing group).
- Y PO type
- Y Delivery Date (in PO)
- Y Days delayed : GR / Invoice Date-DD mentioned in PO
- Y Material number
- Y Inspection Lot number
- Y Quantity received is GR quantity
- Y Quantity accepted will be quantity posted to unrestricted use against UDACCP
- Y quantity accepted on deviation will be quantity posted to unrestricted use against UDACUD.
- Y Quantity rejected will be Quantity posted to "Return Delivery" (For information only)
- Y Quality Rating is calculated as follows :
  - A = (Total GR qty Accepted / Total GRQ qty)\*100
  - b = ([Total GR qty accepted on deviation\*0.4] / total GR qty)\*100

##### **Final Quality Rating = (a+b) \*0.6**

Y Delivery Rating is calculated as follows : Score is picked based on the Delivery schedule mentioned in Purchase Procedure. [For foreign vendors, Invoice Date in "MIRO" is considered in place of GRD ate.]

Delayed Delivery in No. of Weeks	Delivery Rating
Before or on time	100%
0 to 1 week	90%
1 to 2 weeks	80%
2 to 3 weeks	70%
3 to 4 weeks	60%
4 to 5 weeks	50%
> 5 weeks	0%

**Final delivery rating = delivery rating\*0.4**

- Y Vendor Rating = Quality Rating + Delivery Rating
- Y Vendor Type : Displays "Local" or Foreign (For information only, cannot filter on this field )
- Y Account Assignment - E (Sale Order), Q (Project), F (Internal Order), K (Cost center) or Blank (Free stock). In case of "F" or "K", quality rating is taken as 100%, that is full score 60 is taken.

NOTE that Quality, Delivery and Vendor Rating sap pear on a row coloured green, at the end of all records for a vendor. Sub-total is displayed for Quantities received, accepted, accepted on deviation and Rejected fore ach vendor. A grand total is displayed for the above mentioned 4 fields at the end of the report.

**c. Sub-Contract - Detail**

Detail report has the following fields :

- Y GR number and Posting date in GR
- Y PO number and date
- Y Country key - to filter on Foreign and Local Vendors
- Y Plant - useful when the report is run for a set of plants
- Y Purchasing group
- Y PO type
- Y Delivery Date (in PO)
- Y Days delayed : GRD ate - DD mentioned in PO
- Y Material number
- Y Inspection Lot number
- Y Quantity received will be GR quantity
- Y Quantity accepted will be quantity posted to unrestricted use against UD code ACCP
- Y Quantity accepted on deviation will be quantity posted to Unrestricted Use against UD code ACUD
- Y Quantity accepted on rework will be quantity posted in unrestricted use against UD code ARWK

Y Quantity accepted after replacement will be quantity posted to unrestricted use against UD code ACRP

Y Quantity rejected will be Quantity posted to "Blocked stock" (For information only)

Y Quality Rating is calculated as follows :

$$a = (\text{Total GR qty Accp} / \text{Total GR Qty}) * 100$$

$$b = ([\text{Total GR qty Accp after rework} * 0.5] / \text{total GR qty}) * 100$$

$$c = ([\text{Total GR qty Accp on replacement} * 0.4] / \text{total GR qty}) * 100$$

$$d = ([\text{Total GR qty Accp on deviation} * 0.7] / \text{total GR qty}) * 100$$

**Final Quality Rating = (a+b+c+d)\*0.6**

Y Delivery Rating - Score picked based on the Delivery schedule mentioned in Purchase Procedure.

Delayed Delivery in No. of Days	Delivery Rating
Up to 5 (and before or on time)	100%
6 to 10	95%
11 to 15	85%
16 to 20	70%
21 to 25	50%
26 to 30	25%
More than 30	0%

**Final delivery rating = delivery rating\*0.4**

Y Vendor Rating = Quality Rating + Delivery Rating

Y Vendor Type : Displays "Local" or Foreign (For information only, cannot filter on this field)

Y account Assignment–E (Sale Order), Q(Project), F (Internal Order), K (Cost center) or Blank (Free stock). In case of "F" or "K", quality rating is taken as 100%, that is full score 60 is taken.

NOTE that Quality, Delivery and Vendor Ratings appear on a row coloured green, at the end of all records for a vendor. Sub-total is displayed for Quantities received, accepted, accepted on deviation and Rejected for each vendor. A grand total is displayed for the above mentioned 4 fields at the end of the report.

**NOTE : If vendor rating has to be run for huge data, for example–for all vendors for 1 year in a plant, please run the report in background.**

#### Running the report in background

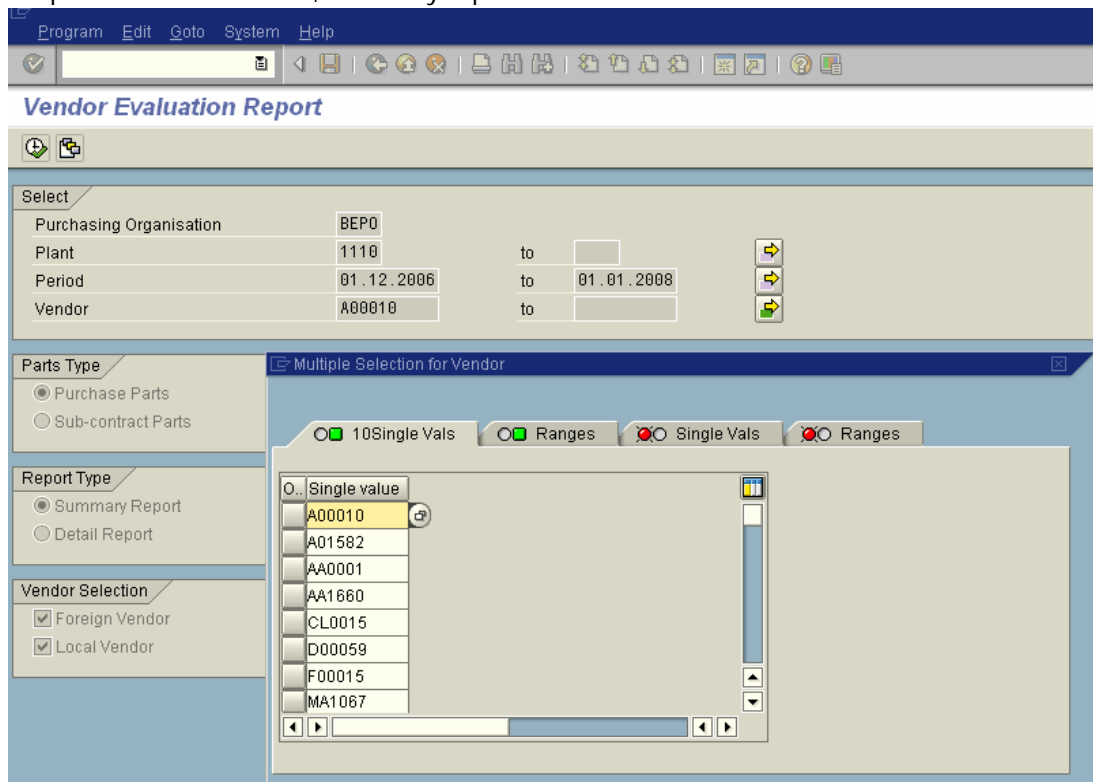
- I. After entering the relevant inputs, in the menu, choose Program ""Execute in Background.
- II. In the pop-up "background print parameters" choose the relevant printer and settings. Click the green tick mark.
- III. In the pop-up "Start time" Click on the button "Immediate". Click on "Save".[Next to "Check" button below]
- IV. A message is displayed informing that the background job was scheduled for zqmr0047.



- V. After the report has finished executing, check the output by clicking on "System"" Own spool requests".
- VI. Choose the relevant spool request number and click on the "Type".
- VII. Then, "Graphical display of spool request (request no)" is displayed. Click on "Settings" and change the "Display Area" to the maximum number of pages of the spool.
- VIII. Once all the pages are displayed on the screen, from menu Spool request""Forward ""Save to Local file. In the pop-up choose "Spreadsheet". Enter a name to the file and save in the required path.

### SCREENSHOTS (SAMPLE DATA)

Sample Input for Purchase Parts, Summary report :



The screenshot displays the 'Vendor Evaluation Report' software interface. The main window has a menu bar (Program, Edit, Goto, System, Help) and a toolbar. The title bar reads 'Vendor Evaluation Report'. Below the toolbar, there are several sections:

- Select:**
  - Purchasing Organisation: BEP0
  - Plant: 1110 to [ ]
  - Period: 01.12.2006 to 01.01.2008
  - Vendor: A00010 to [ ]
- Parts Type:**
  - Purchase Parts
  - Sub-contract Parts
- Report Type:**
  - Summary Report
  - Detail Report
- Vendor Selection:**
  - Foreign Vendor
  - Local Vendor

A 'Multiple Selection for Vendor' dialog box is open, showing a list of vendor IDs: A00010, A01582, AA0001, AA1660, CL0015, D00059, F00015, and MA1067. The '10 Single Vals' option is selected in the dialog's options.

Vendor Evaluation Summary report :

List Edit Goto Views Settings System Help

**Vendor Evaluation Report**

Vendor Rating for period : 01.12.2006 - 01.01.2008

Date: 26.04.2008  
 Purchasing Org : BEPO  
 Company Code : 1100  
 Vendors: Local and Foreign

Total No. of Records Selected: 8

Vendor	Vendor Name	Country Key	Final Quality Rating	Final Delivery Ratin	Final vendor rating
A00010	ASSOCIATED GENERAL LABORATERIES INC	US	60.000	36.000	96.000
A01582	AVNET ELECTRONICS MARKETING	US	4.138	10.000	14.138
AA0001	A.AHMEDALLY & CO(P)LTD	IN	0.539	26.000	26.539
AA1660	ACCURATE STEEL & ENGG.CO., Company	IN	30.000	40.000	70.000
D00059	DALE ELECTRONICS INC	US	56.250	0.000	56.250
F00015	FUTURE ELECTRONICS	US	30.000	40.000	70.000
MA1067	MICROTECH ENGINEERING INDUSTRIES	IN	60.000	40.000	100.000
SA2410	SERVEL UDYOG (P) LTD.,	IN	21.302	0.000	21.302

Vendor Evaluation Detail Report (part1) :

Vendor Rating for period : 01.12.2006 - 01.01.2008

Date: 26.04.2008  
 Purchasing Org : BEPO  
 Company Code : 1100  
 Vendors: Local and Foreign

Total No. of Records Selected: 32

Vendor	Cou...	GR No.	Posting Date	Plant	Plant Description	Purchase Order	Purc...	PO Type	Del.Date	Day...	Part No.	Inspection Lot	z Qty
SA2410	IN	5000000861	08.02.2007	1110	Military Radar (MR)	4000000263	R1	INC	13.12.2006	57	000000465511550259	10000002802	
	IN	5000000855	06.02.2007	1110	Military Radar (MR)	4000000263	R1	INC	13.12.2006	55	000000487600400153	10000002763	
	IN	5000000855	06.02.2007	1110	Military Radar (MR)	4000000263	R1	INC	13.12.2006	55	000000465511550259	10000002762	
SA2410													
MA1067	IN	5000000757	30.12.2006	1110	Military Radar (MR)	4000000254	R1	INC	13.02.2007	45-	000000100007153163	10000002620	
	IN	5000000756	30.12.2006	1110	Military Radar (MR)	4000000254	R1	INC	13.02.2007	45-	000000100007153163	10000002618	
MA1067													
F00015	US	5000000954	20.02.2007	1110	Military Radar (MR)	4100002217	R1	IMP	03.04.2007	42-	000000303001127411	10000003057	
	US	5000000939	19.02.2007	1110	Military Radar (MR)	4100002217	R1	IMP	03.04.2007	43-	000000303001127411	10000003015	
F00015													
D00059	US	5000001633	24.04.2008	1110	Military Radar (MR)	4100002225	NY	IMP	30.08.2007	238	000000400400355355	10000004724	
D00059													

Vendor Evaluation Detail Report (part 2) :

