

THE STATE TRADING CORPORATION OF INDIA LTD.

PURCHASE PROCEDURE

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1. Preamble

STC undertakes purchase of a large number of materials every year in addition to availing services on contract for its office as well as for the properties it owns. The procurement activities of STC can be broadly divided into two parts namely purchase of goods and materials and hiring of services. In order to maintain transparency in the system as also with a view to ensuring prompt and purchase of goods and services at competitive rates, the need for formulating a comprehensive purchase policy for STC was being felt for quite some time past. The present exercise, is in response to the said need. While formulating the policy, care has also been taken to take note of the latest CVC guidelines so that the policy formulated by STC is compatible with the laid down policy guidelines circulated by CVC. An attempt has also been to make the policy simple so that required control can be exercised in ensuring that the policy is implemented properly and the desired results are achieved by following the procedures laid down in the policy.

2.1 The goods and materials procured by STC may be categorized into four groups are as follows:

Group I Materials like machines, accessories, spare parts, furniture and such other items which are purchased as per necessity as and when required.

Group II Proprietary items or OEMs(Original Equipment Manufacturer) or OESs (Original Equipment Supplier) or items of a specific brand or designated purchase from a Govt. agency (with Director's approval).

Group III Items which are regularly purchased like stationery items.

Group IV Small consumables like soap, detergents etc.

The above list does not include items like printed stationery, other printed materials etc. which are covered separately under the head of services procured by STC.

2.2 For Group I items, all purchases will be done through advertisement in STC and NIC websites. STC would also periodically publish in the newspapers advertisements indicating that STC purchases materials

through website ads and all suppliers should watch STC's and NIC's websites if they are interested to respond. In certain cases, brief description of the advertisement released in website will also be advertised in newspapers in case the value of tender is more than Rs 2lakh. Copies of all advertisements will also be displayed in the notice board of STC. The parties may at the discretion of the Director concerned be advised to submit the bids in two parts, viz technical bid and price bid, the latter to be opened only if the party fulfils the qualifying criteria of the technical bid. However, two part bid may also be avoided if the material to be purchased is a standard one and proper technical specifications are provided in the advertisement itself. The responses received will be processed through a tender committee appointed by the Director concerned which will go through technical specifications and price quotations and select L1 party and recommend purchase after due negotiation with the L1 party. No negotiation will be held with any party other than L1.

- 2.3 For purchase of items like ACs of a particular make, refrigerators, TVs etc., which fall under Group II purchase will be made from the manufacturer or the authorized distributor. However, purchase of branded items will be done only if the requisition for procurement of a branded item is approved by the concerned Director from which the requisition comes as also by the Director (Finance). The purchase would be done by a three member committee comprising a representative each

from the user department, Administration and a representative of Finance. The committee will also negotiate the terms of purchase covering issues like discount, warranty, buy back etc. with the authorized dealer/manufacturer as the case may be.

- 2.4 Purchase of all items which fall under Group III and Group IV will be generally made from registered vendors/suppliers who would be registered on the panel of STC at regular intervals (normally one year) by the STC. The empanelment of registered suppliers/vendors will be made through an ad released at STC & NIC websites. The procedure for empanelment will be, to invite offers, for vendor registration for items covered under Group III and Group IV through advertisement followed by a press advertisement which will provide information with regard to the advertisement released in website. A copy of the website advertisement will also be displayed in the notice board of the company. On the basis of the responses received from the parties and an analysis of the quality of the products vis-à-vis the price quoted by the parties for various items, enlistment of suppliers will be made by a committee of 3 officers including an officer from Finance as may be nominated by Director (P&A). The listed suppliers will be the source of purchase for Group III & IV items. The effort will be to get quotations from them through enquiry as per the samples/specifications of various items and to enter into a rate contract for a specific period. Otherwise, the items including those not specifically named in the website ad but generally covered by Group III & IV will be

purchased through limited tender invited from the registered vendors. For all items rates would also be obtained from Kendriya Bhandar for comparison. In case the rates quoted by the enlisted suppliers are lower than those of Kendriya Bhandar the suppliers will be placed orders for supply of materials as per the requirements. Otherwise purchase will be made from the Kendriya Bhandar.

- 2.5 In case of rate contract if the supplier fails to supply the item within a fixed time period or declines to supply the items as per the quoted rates or specifications the supplier will be delisted and the material will be procured directly from Kendriya Bhandar or through offers received from other registered suppliers through E-mail communications/direct enquiry. The decision in this regard will be taken by an officer of the level of GM in C.O. or BM in Branches keeping in view the urgency for procurement, the value of the material etc.
- 2.6 In case the validity of the rate contract expires, the registered vendors will be called upon to submit fresh quotations and new rate contract will be entered into in the same manner as has been provided for in para 2.4.
- 2.7 Depending on the requirement, the head of the department (of the level of GM/CGM) may, procure a material through cash purchase. Such purchases will however be for items of low value (Max. Rs 1000/-).

