

Government of Haryana
Department of Industries & Commerce
Directorate of Supplies & Disposals

Director Supplies & Disposals
Haryana, Chandigarh

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Government Order

No. 2/2/2010-4-IB-II Dated 18.06.2013

Subject: Policy guidelines for procurement of Stores through Rate Contract System in substitution of G.O. No. 2/2/2010-4IB-II dated 20.04.2012.

As the officers in all Government departments and organisations are aware, procurement of Store Items is undertaken through 'Specific Store Item Indents' and 'Rate Contracts'. While the processes for 'Specific Indents' are fairly well standardized by now, it has been observed on the basis of experience of previous years that the system of procurement through 'Rate Contracts' need to be standardized.

2. The procurement of stores through 'Rate Contracts' is resorted in the following cases:

- (i) The said Store Item is required by multiple government departments/ organizations and it is not considered advisable to float individual tender inquiries by different departments/ organisations (e.g. Cement, Pipes, Vehicles etc.);
- (ii) The stores are required either by multiple agencies and/ or throughout the year on an on-going requirement basis and it is difficult to assess/ freeze the quantity requirements upfront in the tender (e.g. Distribution Transformers, Electricity Meters, Cables, Conductor, DI Pipes, Jute Bags, Medicines etc).
- (iii) The L₁ bidder may not have the manufacturing/ supplying capacity to execute the entire order (which may be the case in specific tenders also) or the indenting departments/ government may not consider it prudent to place the entire order on one single entity to minimize its risk/ dependence on a single source of supply.

3. It has also been observed that due diligence is lacking on the part of the Indenting Departments regarding their requirements of the store items against the proposed Rate Contract period whereas the same is feasible to a large extent keeping in view the budgetary provisions though it is appreciated that these quantities may need to be varied for unforeseen reasons. Further, where the rate contracts are operated for multiple departments/ organisations, there is need to standardize the 'Technical Specifications' (TS), 'Qualifying Requirements' (QRs), and other General Terms & Conditions of the Rate

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Contracts (e.g. delivery periods, inspections and testing before acceptance of the Stores, payment clauses, provision for extension of period, Guarantee/ Warranty or AMC conditions (if applicable), penalties for delays, non-delivery or substandard quality etc. for the same. It is expedient in such cases to designate different Departments as the Lead Departments for determining the above parameters.

4. Keeping the above in view, following decisions have been taken:

- (i) The process of determination of 'Technical Specifications' (TS), 'Qualifying Requirements' (QRs), and other General Terms & Conditions of the Rate Contracts (e.g. delivery periods, inspections and testing before acceptance of the Stores, payment clauses, provision for extension of period, Guarantee/ Warranty or AMC conditions (if applicable), penalties for delays, non-delivery or substandard quality etc. will be finalised through an inter-departmental consultative process as per the details given in Annexure 'A'.
- (ii) Each indenting Department/ organisation shall indicate its minimum requirement of the store item during the rate contract period and the maximum estimated quantity, which should generally be not more than 1.5 times of the minimum quantity;
- (iii) The Rate Contract Indents for the store items mentioned in Annexure 'B' shall be communicated to the DS&D Office by 15th March every year so as to ensure that the process for procurement of the aggregated requirement of all the government departments/ agencies is initiated immediately in the month of March itself. The cut-off date of 15th March has been decided keeping in view that the impact of the Union Budget is known by this time and the Departments are also generally aware of their budget provisions for the following year;
- (iv) The price discovery for the Rate Contract shall be generally determined based on the rates quoted by the L₁ bidder and the negotiations, if any, held with the lowest bidder. However, the rate contract negotiations could be held up to L₃ bidder, if the difference between the L₁ quoted rates and those quoted by the L₂ and L₃ is within 5% of the L₁ quoted rates. In cases where the L₁ bidder refuses to further reduce his offered price and the L₂ or L₃ bidders come forward to offer a price which is better than the price offered by L₁ bidder, the bidder whose price is

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accepted becomes the L₁ bidder. However, in such a situation, the original L₁ bidder shall be given one more opportunity to match the discovered price. In case of acceptance, he would be treated as the L₁ bidder.

- (v) On determination of the price discovery pursuant to the above process, a counter-offer would be made to all such eligible bidders whose quoted price is within 10% of the L₁ quoted price, for acceptance of the discovered/ offered price. Such of the eligible bidders whose quoted price exceeds 10% of the L₁ quoted price shall not be eligible for consideration on the Rate Contract.
- (vi) The bidders, agreeing to accept the counter-offer of the discovered price following the above process, may be approved on the Rate Contract.

5. As regards apportionment of the quantity of supplies, the finally determined L₁ bidder would be accorded due preference and the allocation of order may go up to 50% of the total ordered quantity subject to his offered quantity/ capacity to supply. The balance order may be apportioned amongst the other bidders on the basis of their offered quantity, capacity to supply, past performance etc. which may be decided by the HPPC on case to case basis.

6. These guidelines shall be applicable to all cases of Rate Contracts to be considered by the HPPC after the date of issue of these guidelines

Y.S. Malik
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