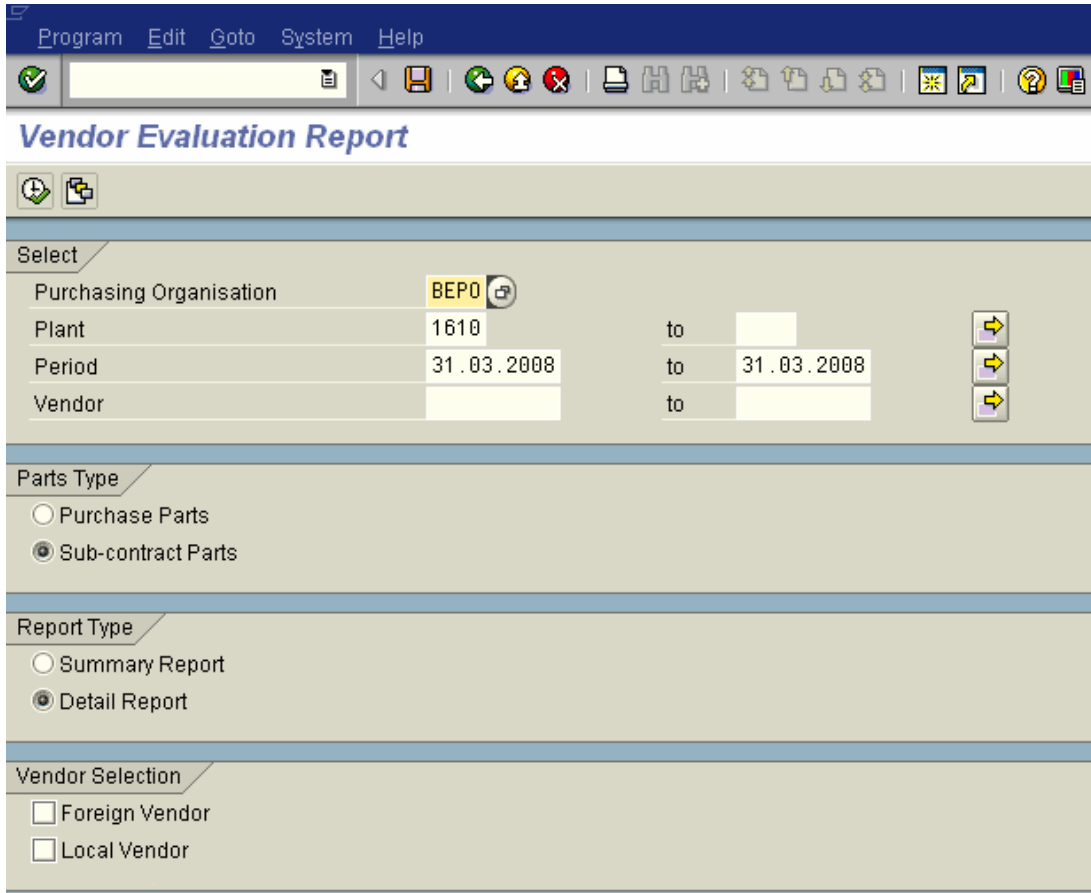
Vendor Rating for period : 01.12.2006 - 01.01.2008

Date: 26.04.2008  
 Purchasing Org : BEPO  
 Company Code : 1100  
 Vendors: Local and Foreign  
 Total No. of Records Selected: 32

Inspection Lot	Σ Qty Received	Σ Qty Accepted	Σ Qty Acc.on D...	Σ Qty Rejected	Final Quality Rating	Final Delivery Ratin	Final vendor rati...	Vendor Ty...	Acc.Ass.Type
10000002802	6.000	6.000	0.000	0.000	0.000	0.000	0.000	Local	Q
10000002763	0.900	0.000	0.000	0.000	0.000	0.000	0.000	Local	Q
10000002762	10.000	0.000	0.000	0.000	0.000	0.000	0.000	Local	Q
	0.000	0.000	0.000	0.000	21.302	0.000	21.302		
	16.900	6.000	0.000	0.000					
10000002620	1.000	1.000	0.000	0.000	0.000	0.000	0.000	Local	
10000002618	5.000	5.000	0.000	0.000	0.000	0.000	0.000	Local	
	0.000	0.000	0.000	0.000	60.000	40.000	100.000		
	6.000	6.000	0.000	0.000					
10000003057	1.000	1.000	0.000	0.000	0.000	0.000	0.000	Foreign	
10000003015	1.000	0.000	0.000	0.000	0.000	0.000	0.000	Foreign	
	0.000	0.000	0.000	0.000	30.000	40.000	70.000		
	2.000	1.000	0.000	0.000					
10000004724	800.000	750.000	0.000	0.000	0.000	0.000	0.000	Foreign	
	0.000	0.000	0.000	0.000	56.250	0.000	56.250		
	800.000	750.000	0.000	0.000					
10000003002	1.000	0.000	0.000	0.000	0.000	0.000	0.000	Local	
10000003012	1.000	0.000	0.000	0.000	0.000	0.000	0.000	Local	

Quality, Delivery and Vendor ratings for the vendor are displayed on the green band. \*\*Ignore the

Sample Input for Sub-Contract Parts, Detail report :



**Vendor Evaluation Report**

Select

Purchasing Organisation: BEPO

Plant: 1610 to

Period: 31.03.2008 to 31.03.2008

Vendor: to

Parts Type

Purchase Parts

Sub-contract Parts

Report Type

Summary Report

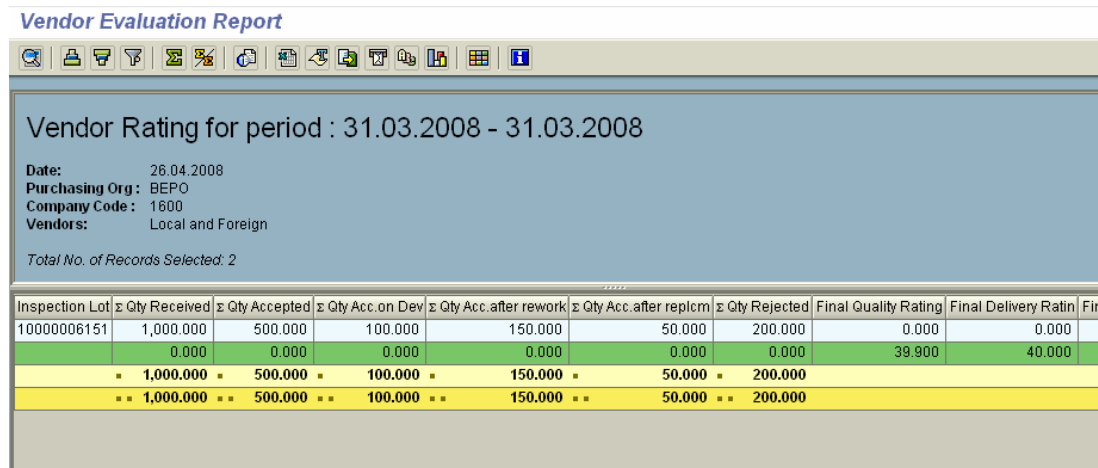
Detail Report

Vendor Selection

Foreign Vendor

Local Vendor

Vendor Evaluation Detail Report (part 2)-Sub-Contract : (part 1 will be same as Detail report - part 1 of Purchase parts)



**Vendor Evaluation Report**

Vendor Rating for period : 31.03.2008 - 31.03.2008

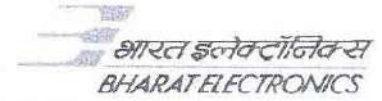
Date: 26.04.2008  
 Purchasing Org: BEPO  
 Company Code: 1600  
 Vendors: Local and Foreign

Total No. of Records Selected: 2

Inspection Lot	Qty Received	Qty Accepted	Qty Acc. on Dev	Qty Acc. after rework	Qty Acc. after replcm	Qty Rejected	Final Quality Rating	Final Delivery Ratin	Fir
10000006151	1,000.000	500.000	100.000	150.000	50.000	200.000	0.000	0.000	
	0.000	0.000	0.000	0.000	0.000	0.000	39.900	40.000	
	1,000.000	500.000	100.000	150.000	50.000	200.000			
	1,000.000	500.000	100.000	150.000	50.000	200.000			

**ANNEXURE-12**

(Para 7.3.1.3)



**BHARAT ELECTRONICS LIMITED**

(CORPORATE OFFICE)

BANGALORE

OFFICE OF THE CHAIRMAN AND MANAGING DIRECTOR

No. 21326/18/07-08/CO-VIG

Dt.: 31<sup>st</sup> May 2007

**CIRCULAR**

**Sub: Splitting of Order quantity - CVC guidelines revised procedure -  
Regarding**

1. CVC has issued specific guidelines relating to the division of patronage / splitting of quantity of orders among the bidders considering the capacity constraint of the bidders. Vide CVC letter No.98/ORD/1 dated 15.03.99 (**copy enclosed at Annexure 'A'**), in cases where L-1 does not have the capacity to supply full quantity, the order should be distributed among L-2, L-3, and so on, depending upon their capacity in a **fair, transparent and equitable manner**.
2. Again, recently vide Letter No.005/CRD/012 dated 3<sup>rd</sup> March, 2007 (**copy enclosed at Annexure 'B'**), CVC has issued fresh guidelines on distribution of quantities. According to this Circular where the capacity of bidders including L-1 firm is not known in advance and it is not feasible in the bid document to pre-disclose the distribution of quantity and also where L-1 is not capable of supplying the full quantity, then the quantity to be ordered should be distributed among the other bidders in a **fair, transparent and equitable manner**. However, where it is decided in advance to have more than one source of supply (due to critical or vital nature of the item), it is essential that the ratio of splitting of supply should be pre-disclosed in the tender enquiry itself.
3. Considering the above guidelines of the CVC, all the SBUs / Units Heads and Purchase / Works / Sub-Contract Managers and Finance Managers of the company according concurrence shall ensure total compliance of the following guidelines:

**3.1 Where capacity of bidder is known before tender enquiry:**

Where it is known due to previous supply position or otherwise that no single bidder is capable of supplying full quantity ordered and it is intended to split the quantity among the bidders including L-1, following procedure should be adopted:

- a) Include a clause in the tender enquiry (limited / open) mentioning that order quantity will be split among the bidders **at L1 rates** as per the capacity of the bidders.

.... 2

: 2 :

- b) Also, include a clause that the bidders should state in their bids specific commitment regarding their capacity to supply **within the stipulated delivery period**.
- c) After opening the tender and finalizing L-1, place order on L-1 to the extent of its capacity to supply within the stipulated delivery period. For the remaining quantity, consider L-2, L-3, L-4 and so on in that order.
- d) If L-2 accepts to supply at L-1 price, place order on L-2 to the extent of its capacity to supply within the stipulated delivery period at L-1 price only.
- e) If L-2 accepts order or not at L-1 price and if quantity is still left out, approach L-3 for L-1 price. If L-3 accepts L-1 price, place order to the extent of its capacity or remaining quantity to supply within the stipulated delivery period at L-1 price.
- f) Consider remaining bidders also in the same order as per the above procedure till complete order quantity is covered.
- g) If no bidder accepts L1 price, order on L-1 to the extent of its capacity and retender for the remaining quantity leaving out L-1. If only few bidders accept L-1 price then retender for the balance quantity leaving out bidders who accept L-1 price.

### 3.2 Where capacity of bidders is not known before tender enquiry:

Where capacity of the bidders is not known and it is not feasible to pre-disclose the distribution of quantities among the bidders in the bid documents and after opening of the tender it is discovered that quantity to be ordered is far more than what L-1 alone is capable of supplying, then the quantity should be distributed among the L-1, L-2, L-3 and so on, at L-1 price depending upon the capacity of each bidder. The following procedure should be followed:

- a) Include a clause asking the bidders to state in their bids specific commitment regarding their capacity to supply **within the stipulated delivery period**.
- b) Then follow the procedure from c) through g) of Para 3.1.

....3

: 3 :

### 3.3 Where decision taken in advance to place order on two or more sources due to critical nature of item:

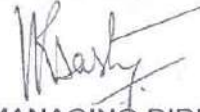
Where it is decided in advance to have more than one source of supply due to critical or vital nature of the item irrespective of capacity of vendors to supply, then it is essential that the **ratio of splitting** of supply should be pre-disclosed in the Tender Enquiry itself and the order should be placed on L-1, L-2, L-3, and so on (subject to their capacity to supply) as per the pre-disclosed ratio at the L-1 price. The following procedure should be followed:

- a) Include a clause in the tender enquiry mentioning the ratio of splitting of supply and that splitting will be at L-1 rates only subject to capacity to supply.
  - b) Also, include a clause asking the bidders to state in their bids specific commitment regarding their capacity to supply the quantity **within the stipulated delivery period**.
  - c) After opening the tender and finalizing L-1, place order on L-1 for quantity as per pre-disclosed ratio to supply within the stipulated delivery period at L-1 rates. For the remaining quantity, consider L-2, L-3, L-4 and so on in that order as per pre-disclosed ratio. The splitting of order in the pre-disclosed ratio would be limited to bidders who accept L-1 price only subject to their capacity to supply.
  - d) If complete order quantity is not covered at L-1 rates, re-tender for the balance quantity among the bidders excepting those who received order.
4. In general, in all the above cases of splitting of supply, negotiations should be done initially with **L-1 only if required** and in exceptional cases after approval from competent authority on the proposal justifying negotiation. Also, **the procurement authority should satisfy by their own enquiry or otherwise** as to the committed capacity of the bidders to supply within the stipulated delivery period and while proposing distribution of the order, proper justification giving the result of the enquiry should be mentioned in the proposal.
5. If L-1 backs out before placing the order on it or after placing the full order on it, then full quantity of supply should be re-tendered leaving out L-1. However, when quantity of order is split among L-1, L-2, L-3 etc., and if **any one among L-1, L-2, L-3, etc.**, backs out after placing the order on them, the quantity placed on such firm can be distributed (limited to the capacity of the firm) among L-1, L-2, L-3, etc., in that order at the price of L-1. **Penal action** (banning / blacklisting, forfeiture of Security deposit / Earnest Money deposit) should also be initiated as per the provisions of the Tender / Contract against L-1 if he backs out before or after placing the order and against others if they back out after placing the order.