2.8 If, in case of exigencies or for purchase of non-regular items, it becomes necessary to resort to cash purchase of items worth a larger value, the proposal to do so would require the approval of Director (P/T) and Director (F) who will constitute a committee of 3 officers including an officer from Finance to effect the purchase.

3. **Purchase of Capital Items**

For purchase of capital items the same procedure as indicated for purchase of materials under Group I will be followed.

4. **Procurement of Services**

In addition to purchase of materials, STC also procures variety of services involving interior decoration, carpentry, plumbing, printing, gardening, electrical work etc. some of such items may, however, be contracted out for a fixed period and such contracting out would be done through website advertisement and through newspapers. There would be, however, some items for which long term contracts are not awarded or award of long term contract is not feasible due to the lower volume of work, infrequent work or non specific work. For such work instead of giving a long term contract it would be preferable to select a contractors from the panel of contractors and to award contract on the basis of quotations for each work received from the contractors who are registered for specific jobs. Therefore, for

all jobs which are undertaken in the company through contractors other than those for which long term contract is awarded, website advertisement would be issued periodically for empanelment of contractors for specific jobs. Such enlistment will be done after evaluation of the credential of the contractor by committee appointed by the Director In-charge of Personnel and Administration. For the jobs which may be undertaken from time to time the enlisted contractors would be called upon to give quotations which may be in two parts namely technical bid and price bid if so decided by the Director concerned. In case, the contractor succeeds in technical bid, the price bid would be opened and job would be awarded. It is clarified in this connection, that two part bid would not be necessary for all the jobs. Such bids would be insisted only for jobs which are not homogenous or of special nature requiring two part bids for proper comparison of the offers and understanding the capability of the contractor to carry out the jobs as per the desired standard.

5. **Long Term Contract**

Long Term contracts for maintenance, construction, security or services etc. would be awarded by inviting quotations through website advertisement followed by a brief advertisement to be published in newspapers and display of the copies of the advertisement in the notice board of the company. While releasing the advertisement the Director concerned may direct for inviting quotations in two bid system, if

necessary. The release of advertisement and award of contract would be done in terms of statutes and guidelines available on the subject.

6. Tender Committees

All purchases as indicated above would be processed through the tender committees. Each tender committee will have a representative from finance and a representative from the purchase department. However, the tender committee for Group I items will comprise three members and the members of each such tender committee will be nominated by the Director (P&A). For Group II items the tender committee will comprise two members, one from purchase department and the other from finance department as may be nominated by the Director (P&A). For enlistment of suppliers for purchase of items under Group III and IV the tender committee would again have three members and the members of the tender committee would be nominated by the Director (P&A). For direct purchase of consumables and small items as indicated in Para 2.7 above, the committee will comprise two members as may be appointed by the General Manager (Administration). For enlistment of parties for providing services and for selection of long term contract as indicated in para 4 above, the tender committee will be appointed by the Director (P&A).

7. Delegation of Powers

All purchases including those of capital items will be done with the approval of the competent authority as specified in the Delegation of Power/Rules of STC.

8. Change in Procedures

All purchases in STC will be done in terms of the purchase procedures laid down in these rules. However, in case any change in these rules is warranted for purchase of any specific item not mentioned in the rules, approval of COM will be necessary. For certain unavoidable purchases, which may be undertaken with the approval of a Director, post facto approval of the COM would be necessary.

9. Procedure to be followed in Branches

The purchase procedures laid down in these rules will be followed in branches also. However, the authority exercised by the General Manager (Administration) or the Director (Personnel) for nominating the tender committees will be exercised by the Branch Managers if the purchase is done up to a value of Rs 50000/- for an item in the whole of the financial year and the purchase is done exclusively for the Branch. Further,

approval for purchase will be subject to the Delegation of Powers laid down in the Delegation of Powers rules of the company.

10. General

10.1 Notice for all tenders costing Rupees two lakh and above shall be sent for publication on STC/NIC website in addition to publishing the synopsis through newspaper. Notice for all tenders costing less than Rs 2 lakh shall be sent for publication only in the website.

10.2 There shall be a time gap of minimum 10 days between the date of publication of tender notice in the website/newspaper and last date of submission of quotation by the tenderer.

11. Date of Effect

These rules shall come into effect immediately.

NB: Approved in COM Meeting No.247 held on 23/9/2005.