.....4

: 4 :

6. The above provisions regarding splitting of order, will come into force with immediate effect and Purchase Procedure / Works Contract Procedure / Sub-Contract Procedure of the Company accordingly will stand amended.



CHAIRMAN AND MANAGING DIRECTOR

All Unit / SBU Heads

All GMs

} For issuing necessary instructions to all the concerned for strict compliance

Chairman, Sub-Contract Procedure Committee

Chairman, Purchase Procedure Committee

Chairman, Works Contract Procedure Committee

} For information

All Directors

-

for information



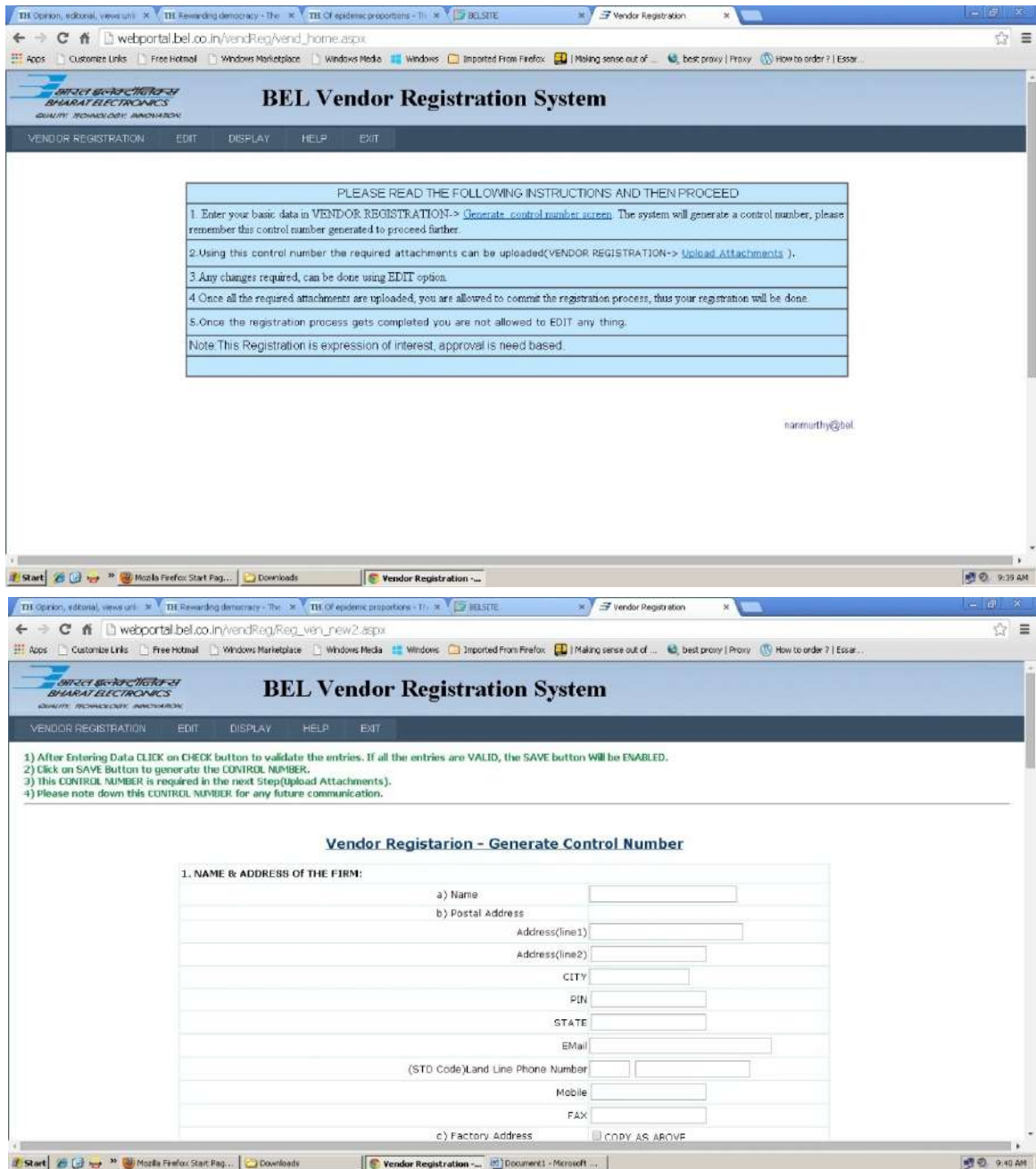
### Procedure for On-line registration of Vendors through BEL website.

- An on-line web application is made available to Initiate / Facilitate the registration process for the Sub-Contract vendors who are interested to provide their services / solutions to BEL.
- Log on to [www.bel-india.com](http://www.bel-india.com) and click on to "Vendor info" icon Select "New Vendor registration".

Login using the details provided in the web site..

The following screen will display with instructions.

To create a Control ID number click left most top icon and Click "generate the Control ID number" you will get the page as follows :



The screenshot shows the BEL Vendor Registration System interface. The top navigation bar includes "VENDOR REGISTRATION", "EDIT", "DISPLAY", "HELP", and "EXIT". A central box contains the following instructions:

PLEASE READ THE FOLLOWING INSTRUCTIONS AND THEN PROCEED

1. Enter your basic data in VENDOR REGISTRATION-> [Generate control number screen](#). The system will generate a control number, please remember this control number generated to proceed further.
2. Using this control number the required attachments can be uploaded (VENDOR REGISTRATION-> [Upload Attachments](#) ).
3. Any changes required, can be done using EDIT option.
4. Once all the required attachments are uploaded, you are allowed to commit the registration process, thus your registration will be done.
5. Once the registration process gets completed you are not allowed to EDIT any thing.

Note This Registration is expression of interest, approval is need based.

The second screenshot shows the "Vendor Registrarion - Generate Control Number" form. It includes the following instructions:

- 1) After Entering Data CLICK ON CHECK button to validate the entries. If all the entries are VALID, the SAVE button Will be ENABLED.
- 2) Click on SAVE Button to generate the CONTROL NUMBER.
- 3) This CONTROL NUMBER is required in the next Step(upload Attachments).
- 4) Please note down this CONTROL NUMBER for any future communication.

The form fields are:

1. NAME & ADDRESS OF THE FIRM:

a) Name

b) Postal address

Address(line1)

Address(line2)

CITY

PIN

STATE

E Mail

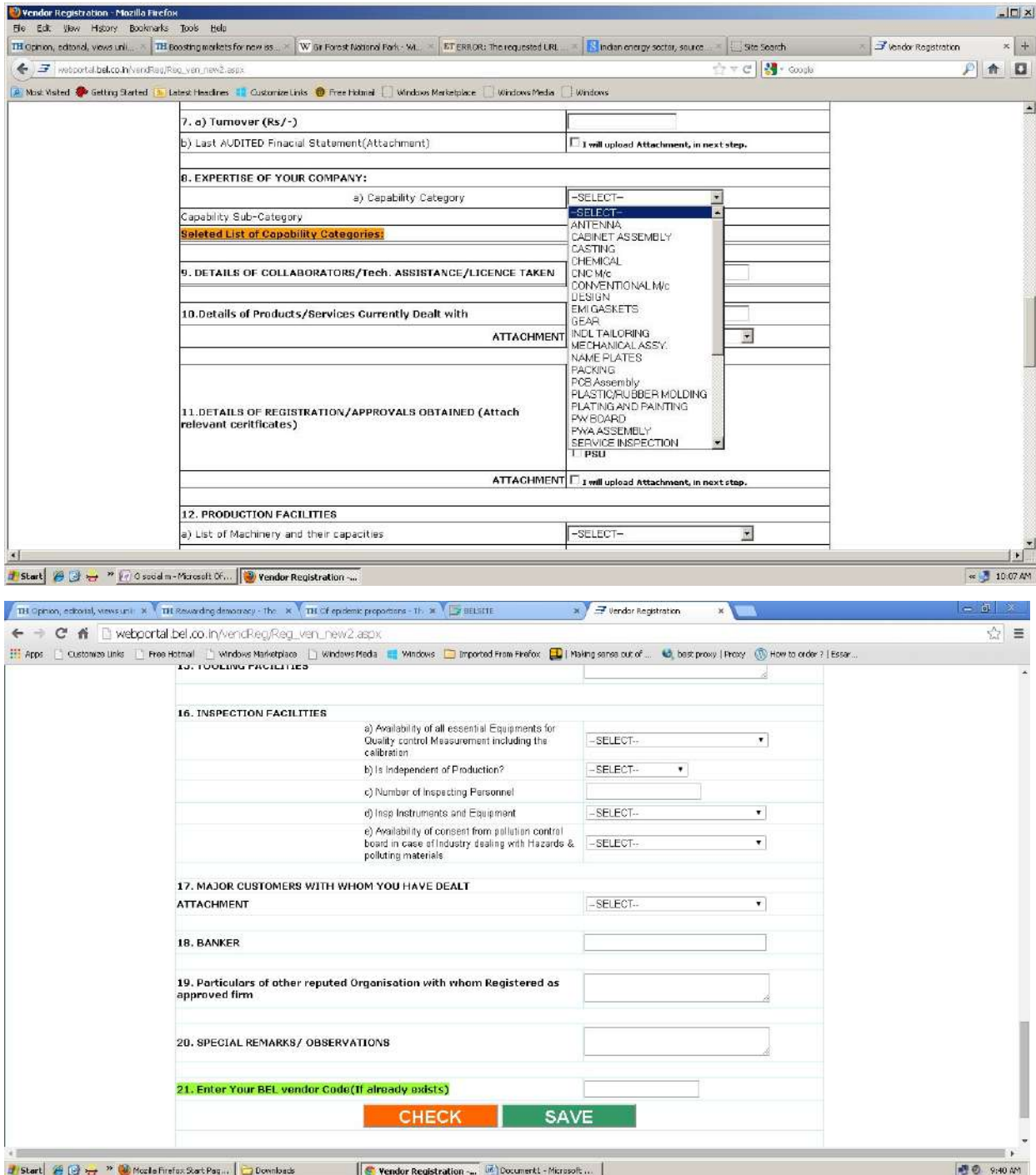
(STD Code)Land Line Phone Number

Mobile

FAX

c) Factory Address   COPY AS ABOVE

## Category-Subcategory



Vendor Registration - Mozilla Firefox

File Edit View History Bookmarks Tools Help

webportal.bel.co.in/vendorReg/Reg\_ven\_new2.aspx

7. a) Turnover (Rs/-)

b) Last AUDITED Financial Statement(Attachment)  I will upload Attachment, in next step.

8. EXPERTISE OF YOUR COMPANY:

a) Capability Category

Capability Sub-Category

**Selected List of Capability Categories:**

- ANTENNA
- CABINET ASSEMBLY
- CASTING
- CHEMICAL
- CNC M/c
- CONVENTIONAL M/c
- DESIGN
- EMI GASKETS
- GEAR
- INDI TAILORING
- MECHANICAL ASSY.
- NAME PLATES
- PACKING
- PCB Assembly
- PLASTIC/RUBBER MOLDING
- PLATING AND PAINTING
- PW BOARD
- PWA ASSEMBLY
- SERVICE INSPECTION
- T PSU

9. DETAILS OF COLLABORATORS/Tech. ASSISTANCE/LICENCE TAKEN

10. Details of Products/Services Currently Deal with

ATTACHMENT  I will upload Attachment, in next step.

11. DETAILS OF REGISTRATION/APPROVALS OBTAINED (Attach relevant certificates)

ATTACHMENT  I will upload Attachment, in next step.

12. PRODUCTION FACILITIES

a) List of Machinery and their capacities

13. TOOLING FACILITIES

16. INSPECTION FACILITIES

a) Availability of all essential Equipments for Quality control Measurement including the calibration

b) Is Independent of Production?

c) Number of Inspecting Personnel

d) Insp Instruments and Equipment

e) Availability of consent from pollution control board in case of Industry dealing with Hazards & polluting materials

17. MAJOR CUSTOMERS WITH WHOM YOU HAVE DEALT

ATTACHMENT

18. BANKER

19. Particulars of other reputed Organisation with whom Registered as approved firm

20. SPECIAL REMARKS/ OBSERVATIONS

21. Enter Your BEL vendor Code(If already exists)

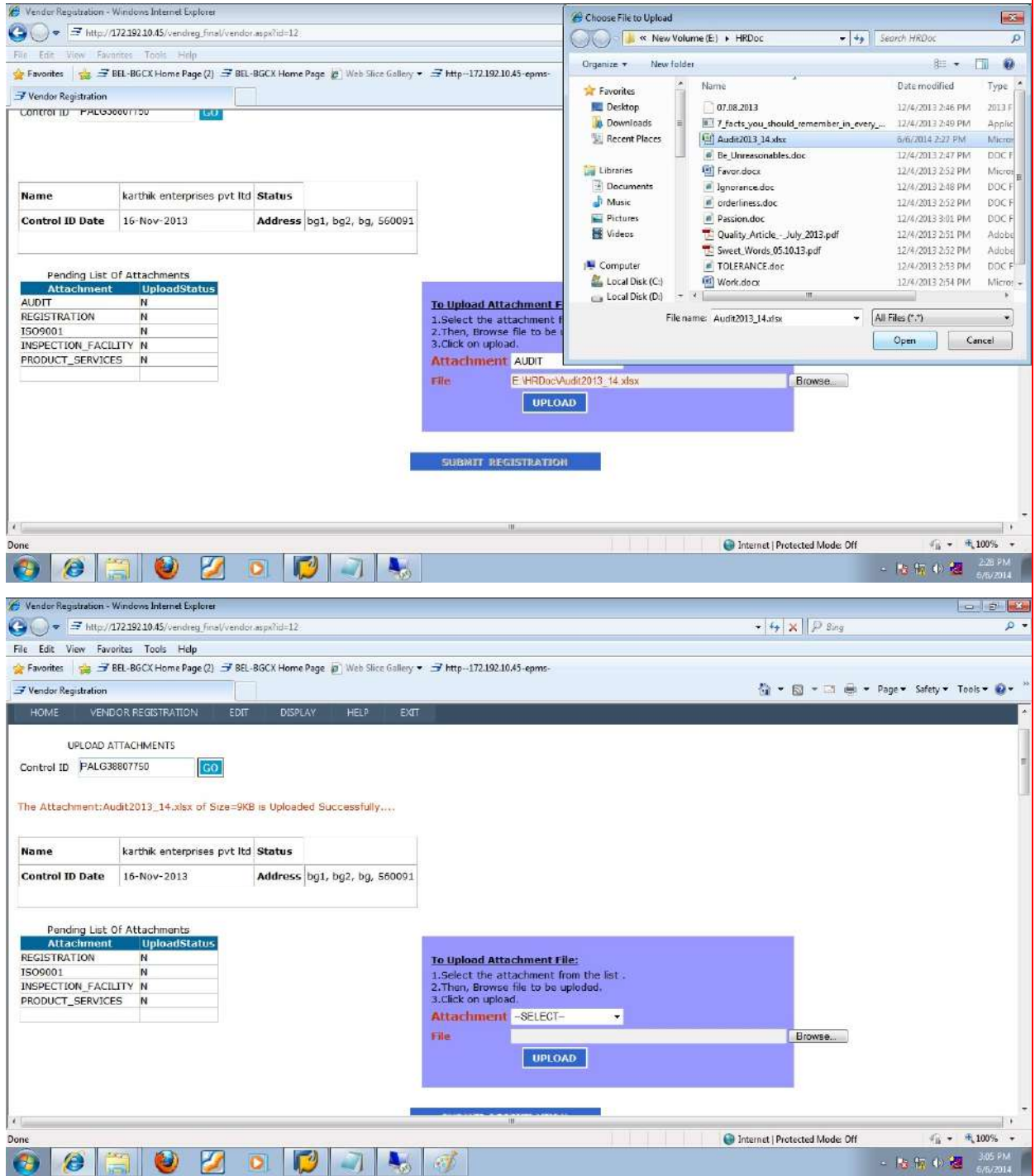
The fields are self-explanatory if any clarification required please go to help menu and get the clarification to fill the data.

After all the data are filled up "CHECK" for any errors and, correct accordingly.

If no errors found then click on "SAVE", the system will generate a control ID number. \*\*Note down that for further process / future communication with BEL.

To upload the documents and credentials select "Vendor Registration" icon and click upload attachments, System will prompt for the control ID number. Enter the new control ID number generated earlier to get the screen for uploading the attachments.

The data upload screen will be as follows :



The screenshot shows the Vendor Registration web application in Internet Explorer. The page displays the vendor's details and a table of pending attachments. A file selection dialog is open, showing the file 'Audit2013\_14.xlsx' selected for upload.

Name	karthik enterprises pvt ltd	Status
Control ID Date	16-Nov-2013	Address
bg1, bg2, bg, 560091		

Attachment	UploadStatus
AUDIT	N
REGISTRATION	N
ISO9001	N
INSPECTION_FACILITY	N
PRODUCT_SERVICES	N

**To Upload Attachment File:**  
 1. Select the attachment from the list.  
 2. Then, Browse file to be uploaded.  
 3. Click on upload.

Attachment: AUDIT  
 File: E:\HRDoc\Audit2013\_14.xlsx

Buttons: **UPLOAD**, **SUBMIT REGISTRATION**

After uploading relevant documents click on the "Submit Registration" icon to post. For any further clarification and status contact BEL giving the vendor registration Control ID No.

The above procedure will create a offline bank of vendors with categories wise and it can be access to all the SBUS s / units Sub-Contract heads & VEC members to take further evaluation process.

BLANK

As per the Office Order No. HO / 865 / 005 28<sup>th</sup> September, 2016 format for the Integrity Pact Bond is as follows :

### INTEGRITY PACT

- 1.0 Whereas **Bharat Electronics Ltd.** ("BEL") having its registered office at Outer Ring Road, Nagavara, Bangalore-560045, India, acting through its CMS / CSG / BG Cx, represented by Additional General Manager, hereinafter referred to as the Principal and the first party, proposes to award Purchase Order for \_\_\_\_\_ having its registered office in Germany, represented by their Indian representative \_\_\_\_\_, having their registered office at \_\_\_\_\_, (which term, unless expressly indicated by the contract, shall be deemed to include its successors and its assignee), hereinafter referred to as the Bidder and the second party, is willing to offer / has offered the stores / services.
- 2.0 Whereas the Bidder is a private company / public company / partnership / registered export agency, constituted in accordance with the relevant law in the matter and the Principal is a Defence Public Sector Undertaking under Ministry of Defence, Government of India.
- 3.0 **Objectives :**  
 Now, therefore, the Principal and the Bidder agree to enter into this pre-contract agreement, hereinafter referred to as Integrity Pact, to avoid all forms of corruption by following a system that is fair, transparent and free from any influence / unprejudiced dealings prior to, during and subsequent to the currency of the contract to be entered into with a view to :
- 3.1 Enabling the Principal to obtain the desired product at a competitive price in accordance with the specifications by avoiding the high cost and the distortionary impact of corruption on public procurement, and
- 3.2 Enabling bidder to abstain from bribing or any corrupt practice in order to secure the contract by providing assurance to them that their competitors will also refrain from bribing and other corrupt practices and the Principal will commit to prevent corruption in any form by their officials by following transparent procedures.
- 4.0 **Commitments of the Principal :**  
 The Principal commits itself to the following :
- 4.1 The Principal undertakes that no official of the Principal, connected directly or indirectly with the contract, will demand, take a promise for or accept, directly or through intermediaries, any bribe, consideration, gift, reward, favour or any material or immaterial benefit or any other advantage from the Bidder, either for themselves or for any person, organization or third party related to the contract in exchange for an advantage in the bidding process, bid evaluation, contracting or implementation process related to the Contract.
- 4.2 The Principal will, during the pre-contract stage, treat all Bidders alike, and will provide to all Bidders the same information and will not provide any such information to any particular Bidder which could afford an advantage to that particular bidder in comparison to other bidders.
- 4.3 All the officials of the Principal will report to the Management any attempted or completed breaches of the above commitments as well as any substantial suspicion of such a breach.
- 4.4 No employee of the Principal, personally or through family members, will in connection with the tender for, or the execution of contract, demand, take a promise for or accept, for self or third person, any material benefit which the person is not legally entitled to.

5.0 In case any such preceding misconduct on the part of such official (s) is reported by the Bidder to the Principal, with full and verifiable facts and the same is prima facie found to be correct by the Principal, necessary disciplinary proceedings, or any other action as deemed fit, including criminal proceedings may be initiated by the Principal and such a person shall be debarred from further dealings related to the contract process. In such a case while an enquiry is being conducted by the Principal the proceedings under the contract would not be stalled.

**6.0 Commitments of Bidder :**

The Bidder commits himself to take all measures necessary to prevent corrupt practices, unfair means and illegal activities during any stage of his bid or during any pre-contract or post-contract stage in order to secure the contract or in furtherance to secure it and in particular commits himself to the following :

6.1. The Bidder will not offer, directly or through intermediaries, any bribe, consideration, gift, reward, favour, any material or immaterial benefit or other advantage, commission, fees, brokerage or inducement to any official of the principal, connected directly or indirectly with bidding process, or to any person, organization or third party related to the contract in exchange for any advantage in the bidding, evaluation, contracting and implementation of the Contract.

The Bidder further undertakes that he has not given, offered or promised to give, directly or indirectly any bribe, gift, consideration, reward, favour, any material or immaterial benefit or other advantage, commission, fees, brokerage or inducement to any official of the Principal or otherwise in procuring the Contract or forbearing to do or having done any act in relation to the obtaining or execution of the Contract or any other Contract with the Principal for showing or forbearing to show favour or disfavour to any person in relation to the Contract or any other Contract with respect to the Principal's Organization.

6.2. The Bidder will not collude with other parties interested in the contract to impair the transparency, fairness and progress of the bidding process, bid evaluation, contracting and implementation of the contract.

6.3. The Bidder will not accept any advantage in exchange for any corrupt practice, unfair means and illegal activities.

6.4. In cases of Purchase / Sub-Contract orders, the Bidder confirms and declares to the Principal that the Bidder is the original manufacturer / authorized distributor / authorized govt. sponsored Export entity.

6.5. The Bidder confirms and declares to the Principal that it has not engaged any individual or firm or company whether Indian or foreign to intercede, facilitate or in any way to recommend to the Principal, or any of its functionaries, whether officially or unofficially to the award of the contract to the Bidder; nor has any amount been paid, promised or intended to be paid to any such individual, firm or Company in respect of any such intercession, facilitation or recommendation.

6.6. The Bidder, either while presenting the bid or during pre-contract negotiations or before signing the contract, shall disclose any payments he has made, is committed to or intends to make to officials of the Principal or their family members, agents, brokers or any other intermediaries in connection with the contract and the details of services agreed upon for such payments.

6.7. The Bidder shall not use improperly, for purposes of competition or personal gain, or pass on to others, any information provided by the Principal as part of the business relationship, regarding plans, technical proposals and business details; including information contained in any electronic data carrier. The Bidder also undertakes to exercise due and adequate care lest any such information is divulged.

6.8. The Bidder commits to refrain from giving any complaint directly or through any other manner without supporting it with full and verifiable facts.

6.9. The Bidder shall not instigate or cause to instigate any third person to commit any of the actions mentioned above.

7.0 **Previous Transgression :**

7.1 The Bidder declares that no previous transgression occurred in the last three years - immediately before signing of this Integrity Pact, with any other company in any country in respect of any corrupt practices envisaged *herein* or with any Public Sector Enterprise in India or any Government Department in India, that could justify bidders' exclusion from the tender process.

7.2 If the Bidder makes incorrect statement on this subject, Bidder can be disqualified from the tender process or the contract, if already awarded, can be terminated for such reason.

8.0 **Integrity Pact Bank Guarantee (IPBG)**

8.1 Every Bidder, while submitting commercial bid, shall submit an Integrity Pact Bank Guarantee for an amount of Rs. \_\_\_\_\_ in favour of the Principal in Indian Rupees only.

- (i) Guarantee will be from an Indian Nationalized Bank / ICICI Bank Ltd / Axis Bank Ltd / HDFC Bank Ltd, promising payment of the guaranteed sum of the Principal, on demand within three working days without any demur whatsoever and without seeking any reasons whatsoever. The demand for payment by the Principal shall be treated as conclusive proof for payment. A model Bank Guarantee format is enclosed.

# The amount of Integrity Pact Bank Guarantee is as follows :

PO Value (in Rs)	Value of integrity pact Bank guarantee in Rs.
From Rs.4 Cr.- Rs.10 Cr	Rs.4,00,000 / -
Above Rs.10 cr up to Rs.20 Cr.	Rs.10,00,000 / -
Above Rs.20 Cr up to Rs.100 Cr	Rs.20,00,000 / -
Above Rs.100 Cr up to Rs.300 Cr	Rs.100 Lakhs.
Above Rs.300 Cr	Rs.300 Lakhs.

\* Refer Office order No. HO / 865 / 005 Dated 28.09.2016

8.2 The Integrity Pact Bank Guarantee (IPBG) shall be valid upto and including 45 days after the validity of commercial offer. However, Bidders will be required to extend the Integrity pact Bank Guarantee, as and when required by the Principal. In the case of the successful Bidder, validity of the Integrity pact Bank Guarantee will be extended upto the satisfactory completion of the contract. Integrity pact Bank Guarantee shall be returned promptly in case of unsuccessful Bidders.

8.3 In case of the successful Bidder, a clause would also be incorporated in the Article pertaining to the performance Bond in the Purchase Contract that the provision of Sanctions for Violation shall be applicable for forfeiture of Performance Bond in case of a decision by the Principal to forfeit the same without assigning any reason for imposing Sanction for Violation of this Pact.

8.4 The provisions regarding Sanctions for Violation in integrity Pact include forfeiture of Performance Bond in case of a decision by the Principal to forfeit the same without assigning any reason for imposing sanction for violation of Integrity Pact.

8.5 No interest shall be payable by the Principal to the Bidder(s) on Earnest Money / Security Deposit for the period of its currency.

8.6 Standard Operating Procedure (SOP) as CVC Circular No.02.01.2017(Ref No: 015/VGL/091, dtd: 13/1/17) is appended. This is to be followed in the order processing. Refer page No 110 to 114 for revised Standard Operating Procedure (SOP).

**9.0 Company Code of Conduct:**

Bidders are also advised to have a company code of conduct (clearly rejecting the use of bribes and other unethical behaviour) and a compliance program for the implementation of the code of conduct throughout the company.

**10.0 Sanctions for Violation :**

10.1 Any breach of the aforesaid provisions by the Bidder or any one employed by him or acting on the behalf (whether with or without the knowledge of the Bidder) or the commission of any offence by the Bidder or any one employed by him or acting on his behalf, as defined in Chapter IX of the Indian Penal Code, 1860 or the Prevention of Corruption Act 1988 or any other act enacted for the prevention of corruption shall entitle the Principal to take all or any one of the following action, wherever required :

- (i) To immediately call off the pre-contract negotiations without assigning any reason or giving any compensation to the Bidder and to impound any earnest money deposit, if made by the Bidder. However the proceedings with the other Bidder(s) would continue.
- (ii) The Earnest Money / Security Deposit shall stand forfeited either fully or partially, as decided by the Principal and the Principal shall not be required to assign any reason therefore.
- (iii) To immediately cancel the contract, if already signed without giving any compensation to the Bidder.
- (iv) To recover all sums already paid by the Principal, and in case of an Indian Bidder with interest thereon at 2% higher than the prevailing Prime Lending Rate, while in case of a Bidder from a country other than India with interest thereon at 2% higher than the LIBOR. If any outstanding payment is due by the Principal to the Bidder in connection with any other contract for any other stores, such outstanding payment could also be utilized to recover the aforesaid sum and interest.
- (v) To encash the bank Guaranty and performance bond / warranty bond, if furnished by the Bidder, in order to recover the payments, already made by the Principal, along with interest.
- (vi) To cancel all or any other Contracts with the Bidder.
- (vii) To debar the Bidder from entering into any bid from the Principal for a minimum period of five years, which may be further extended at the discretion of the Buyer.
- (viii) To recover all sums paid in violation of this pact by the Bidder(s) to any middleman or agent or broker with a view to securing the contract.
- (ix) If the Bidder or any employee of the Bidder or any person acting on behalf of the Bidder, either directly or indirectly, is closely related to any of the officers of the principal, or alternatively, if any close relative of an officer of the Principal has financial interest / stake in the Bidder's firm, the same shall be disclosed by the Bidder at the time of filing of tender. Any failure to disclose the interest involved shall entitle the Principal to rescind the contract without payment of any compensation to the Bidder.



The term 'close relative' for this purpose would mean spouse whether residing with the Principal's employee or not, but not include a spouse separated from the Principal's employee by a decree or order of a competent court; son or daughter or step son or step daughter and wholly dependent upon Principal's employee, but does not include a child or step child who is no longer in any way dependent upon the Principal's employee or of whose custody the Principal's employee has been deprived of by or under any law; any other person related, whether by blood or marriage, to the Principal's employee or to the Principal's employee's wife or husband and wholly dependent upon Principal's employee.

(x) The Bidder shall not lend to or borrow any money from or enter into any monetary dealings or transactions, directly or indirectly, with any employee of the Principal, and if he does so, the Principal shall be entitled forthwith to rescind the contract and all other contracts with the Bidder. The Bidder shall be liable to pay compensation for any loss or damage to the principal resulting from such rescission and the Principal shall be entitled to deduct the amount so payable from the money(s) due to the Bidder.

(xi) In cases where irrevocable Letters of Credit have been received in respect of any contract signed by the Principal with the Bidder, the same shall not be opened.

10.2 The decision of the Principal or his nominee to the effect that the Bidder has committed breach of the provisions of this Integrity Pact shall be final and binding on the Bidder, however the Bidder can approach monitor (s) appointed for the purpose of this Pact as per Clause 12 of Pact agreement.

**11.0 Fall Clause :**

The Bidder undertakes that he has not supplied / is not supplying the similar systems or subsystems at a price lower than that offered in the present bid in respect of any other Defence Public Sector Undertakings / Ministry of Defence and if it is found at any stage that the similar system or subsystem was supplied by the Bidder to any other Defence Public Sector Undertakings / Ministry of Defence at a lower price, then that very price, with due allowance for elapsed time, will be applicable to the present case and the difference in the cost would be refunded by the Bidder to the Principal, if the contract has already been concluded.

**12.0 Independent External Monitor(s) :**

12.1 The Principal has appointed Independent External Monitor for this Pact in consultation with Central Vigilance Commission (Names and addresses of the Monitors are given below). The task of the Monitor is to review independently and objectively, whether and to what extent the parties comply with the obligations under this agreement.

Name of the Monitor : (1) Shri M D Paliath,  
Address : 18 / 3, Kaveri Sankeerna, KSRP 9th Battalion Camp,  
Amritha Road, Bangalore-560100.

Name of the Monitor : (2) Shri. Shankar Narayan,  
Address : 12, 9th Cross, Dasarahalli Main Road,  
Bhuvneshwari Nagar, Bangalore-560 024

The Monitor is not subject to instructions by the representatives of the parties and performs his functions neutrally and independently. He will convey his observations to the Chairman & Managing Director, BEL.

12.2 The Bidder accepts that the Monitor has the right to access without restriction to all project documentation of the Principal including that provided by the Bidder. The Bidder will also grant the Monitor, upon his request and demonstration of a valid interest, unrestricted and unconditional access to his project documentation. The same is applicable to Sub-Contractors. The Monitor is under obligation to treat the information and documents of the Bidder(s) / Contractor(s) / Sub-Contractor(s) with confidentiality.

12.3 As soon as the Monitor notices, or believes to notice, a violation of this agreement, he will so inform the Management of the Principal and request the Management to discontinue or take corrective action, or to take other relevant action.

12.3 The Principal reserves the right to refer a particular case to any other approved Independent External Monitor(s) as and when felt necessary. In such an event, the IEM nominated as per Para 12.1 shall examine the case jointly with those whom the case is referred to as per this Para.

**13.0 Examination of Books of Accounts :**

In case of any allegation of violation of any provisions of this Integrity Pact to the satisfaction of the Principal, the Principal or its agencies shall be entitled to examine / investigate the Books of Accounts of the Bidder and the Bidder shall provide necessary information of the relevant financial documents in English and shall extend all possible help for the purpose such examination / investigation.

**14.0 Law and Place of Jurisdiction :**

This Pact is subject to Indian Law. The place of performance and Jurisdiction is the Corporate Office of the Principal at Bangalore.

**15.0 Other Legal Actions :**

The actions stipulated in this Integrity Pact are without prejudice to any other legal action that may follow in accordance with the provisions of the extant law in force relating to any civil or criminal proceedings.

**16.0 Validity :**

16.1 The validity of this Integrity Pact shall be from date of its signing and extend till the complete execution of the contract to the satisfaction of both the Bidder and the principal.

16.2 Should one or several provisions of this Pact turn out to be invalid; the remainder of this Pact remains valid. In this case, the parties will strive to come to an agreement to their original intentions.

17.0 The Parties hereby sign this Integrity Pact at \_\_\_\_\_ on \_\_\_\_\_

**BEL**

SBUS/unit/CSG Heads  
Bharat Electronics Ltd.,

**BIDDER**

M/s.....

Witness :

1. \_\_\_\_\_  
2. \_\_\_\_\_

Witness :

1. \_\_\_\_\_  
2. \_\_\_\_\_

**Refers to para 8.1(i) of Pre- Contract Integrity Pact**

**FORMAT OF INTEGRITY PACT BANK GUARANTEE(IPBG)**

In consideration of M / s. Bharat Electronics Limited("BEL"), having its registered office at Outer Ring Road, Nagavara, Bangalore-560045 (hereinafter called the Principal), on the first part and M / s. of (hereinafter referred to as Bidder) on the Second part, having agreed to accept a sum of ` (Rupees) in the form of Bank Guarantee towards Integrity Pact for the Request for Proposal for procurement of \_we \_(Name of the Bank), (herein after referred to as the Bank), do hereby undertake to pay to the Principal on demand within 3 (three) working days without any demur and without seeking any reasons whatsoever, an amount not exceeding (Rupees ) and the guarantee will remain valid upto and including 45 days after the validity of the commercial offer i.e., \_(date). The Integrity Pact Bank Guarantee shall be extended from time to time as required by the Principal.

We undertake not to revoke this guarantee during this period except with the previous consent of the Principal in writing and we further agree that our liability under the Guarantee shall not be discharged by any variation in the term of the commercial offer.

No interest shall be payable by the Principal to the Bidder(s) on the guarantee for the period of its currency.

Dated this day of \_.\_.\_\_\_\_\_

For the Bank of  
(Agent / Manager)

## Revised SOP for Integrity Pact

Subject:- Adoption of Integrity Pact – Standard Operating Procedure – regarding.

### 1.0 Background

1.1 In order to ensure transparency, equity and competitiveness in public procurement, the Commission has been recommending the concept of Integrity Pact (IP) for adoption and implementation by Government organizations.

1.2 CVC through its office orders No. 41/12/07 dated 04.12.2007 and 43/12/07 dated 28.12.2007 as well as Circulars No. 18/05/08 dated 19.05.2008 and Circular No. 24/08/08 dated 05.08.2008 recommended adoption of Integrity Pact to all the organizations and provided basic guidelines for its implementation in respect of major procurements in Government Organisations. A Standard Operating Procedure (SOP) was issued by the Commission vide order No. 10/5/09 dated 18.05.2009. The Commission issued clarifications regarding the appointment, tenure and eligibility criteria of IEMs vide Circular dated 11.8.2009 and 19.4.2010. The review system for IEMs was modified vide circular dated 13.8.2010 and clarification regarding tenure of IEMs was issued by the Commission vide its circular dated 23.7.2012.

1.3 Deptt. of Expenditure vide OM dt. 19.7.2011, issued guidelines to all Ministries/ Departments/Organizations including their attached/subordinate offices and autonomous bodies for implementation of IP. Also, vide OM dated 20.7.2011 Deptt. of Expenditure requested Department of Public Enterprises for directions to Central Public Sector Enterprises for use of IP.

1.4 Further, in view of the increasing procurement activities of Public Sector Banks (PSBs), Insurance Companies (ICs) and Financial Institutions (FIs), the Commission vide Circular No. 02/02/2015 dated 25.02.2015 advised that all PSBs, PSICs and FIs shall also adopt and implement the Integrity Pact.

### 2.0 Integrity Pact

2.1 The Pact essentially envisages an agreement between the prospective vendors/bidders and the buyer, committing the persons/officials of both sides, not to resort to any corrupt practices in any aspect/stage of the contract. Only those vendors/bidders, who commit themselves to such a Pact with the buyer, would be considered competent to participate in the bidding process. In other words, entering into this Pact would be a preliminary qualification. The essential ingredients of the Pact include:

- Promise on the part of the principal not to seek or accept any benefit, which is not legally available;
- Principal to treat all bidders with equity and reason;
- Promise on the part of bidders not to offer any benefit to the employees of the Principal not available legally;
- Bidders not to enter into any undisclosed agreement or understanding with other bidders with respect to prices, specifications, certifications, subsidiary contracts, etc.

1 | Page

- Bidders not to pass any information provided by Principal as part of business relationship to others and not to commit any offence under PC/ IPC Act;
- Foreign bidders to disclose the name and address of agents and representatives in India and Indian Bidders to disclose their foreign principals or associates;
- Bidders to disclose the payments to be made by them to agents / brokers or any other intermediary;
- Bidders to disclose any transgressions with any other company that may impinge on the anti corruption principle.

2.2 Integrity Pact, in respect of a particular contract, shall be operative from the date IP is signed by both the parties till the final completion of the contract. Any violation of the same would entail disqualification of the bidders and exclusion from future business dealings.

### 3.0 Implementation procedure

- 3.1 As stated in Department of Expenditure's O.M. dated 20.7.2011. Ministries/Departments may, in consultation with the respective Financial Adviser and with the approval of the Minister-in-charge, decide on and lay down the nature of procurements/contracts and the threshold value above which the Integrity Pact would be used in respect of procurement transactions/contracts concluded by them or their attached/sub-ordinate offices.
- 3.2 The above provision is also applied for procurements made by autonomous bodies for which also the concerned administrative ministry / department may lay down the nature of procurements/contracts and the threshold value above which the Integrity Pact would be used.
- 3.3 The provision for the Integrity Pact is to be included in all Requests for Proposal/Tender documents issued in future in respect of the procurements/contracts that meet the criteria decided in terms of para 3.1 and 3.2 above.
- 3.4 Tenders should specify that IEMs have been appointed by the Commission. In all tenders, particulars of all IEMs should be mentioned instead of nominating a single IEM in the tender as far as possible.
- 3.5 The Purchase / procurement wing of the organization would be the focal point for the implementation of IP.
- 3.6 The Vigilance Department would be responsible for review, enforcement, and reporting on all related vigilance issues.
- 3.7 It has to be ensured, through an appropriate provision in the contract, that IP is deemed as part of the contract so that the parties concerned are bound by its provisions.

- 3.8 IP would be implemented through a panel of Independent External Monitors (IEMs), appointed by the organization. The IEM would review independently and objectively, whether and to what extent parties have complied with their obligations under the Pact.
- 3.9 Periodical Vendors' meets, as a familiarization and confidence building measure, would be desirable for a wider and realistic compliance of the principles of IP.
- 3.10 A clause should be included in the IP that a person signing IP shall not approach the Courts while representing the matters to IEMs and he / she will await their decision in the matter.
- 3.11 In case of sub-contracting, the Principal contractor shall take the responsibility of the adoption of IP by the sub-contractor.
- 3.12 Information relating to procurements/contracts covered under IP and its progress/status would need to be shared with the IEMs on monthly basis.
- 3.13 The final responsibility for implementation of IP vests with the CMD/CEO of the organization.

#### **4.0 Role and Duties of IEMs**

- 4.1 The IEMs would have access to all contract documents, whenever required.
- 4.2 It would be desirable to have structured meetings of the IEMs with the Chief Executive of the Organisation on a quarterly basis including an annual meeting to discuss / review the information on tenders awarded during the previous quarter. Additional sittings, however, can be held as per requirement.
- 4.3 The IEMs would examine all complaints received by them and give their recommendations/views to the Chief Executive of the organization, at the earliest. They may also send their report directly to the CVO and the Commission, in case of suspicion of serious irregularities requiring legal/administrative action. IEMs are expected to tender their advice on the complaints within 10 days as far as possible.
- 4.4 For ensuring the desired transparency and objectivity in dealing with the complaints arising out of any tendering process, the matter should be examined by the full panel of IEMs jointly as far as possible, who would look into the records, conduct an investigation, and submit their joint recommendations to the Management.
- 4.5 IEM should examine the process integrity, they are not expected to concern themselves with fixing of responsibility of officers. Complaints alleging malafide on the part of any officer of the organization should be looked into by the CVO of the concerned organisation.

- 4.6 The role of IEMs is advisory, would not be legally binding and it is restricted to resolving issues raised by an intending bidder regarding any aspect of the tender which allegedly restricts competition or bias towards some bidders. At the same time, it must be understood that IEMs are not consultants to the Management. Their role is independent in nature and the advice once tendered would not be subject to review at the request of the organization.
- 4.7 Issues like warranty / guarantee etc. should be outside the purview of IEMs.
- 4.8 All IEMs should sign non-disclosure agreements with the organization in which they are appointed. They would also be required to sign a declaration of absence of conflict of interest.
- 4.9 A person acting as an IEM shall not be debarred from taking up other assignments such as consultancy with other organizations or agencies subject to his declaring that his / here additional assignment does not involve any conflict of interest with existing assignment. In case of any conflict of interest arising at a later date from an entity wherein he is or has been a consultant, the IEM should inform the CEO and recuse himself/herself from that case.
- 4.10 All organizations may provide secretarial assistance to IEM for rendering his/her job as IEM.
- 4.11 In case of any misconduct by an IEM, the CMD/CEO should bring it to the notice of the Commission detailing the specific misconduct for appropriate action at the Commission's end.
- 4.12 The role of the CVO of the organization shall remain unaffected by the presence of IEMs. A matter being examined by the IEMs can be separately investigated by the CVO in terms of the provisions of the CVC Act or Vigilance Manual, if a complaint is received by him/her or directed to him/her by the Commission.
- 5.0 **Appointment of IEMs**
- 5.1 The IEMs appointed should be eminent personalities of high integrity and reputation. The Commission would invite applications from willing interested persons and maintain a panel of persons eligible to be appointed as IEM. The Commission may make independent and discreet background check before including a name in the panel.
- 5.2 The choice of IEM should be restricted to officials from the government and public sector undertakings who have retired from positions of the level of Additional Secretary to the Government of India and above or equivalent pay scale, and for Public Sector Undertakings, Board level officers in Schedule A Companies, Public Sector Banks, Insurance Companies and Financial Institutions. Officers of the Armed Forces who have retired from the rank equivalent of Lt. General and above may also be considered for appointment.

- 5.3 For appointment as IEM the Organisation has to forward a panel of suitable persons to the Commission. This panel may include those who are in the panel maintained by the Commission or they may propose names of other suitable persons for appointment as IEM. While forwarding the panel of suitable persons, the Organization would enclose detailed bio-data in respect of all names proposed. The details would include postings during the last ten years before superannuation, special achievements, experience, etc., in Government sector. It is desirable that the persons proposed possess domain experience of the PSU activities or the relevant field with which they may be required to deal.
- 5.4 The Commission would not consider the name of an officer / executive who is either serving or who has retired from the same organization to be an IEM in that organization, although they may have served in the top management.
- 5.5 A maximum of three IEMs may be appointed in Navratna PSUs and a maximum of two IEMs in other Public Sector Undertakings, Public Sector Banks, Insurance Companies and Financial Institutions.
- 5.6 A person may be appointed as an IEM in a maximum of three organizations at a time.
- 5.7 The appointment of IEM would be for an initial tenure of three years and could be extended for another term of two years on a request received by the Commission from the organization appointing the IEM. An IEM can have a maximum tenure of 5 years in an organization with an initial term of three years and another term of two years.
- 5.8 Age should not be more than 70 years at the time of appointment/extension of tenure.
- 5.9 Remuneration payable to the IEMs by the organization concerned would be equivalent to that admissible to an Independent Director in the organization and in any case should not exceed Rs. 20,000/- per sitting. Remuneration being paid to existing IEMs may not be changed to their detriment for the duration of their tenure.
- 5.10 The terms and conditions of appointment, including the remuneration payable to the IEMs, should not be included in the Integrity Pact or the NIT. This may be communicated individually to the IEMs concerned.
- 6.0 Review System
- All organizations implementing IP would undertake a periodical review and assessment of implementation of IP and submit progress reports to the Commission. CVOs of all organizations would keep the Commission posted with the implementation status through their annual reports and special reports, wherever necessary.
- 7.0 All organizations are called upon to make sincere and sustained efforts to imbibe the spirit and principles of the Integrity Pact and carry it to its effective implementation.



(\*\*Substituted vide O.O. No. HO / 597 / 001 dtd. 09.03.2016)



**BHARAT ELECTRONICS LIMITED**  
**CORPORATE OFFICE**  
**OUTER RING ROAD, NAGAVARA, BANGALORE**

Office Order No HO/597/001

09<sup>th</sup> March 2016

**Sub: Outsourcing and Vendor Development Policy**

-o0o-

#### **1.0 Introduction**

- 1.1 Government of India has embarked on an ambitious objective of "Make in India" which is directed to ensure self-reliance through development and manufacture of products in India with high technology levels, as well as, achieve higher economic growth and create greater job opportunities.
- 1.2 BEL has transformed as a System Integrator of large electronic systems and platforms to the defence forces. The company is operating in wide technology areas requiring development of systems, subsystems and 'system of systems' involving varied mix of technologies. A typical system consists of a wide variety of subsystems like Network Elements, Antennas, Radios, Power Supplies, Display Systems, Signal Processors, Air Conditioners, Gensets, Mobile Platforms, etc. Considering the diverse technologies involved in these systems, it is not viable for the Company to master all technologies and in-house manufacture in all areas. The capability of development and manufacturing for many subsystems exists with Indian Private Industries.
- 1.3 The delivery schedules demanded by Customers are becoming shorter and margins are under pressure due to increasing competition. Also, to face the global competition, it is necessary to synergize and complement the competencies of both BEL and Private sector effectively. In such a scenario, it is necessary to have an effective outsourcing and vendor development policy to leverage and develop competencies in the Indian Private industries. This will also create a vibrant manufacturing base in defence industry in the Country which is essential for meeting the huge up-coming defence business.
- 1.4 This policy initiative will enhance the objective of bringing the required ecosystem for synergetic co-operation including development of supply chain for outsourcing materials, services and collaborative R&D.

#### **2.0 Outsourcing and Vendor development methodology**

Considering the development and manufacturing requirements of BEL, the material and services are divided into three categories. Outsourcing and Vendor Development policy will be in line with the development and manufacturing requirements of these categories of material and services.

MSMEs are an important part of the supply chain. In line with Government of India guidelines, BEL has adopted several programs to promote MSMEs. The policy is towards nurturing and handholding MSMEs and leveraging their strengths.

**MSME may participate in all the three categories of outsourcing based on their technical capabilities and experience.**

## **2.1 Category 1: Items of generic nature**

Low cost, less technology intensive and generic nature items will be procured preferably from indigenous sources including MSMEs. Following are a few examples:

- Fasteners, wires, cables, magnetic items, electrical items, office stationary, consumables etc.
- All types of castings, plastic, rubber and ceramic components.
- Commercial Air-Conditioners, Gensets etc.
- Racks and accessories.
- Assembly of non-critical PCBs, Cable Forms, Power Supplies etc.
- Packaging materials, Carrying cases etc.
- COTS Software

Specifications and the requisite information about the items will be shared with the suppliers.

These items are to be outsourced preferably from BEL Approved Vendors. The Approved Vendor List shall be updated from time to time to widen the database of suppliers of such items. BEL procurement procedure will be followed for the procurement of items/services.

For items which are common across the company, such as PCB blanks/Assembled PCBs, COTS Software, Desktops / Laptops, Logistic Support etc., Rate Contracts may be entered on fixed time basis for cost advantage, faster procurement and standardization

## **2.2 Category 2: Items designed by BEL or manufacturing know-how available with BEL**

Items where BEL owns the design/manufacturing documents, either through own development or through ToT acquired from design partners/OEMs etc., may be outsourced to Indian vendors including MSMEs provided there is no restrictions from ToT partner or Government and outsourcing is economically viable. The vendor short listing for such outsourcing will be done on case to case basis based on their capabilities to meet the required quality, cost and delivery schedule. The vendor will be selected as per BEL's procurement procedures.

For such outsourcing programs also called Built-to-Print (BTP), BEL will provide the manufacturing documents to enable the vendor for manufacture/assembly/testing/qualification of items as required.

These items shall be manufactured and assembled by vendors in strict compliance with the manufacturing and other data supplied by BEL.

BEL may provide the tools, raw materials and other hardware at nominal charges to perform the work or vendor may be given full responsibility for procurement, tooling, production engineering, inspection, packaging, preservation, shipping, etc.

LTA as per Para (5) may be entered for items which are required in large numbers over long period, if it is economically beneficial and to ensure commitment of vendors for longer period.

## **2.3 Category 3:Indegenisation & development of new items (Build-to-Specs)**

**2.3.1** This category comprises of critical items identified for indigenization or new items for development through capable vendors under 'Build to Specification' category. The vendor designs, develops and manufactures the item that has specific functionalities / parameters / specifications, as provided by BEL.

Vendors shall be identified based on past experience in the relevant domain. The vendor is fully responsible for design, manufacture and quality. The vendor should have expertise / capability

in design, loads / stress analysis, mechanical design, testing etc. as applicable to support such outsourcing.

Vendors may be provided with necessary assistance in the form of specifications, technical guidance, test facilities, trial orders, critical components and raw materials, tooling cost etc. for sample orders of prototype and its evaluation. BEL may also extend the internal manufacturing, testing and evaluation facilities to vendors based on the project requirements. Charges as applicable may be recovered for material / facilities provided to vendors.

**2.3.2** The items which are technology intensive, complex or where technological gaps exist in the company, can be developed through collaborative R&D by entering into a suitable partnership arrangement. Collaborative R&D approach facilitates working with partners comprising of Indian Private Industries including MSMEs and reputed Indian academic institutes. Specialized technology modules and software can also be developed through this route.

Vendor selection approach already formulated for Collaborative R&D in BEL shall be followed for selection of partners in this category. An expert committee will identify suitable partners.

In order to select right Technology partner for collaborative R&D 'Quality & Cost Based Selection (QCBS)' shall be followed which involves weightage to both technical and cost aspects in partner selection.

Further the production quantities of the developed item can be shared with the selected partner. The exact share of production between BEL and the Partner shall be worked out based on vendor's production capacity, capability and cost.

The item developed through collaborative process will have well defined IPR definition. This will be a partnership with an agreement to protect mutual business interests. The development partner may be supplier for the item throughout the project lifecycle. If development is funded by BEL, then IPR can be exclusively with BEL or may be jointly held with the partner.

The Category-wise Summary of Outsourcing and Vendor Development Approach is enclosed as **Annexure – A**.

**3.0 Assistance to Vendors:** The following assistance may be provided to vendors for both Category 2 and 3 items:

- Appropriate technical guidance, specifications, drawings etc.
- General training, exposure through in-house resources.
- Tooling/fixtures cost with provision for taking back the assets, if necessary.
- Working space and facilities in BEL premises to facilitate interactions/faster execution on chargeable basis.
- Testing/evaluation facilities, wherever available on chargeable basis.

**4.0 Services:** Services are categorized in the following areas:

- **Services to Customer** comprising of Installation & Commissioning of subsystems, cabling/wiring, warranty services at site, Civil Works for turnkey solutions, Building Maintenance etc.

- **Services required for BEL** like AMC for PCs, Fabrication & Machining of mechanical parts & Electronic/Mechanical assemblies involving basic welding, soldering, finishing, plating/painting, software documentation, etc.
- **Construction & Repair / Maintenance / Housekeeping of buildings etc.**

BEL will outsource the above services through Rate Contracts, Long Term Agreements, Works Contract procedure and AMCs.

**5.0 Long Term Agreements:** Long Term Agreements (LTAs) may be entered into with reputed vendors for repeated purchase of certain items or services for a fixed period based on a case-by-case basis.

**Objective of LTA:** The main objective of entering into such LTAs shall be to secure the supply of items or services over a specified period of time (usually more than one year) at an agreed price and technical specifications.

Typical categories of items which can come under LTA include RF and Microwave components, Rotary joints, IT and Networking components, Single Board Computers, specialized software licenses, Software platforms, etc.

**Criteria of LTA:** LTA may be applicable in case of sourcing products/ services from the same suppliers over a long period. It provides advantages like planning ahead, assured supply for BEL and orders for the supplier, pre-agreed pricing formula (predictable prices) in return for the commitment to supplier.

The decision to establish an LTA and the associated terms & conditions have to be made on a case-by-case basis for each item to be procured, following careful procurement planning and procurement strategy. This is critical to achieve the intended objective of the LTA. The agreement framework will include Scope of work/supplies, duration, quality issues, quantities forecast, payment terms, pricing etc. List of some of the important clauses for such agreement is enclosed as **Annexure – B**.

The selection of partners for such LTAs will be as per the Purchase Procedures.

**Perceived benefits to BEL:** BEL receives long term orders from defence forces which require staggered deliveries (to match with the time line of construction of ships/aircrafts, readiness of the sites) and also long term product support. LTAs shall result in reduction of procurement time & efforts besides securing the supply of critical items and services at lower prices complying with technical requirements. LTAs also help in providing Customer Support in terms of spares supply and periodic up-gradation.

**6.0** This Office Order comes into force with immediate effect.

  
EXECUTIVE DIRECTOR (HR)

EDs / GMs  
UNIT HR / FIN HEADS  
RO/MC HEADS  
Company Secretary

CMD    D(HR)    D(OU)    D(R&D)    D(MKTG)    D(F)    D(BC)    CVO

## Annexure – A to the Office Order No HO/597/001 dated 09.03.2016

## Category-wise Summary of Outsourcing and Vendor Development Approach

Category	Description	Outsourcing policy deployment
1	Generic items	Generic nature items will be procured preferably from indigenous sources including MSMEs. All required specifications will be shared with the suppliers. BEL procurement procedure will be followed for selection of the vendor. Rate contract is also possible in such cases.
2	Items designed by BEL or manufacturing know-how available with BEL	<p>Selection of vendor based on expertise and capabilities. Hand holding through guidance, manufacturing facilities, test facilities, tools, raw materials and other hardware on case to case basis, at a nominal charge, as applicable.</p> <p>Vendor will be responsible for strict compliance to manufacturing and other data provided by BEL.</p> <p>LTA may be entered for items which are required in large numbers over long period ensuring commitment of vendors on quality, cost and delivery requirements.</p>
3	Indigenization of critical items and development of new items (Build-to-Specs)	<p>Vendor is fully responsible for design and delivery of item as per the specifications / features / functionalities defined by BEL.</p> <p>BEL will provide support in the form of specifications, technical guidance, test facilities, trial orders, critical components, tooling cost etc for sample orders of prototype and its evaluation. Normal charges to be applied as applicable.</p> <p>Technology intensive items will be developed through collaborative R&amp;D approach to bridge the technology gaps.</p> <p>An expert committee will identify suitable partners. These partners will be involved from design phase and the production quantities of the developed item can be shared with the selected partner. The exact share of production between BEL and the Partner shall be worked out based on vendor's production capacity, capability and cost.</p> <p>LTA for development and production will be established with clear definition of business share and IPR etc.</p>

BLANK

विजिलेंस सं० सी० एल०- 33004/99

REGD. NO. D. L. 33004/99



# भारत का राजपत्र

## The Gazette of India

असाधारण

EXTRAORDINARY

भाग II—खण्ड 3—उप-खण्ड (1)

PART II—Section 3—Sub-section (1)

प्रधिकार से प्रकाशित

PUBLISHED BY AUTHORITY

सं. 113  
No. 113नई दिल्ली, बुधवार, फरवरी 18, 2016/माघ 29, 1937  
NEW DELHI, THURSDAY, FEBRUARY 18, 2016/MAGHA 29, 1937

वाणिज्य और उद्योग मंत्रालय

(औद्योगिक नीति एवं संवर्धन विभाग)

अधिसूचना

नई दिल्ली, 17 फरवरी, 2016

सा.का.नि. 180(अ).—भारत सरकार द्वारा देश में स्टार्ट-अप के लिए अनुकूल वातावरण उपलब्ध कराने के उद्देश्य में 'स्टार्टअप इंडिया' पहल की घोषणा की गई है। भारत सरकार के विभिन्न मंत्रालयों द्वारा इस प्रयोजन के लिए कई कार्यक्रमों का शुरु किया गया है। राजधानी नगर उद्यमों में एकतागतता लाने के उद्देश्य से किसी संस्था को विभागानुसार 'स्टार्टअप' माना जाएगा-

- उसके निगमिकरण/पंजीकरण की तिथि से पांच वर्ष तक,
- यदि किसी वित्तीय वर्ष में उसका कारोबार (टर्नओवर) 25 करोड़ से अधिक नहीं है, और
- वह अभिनवीकरण, प्रौद्योगिकी या नौदिक संपदा आधारित नए उत्पादों, प्रविधियों अथवा सेवाओं के विकास, अनुसंधान या वाणिज्यीकरण के संघर्ष में कार्य कर रहा है;

पहले से ही अस्तित्व वाले किसी व्यवसाय के विभाजन या उसके पुनर्निर्माण के माध्यम से बनाई गई किसी संस्था को 'स्टार्टअप' नहीं माना जाएगा;

उपरोक्त परिभाषा अनुसार पहचान किए गए किसी 'स्टार्टअप' को कर लाभ प्राप्त करने के लिए अंतर-मंत्रालयी प्रमाणन बोर्ड से पात्र व्यवसाय का प्रमाण-पत्र प्राप्त करना अपेक्षित होगा जिसमें निम्नलिखित शामिल हैं:

- संयुक्त सचिव, औद्योगिक नीति एवं संवर्धन विभाग,
- विभाग एवं प्रौद्योगिकी विभाग के प्रतिनिधि, और
- नौव-प्रौद्योगिकी विभाग के प्रतिनिधि।

333 GI/2016

(1)

**स्पष्टीकरण:**

1. कोई संस्थान अपने निगामीकरण/पंजीकरण की तिथि से पांच वर्ष पूरे होने पर अथवा किसी विगत वर्ष में उनका कारोबार 25 करोड़ रुपय से अधिक होने पर 'स्टार्टअप' के रूप में नहीं माना जाएगा।
2. संस्थान का अर्थ है - कोई निजी क्षेत्र लिमिटेड कंपनी (कंपनी अधिनियम, 2013 में यथा परिभाषित), अथवा पंजीकृत साझेदारी फर्म (साझेदारी अधिनियम, 1932 के क्लॉज 59 के अन्तर्गत) या लिमिटेड देयता साझेदारी (लिमिटेड देयता साझेदारी अधिनियम, 2002 के अन्तर्गत)।
3. कारोबार का अर्थ, कंपनी अधिनियम, 2013 में परिभाषित किए अनुसार है।
4. किसी संस्थान को अभिलेखीकरण, प्रौद्योगिकी या बौद्धिक संपदा आधारित नए उत्पादों, प्रक्रियाओं या सेवाओं के विकास, अनुप्रयोग या वाणिज्यीकरण के संबंध में कार्यरत माना जाता है, यदि उसका मुख्य निम्नलिखित को विकसित करना और उनका वाणिज्यीकरण करना है:

- क) एक नया उत्पाद या सेवा या प्रक्रिया अथवा
- ख) महत्वपूर्ण रूप में सुधार किए गए मौजूदा उत्पाद, सेवा या प्रक्रिया, जो आइकों या कार्य के प्रकार के मूजन या उसके मूल्य संबंधित से सहायक हों।

मात्र निम्नलिखित को विकसित करने संबंधी कार्य को इस परिभाषा में शामिल नहीं माना जाएगा:-

- क) उत्पाद या सेवाओं या प्रक्रियाएं, जिनमें वाणिज्यीकरण की संभावना नहीं हो, अथवा
- ख) एकसमान उत्पाद या सेवाएं या प्रक्रियाएं अथवा
- ग) उत्पाद या सेवा या प्रक्रियाएं जो आइकों या कार्य के प्रकार के संबंध में मूल्य संबंधित नहीं करने या सीमित वृद्धि करने हों।

5. 'स्टार्टअप' के रूप में मान्यता संबंधी प्रक्रिया, औद्योगिक नीति एवं संवर्धन विभाग के मोबाइल एप/पोर्टल के माध्यम से होगी। स्टार्टअप को निम्नलिखित दस्तावेजों में से एक को प्राप्त स्वीकारण आवेदन-पत्र प्रस्तुत करना होगा:

- (क) भारत में किसी आतंकोत्तर महाविद्यालय से स्थापित किसी इन्व्यूवेंटर में औद्योगिक नीति एवं संवर्धन विभाग द्वारा विनिर्दिष्ट प्रपत्र में अनुशंसा (व्यवसाय की अभिलेख प्रकृति के संबंध में); या
- (ख) किसी इन्व्यूवेंटर का समर्थन पत्र जिसका निश्चयन (परिचोदना के अन्तर्गत में), अभिलेखीकरण को प्रोत्साहित करने के लिए किसी निरिष्ट योजना के भाग के रूप में भारत सरकार या कोई राज्य सरकार द्वारा किया जाता हो, या
- (ग) भारत सरकार द्वारा मान्यता प्राप्त किसी इन्व्यूवेंटर में औद्योगिक नीति एवं संवर्धन विभाग द्वारा विनिर्दिष्ट प्रपत्र में अनुशंसा (व्यवसाय की अभिलेख प्रकृति के संबंध में); या
- (घ) किसी इन्व्यूवेंटर फंड/एंगल फंड/निजी इंडिपेंडेंट पब्लिक/एंगल नेटवर्क जो भारतीय प्रतिभूति एवं विनियम बोर्ड में पंजीकृत हो, के द्वारा इंडिपेंडेंट 20 प्रतिजन या उससे अधिक के निश्चयन का पत्र को व्यवसाय के अभिलेख स्वरूप को स्वीकारता हो। औद्योगिक नीति एवं संवर्धन विभाग ऐसे कारणों के लिए सकारात्मक सूची में ऐसे किसी भी फंड को शामिल कर सकता है जो वह उचित समझे।
- (ङ) भारत सरकार या किसी राज्य सरकार का अभिलेखीकरण को प्रोत्साहित करने के लिए किसी निरिष्ट योजना के भाग के रूप में निश्चयन पत्र; या
- (च) व्यवसाय के स्वरूप को संवर्धित करने वाले क्षेत्र में भारतीय गैर-कार्यालय द्वारा पत्रिका में दर्ज किया गया और प्रकाशित किया गया पेटेंट।



औद्योगिक नीति एवं संशोधन विभाग ऐसे मोबाइल एप/पोर्टल के शुरू होने तक स्टार्टअप को मान्यता देने की वैकल्पिक व्यवस्था कर सकता है। एक बार संबद्ध दस्तावेज के साथ ऐसा आवेदन अपलोड हो जाने पर स्टार्टअप को वास्तविक समय मान्यता प्रदान जारी किया जाएगा। यदि बाद में सत्यापन के समय यह पाया जाता है कि यह मान्यता, दस्तावेज के बिना अपलोड किए या अन्य दस्तावेज अपलोड होने या जारी दस्तावेज होने के कारण प्राप्त हुई है, तो संबंधित प्रार्थी दण्ड का भागी होगा जो स्टार्टअप की प्रथम पूर्वी का 50 प्रतिशत होगा, लेकिन यह 25,000 रुपए से कम नहीं होगा।

यह अधिसूचना, राजकीय राजपत्र में प्रकाशन की तारीख से लागू होगी।

[फा. सं. 5(91)/2015-जीई. I]

रखनीत कौर, संयुक्त सचिव

**MINISTRY OF COMMERCE AND INDUSTRY**  
**(Department of Industrial Policy and Promotion)**

**NOTIFICATION**

New Delhi, the 17<sup>th</sup> February, 2016

**G.S.R. 180(E).**—The Government of India has announced 'Startup India' initiative for creating a conducive environment for startups in India. The various Ministries of the Government of India have initiated a number of activities for the purpose. To bring uniformity in the identified enterprises, an entity shall be considered as a 'startup'—

- Up to five years from the date of its incorporation/registration,
- If its turnover for any of the financial years has not exceeded Rupees 25 crore, and
- It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property;

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'startup'.

Provided further that in order to obtain tax benefits a startup so identified under the above definition shall be required to obtain a certificate of an eligible business from the Inter-Ministerial Board of Certification consisting of:

- Joint Secretary, Department of Industrial Policy and Promotion,
- Representative of Department of Science and Technology, and
- Representative of Department of Biotechnology.

**Explanation:**

- An entity shall cease to be a startup on completion of five years from the date of its incorporation/registration or if its turnover for any previous year exceeds Rupees 25 crore.
- Entity means a private limited company (as defined in the Companies Act, 2013), or a registered partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2002).
- Turnover is as defined under the Companies Act, 2013.
- An entity is considered to be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property if it aims to develop and commercialize:
  - A new product or service or process, or
  - A significantly improved existing product or service or process, that will create or add value for customers or workflow.

THE GAZETTE OF INDIA : EXTRAORDINARY

[PART II—SEC. 3(6)]

Provided that the mere act of developing:

- a. products or services or processes which do not have potential for commercialization, or
- b. undifferentiated products or services or processes, or
- c. products or services or processes with no or limited incremental value for customers or workflow

would not be covered under this definition.

The process of recognition as a 'startup' shall be through mobile app/portal of the Department of Industrial Policy and Promotion. Startups will be required to submit a simple application with any of following documents:

- a) a recommendation (with regard to innovative nature of business), in a format specified by Department of Industrial Policy and Promotion, from any Incubator established in a post-graduate college in India; or
- b) a letter of support by any incubator which is funded (in relation to the project) from Government of India or any State Government as part of any specified scheme to promote innovation; or
- c) a recommendation (with regard to innovative nature of business), in a format specified by Department of Industrial Policy and Promotion, from any Incubator recognized by Government of India; or
- d) a letter of funding of not less than 20 per cent in equity by any Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/Angel Network duly registered with Securities and Exchange Board of India that endorses innovative nature of the business. Department of Industrial Policy and Promotion may include any such fund in a negative list for such reasons as it may deem fit; or
- e) a letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; or
- f) a patent filed and published in the Journal by the Indian Patent Office in areas affiliated with the nature of business being promoted.

Department of Industrial Policy and Promotion may, until such mobile app/portal is launched make alternative arrangement of recognizing a 'startup'. Once such application with relevant document is uploaded a real-time recognition number will be issued to the startup. If on subsequent verification, such recognition is found to be obtained without uploading the document or uploading any other document or a forged document, the concerned applicant shall be liable to a fine which shall be fifty per cent of paid up capital of the startup but shall not be less than Rupees 25,000.

This notification shall come into force on the date of its publication in the Official Gazette.

[F. No. 5(91)2015-BE-1]

RAVNEET KAUR, Jt. Secy.

**Reverse auction**

1. Tendering: The tender document for common and goods covered at above shall have a provision for conducting reverse auction.
2. In all the tenders which are proposed to be processed under Reverse Auction, it should be clearly specified in the tender document that BEL reserves right to go for Reverse Auction process or may finalize the tender without Reverse Auction, if required. However, the decision to conduct Reverse Auction or not will be conveyed to short-listed bidders prior to opening of price bid.
3. However, after techno commercial evaluation, if number of technically & commercially acceptable offers are less than 04 (Four) for any item (where evaluation is done separately) then no reverse auction may be conducted for such items. Reverse auction shall be conducted for the remaining items.
4. **Process:** The event will be conducted through BEL's online bidding software (SAP SRM), designed to streamline bid negotiations into a real-time bidding event. The price bids of shortlisted bidders shall be opened prior to the reverse auction event.
  - 4.1 The bidders have to give only landed rates in e- reverse process and has to provide breakup with in 24Hrs as per paragraph. This has to be communicated to Vendor through the Initial Tender Document itself.
  - 4.2 The price bid data shall be tabulated immediately after opening of price bid in SRM and shall be signed by the Tender Committee members. After tabulation of the priced bid data, the purchase officer in presence of the Tender Committee shall confirm the evaluated prices with respective short listed bidders and feed in system the lowest evaluated price further decremented as decided by the tender committee.
5. **During the reverse auction:**
  - 5.1 All bidders shall have an equal and continuous opportunity to present their bids;

- 5.2 Each bidder shall receive, instantaneously and on a continuous basis during the auction, sufficient information allowing it to determine the standing of its bid vis-à-vis other bids;
- 5.3 There shall be no communication between the procuring entity and the bidders or among the bidders
- 5.4 Minimum bid decrement of bidders will be as decided by the tender committee.

6. **Features of the online event:** The bidding direction of this event is downward. Bidders cannot raise their bid once the event has opened and they have submitted a bid.

- 6.1 Bidders must bid for the complete quantity of each item as quoted in SRM/ e-procurement bid. The prices should be quoted as a landed price to bel, including taxes, duties and any other charges.
- 6.2 Bidders only see the lowest bid. At no point of time will any bidder see the names of other bidders, or the prices of bidders other than the lowest bid.
- 6.3 The lowest evaluated price (of short listed bidders based on their price bids submitted initially in SRM) further decremented as decided by the tendering committee shall be the Ceiling price or the maximum permitted starting bid in reverse auction for all bidders.
- 6.4 The procuring entity shall not disclose the identity of any bidder during the auction. No mobile phone, alternate network connection or any other communication device other than the identified official landline number (to be communicated to the bidders) shall be allowed in the reverse auction room. The identified numbers of BEL for this purpose should be intimated to the bidders well in advance. Similarly, the telephone numbers of bidders for the authorized interaction with bidders should be obtained through 'Bidders' Response Sheet'. Also till the reverse auction is over no member of the team conducting RA shall be allowed to leave the room.

- 6.5** All line items in auction are open to bidding at the same time, but the auction shall close for one line item after the other.
- 6.6** This process shall initially be held for a period of 30 minutes. In the event of a bid received in the last 3 minutes or as decided by the tender committee, resulting in change of prevailing L1 price of the first line item, the period of auction shall get extended automatically by 5 minutes or as decided by the tender committee from the time of submission of such bid. This process shall continue till no change in L-1 price of the first line item takes place in last 3 minutes or as decided by the tender committee. Then the auction will close for the first line item and auction for the remaining items will continue for a further period of 10 minutes. In the event of a bid received in the last 3 minutes or as decided by the tender committee resulting in change of prevailing L1 price of the second line item, automatic extension shall be effected in similar fashion as explained above for the first line item. The process shall continue in a cascading way for all remaining line items.
- All bidders, regardless of their previous position, can submit their bid during the extension period also. The process of reverse auction shall automatically close thereafter.
- 6.7** Bidders at their own interest should ensure uninterrupted internet connectivity at their end during the Reverse Auction with necessary backup options to take care of any connectivity problem. However, in case of failure in connectivity of any of the bidders, the Reverse Auction time will be extended once against request of each bidder, if the request is received within the auction time. Such extensions shall each be of 10 minutes and no more than one request for such extension from each bidder shall be entertained in an Auction. Tender committee will be empowered to extend the reverse auction time. The extension of auction time shall be communicated to all the bidders through system broadcast message and also intimated telephonically to the bidders who are disconnected from Reverse Auction at that point of time.
- 6.8** In case no conclusion can be drawn from reverse auction from best bid history or where Reverse Auction is inconclusive on account of system

malfunctioning or break in internet connectivity at BEL SYSTEM end, reverse auction shall be re-conducted.

The procuring entity can suspend or pause the reverse auction, if required. In such eventuality the duration of the auction shall be extended by BEL for the period for which auction was under pause/suspension.

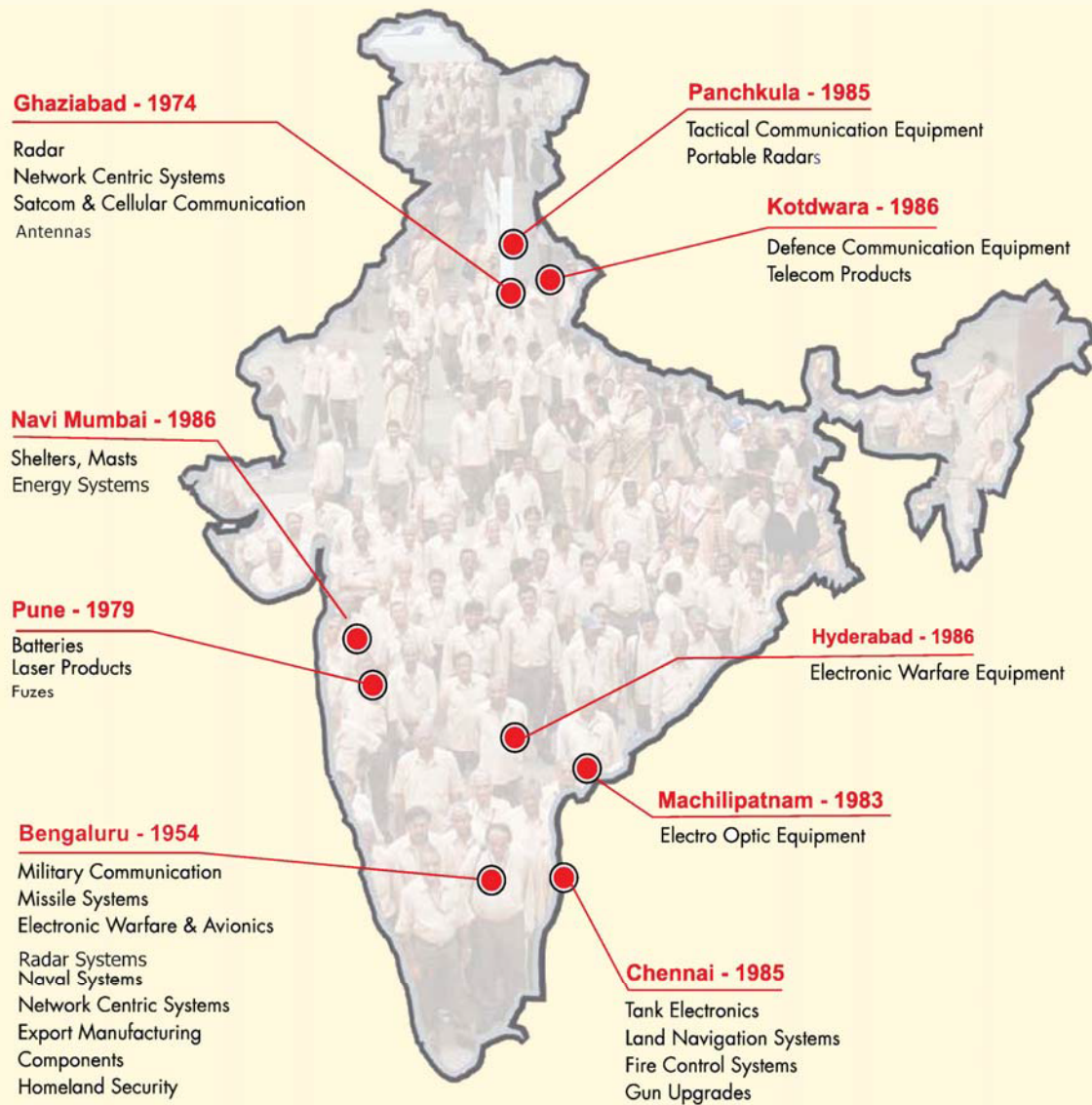
- 6.9** Purchase Preference: Under purchase preference eligible bidder whose quoted price is not lowest get an opportunity to match L-1 price if their quoted price falls within the stated percentage difference from the lowest quote. If the bidder matches the prices, he gets the order otherwise the original L-1 bidder gets the order. After conclusion of Reverse Auction, if any of the eligible bidder for purchase preference falls within the specified limits for purchase preference, such bidder will get opportunity to match with L-1 price as per the Purchase Procedure.
- 6.10** TC members shall remain on the spot till the completion of the Reverse Auction process.
- 6.11** Apart from the participating bidders, the reverse auction shall be visible while in progress to BEL only through one user login. i.e. user login of Dealing Purchase officer who shall display the RA to TC members.
- 6.12** On completion of Reverse Auction, the history of Reverse Auction shall be signed by the purchase officer and Tender Committee members. In case of non-availability of Tender Committee members due to any contingency, they should nominate suitable officers to represent them to witness the Reverse Auction. However, Tender Committee members would sign the proceedings afterwards.
- 6.13** After completion of online event of Reverse Auction within 48 hrs, the bidders would re-submit breakup of their final quoted evaluated price as per relevant appendix of sample calculation sheet so as to enable BEL to award the purchase order/contract. Bids of those bidders who fail to provide cost break-up sheet or adhere to prices quoted during the online event will be rejected. However, in such case of break up, the prices of any of the items shall not be increased above the prices submitted in SRM.

- 6.14** In case of no response from any bidder in reverse auction, the original evaluated L-1 price will be considered for further action.
- 6.15** The case shall be processed further for award or otherwise based on L-1 prices received at the end of Reverse Auction. Price reasonability will still need to be established even though the bidding process is through Reverse Auction and BEL will reserve the right to negotiate with L-1 bidder as per Guidelines.
- 6.16** The Reverse Auction shall be implemented first on pilot scale and based on the practicality, outcome and benefits, respective Purchase Groups can decide for future Reverse Auctions.
- 6.17** The due date and time for price bid opening and conducting the event of Reverse Auction should be intimated well in advance to the bidders, through the System.

BLANK



# Manufacturing Network



## Bharat Electronics Limited

(A Government of India Enterprise)

Registered & Corporate Office:

Outer Ring Road, Nagavara,

Bengaluru – 560045

Website : [www.bel-india.com](http://www.bel-india.com)