

Chapter 34

Purchase procedure

Procedure relating to procurement of stores is given in the General Financial Rules, 2005 as amended from time to time. The term 'stores' refers generally to all articles and material purchases or otherwise acquired for use of Govt. including not only expendable and issuable articles in use or accumulated for specific purposes but also articles of dead stock of the nature of plant machinery, instruments, furniture, equipment, live stock etc. excluding books, publications periodicals etc. for a library.

(Rule 136)

34.1 Fundamental principles of buying:

As per provisions of the GFR, Competent Authority delegated with the financial powers of procuring stores shall have the responsibility and accountability to bring efficiency, economy, and transparency in matters relating to procurement and for fair and equitable treatment of suppliers and promotion of competition in procurement while following the main yardsticks as given below:-

- (i) the specifications in terms of quality, type etc., as also quantity of stores to be procured should be clearly spelt out keeping in view the specific needs of the procuring organization. The specifications so worked out should meet the basic needs of the organization without including superfluous and non-essential features, which may result in unwarranted expenditure or give unintended advantage to a particular firm. Care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory carrying costs.
- (ii) offer should be invited following a fair, transparent and reasonable procedure.
- (iii) the procuring authority should be satisfied that the selected offer adequately meets the requirement in all respects;
- (iv) the procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required;
- (v) at each stage of procurement the concerned procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision.

(Rule 137)

34.2 Registration of suppliers :

- (i) With a view to establishing reliable sources for procurement of stores required for Govt. use, the lists of registered suppliers maintained by Central Purchase Organization such as DGS&D may be used as and when necessary and such registered suppliers are prima-facie eligible for consideration for procurement



of stores through a Limited Tender Enquiry. They are ordinarily exempted in furnishing bid security (Earnest Money) along with their bids. Department may also register suppliers of stores which are specifically required by the Deptt. or the Offices.

- (ii) Credential manufacturing capability, quality control system, past procurement after sales service, financial background etc. of the supplier should be carefully verified.
- (iii) The supplier(s) will be registered for a fixed period (between 1 to 3 years) depending on the nature of the goods. At the end of this period, the registered supplier(s) willing to continue with registration are to apply afresh for renewal of registration. New supplier(s) may also be considered for registration at any time, provided they fulfill all the required conditions.
- (iv) Performance and conduct of every registered supplier is to be watched by the Department. The registered suppliers are liable to be removed from the list of approved suppliers if they fail to abide by the terms and conditions of the registration or fail to supply the goods on time or supply sub-standard goods or make any false declaration to any Government agency or for any ground which, in the opinion of the Government, is not in public interest.

(Rule 142)

34.3 Enlistment of Indian Agents :

As per the Compulsory Enlistment Scheme of the Department of Expenditure, Ministry of Finance, it is compulsory for Indian agents who desire to quote directly on behalf of their foreign principals, to get themselves enlisted with the Central Purchase Organization (e.g. DGS&D). However, such enlistment is not equivalent to registration of suppliers as mentioned under Rule (142)

(Rule 145)

34.4 Different modes of purchase :

- (i) Purchase of stores without quotation.
Purchase of stores up to the value of Rs. 15,000 (Rupees fifteen thousand) only on each occasion may be made without inviting quotations or bids on the basis of a certificate to be recorded by the competent authority in the following format :
“I,..... am personally satisfied that these goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price.”

(Rule 145)

- (ii) Purchase of stores by purchase committee :



Purchase of stores costing above Rs. 15000/- (Rupees Fifteen Thousand) only and upto Rs. 1,00,000/- (Rupees one lakh) only on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier. Before recommending placement of the purchase order, the members of the committee will jointly record a certificate as under:-

“Certified that we....., members of the purchase committee are jointly and individually satisfied that the stores recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question.”

(Rule 146)

(iii) Purchase of stores directly under rate contract:

In case a Department directly procures from Central Purchase Organization (e.g.) DGS&D rate contracted stores from suppliers, the prices to be paid for such stores shall not exceed those stipulated in the rate contract and the other salient terms and conditions of the purchase should be in line with those specified in the rate contract. The Department shall make its own arrangement for inspection and testing of such stores where required.

(Rule 147)

(iv) Purchase of stores by obtaining bids:

Except in case covered under rule 145, 146, & 147, the Deptt. shall procure stores under the powers delegated to the Deptt. for making own arrangements for procuring stores. The following standard method will be followed for obtaining bids :

- a) Advertised Tender Enquiry
- b) Limited Tender Enquiry
- c) Single Tender Enquiry

a) Advertised Tender Enquiry:

Subject to exceptions incorporated under Limited Tender Enquiry and Single Tender Enquiry invitation to tenders by advertisement should be used for procurement of goods of estimated value of Rs. 25 lakh (Rupees twenty five lakh) and above. Advertisement in such case should be given in the Indian Trade Journal (ITJ), published by the Director General of Commercial Intelligence and Statistics Kolkata and at least in one national daily having wide circulation.

An organization having its own website should also publish all its advertised tender inquiries on the web site and provide a link with NIC website. It should also give its website address in the advertisements in ITJ and newspaper.



The organization should also post the complete bidding document in its web site and permit prospective bidders to make use of the document downloaded from the web site. If such a downloaded bidding document is priced there should be clear instructions for the bidder to pay the amount by demand draft, etc. along with the bid.

Where the Department feels that the stores of the required quality, specifications etc., may not be available in the country and it is necessary to also look for suitable competitive offers from abroad, the Department may send copies of the tender notice to the Indian embassies abroad as well as to the foreign embassies in India. The selection of the embassies will depend on the possibility of availability of the required goods in such countries.

Ordinarily, the minimum time to be allowed for submission of bids should be three weeks from the date of publication of the tender notice or availability of the bidding document for sale, whichever is later. Where the department also contemplates obtaining bids from abroad, the minimum period should be kept as four weeks for both domestic and foreign bidders.

(Rule 150)

b) Limited Tender Enquiry :

This method may be adopted when estimated value of the stores to be procured is up to Rupees 25.00 Lakhs (Twenty-five Lakhs). Copies of the bidding documents should be sent directly by speed post/registered post/courier/e-mail to firms, which are borne on the list of registered suppliers for the stores in question. The number of Supplier firms in Limited Tender Enquiry should be more than three. Further, web-based publicity should be given for limited tenders. Efforts should be made to identify higher number of approved suppliers to obtain more responsive bids on competitive basis.

Purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than Rupees twenty-five lakhs, in the following circumstances:

The competent authority in the Department certifies that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. The Department should also put on record the nature of the urgency and reasons when the procurement could not be anticipated.

There are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the stores through advertised tender enquiry.

The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped, is remote.

Sufficient time should be allowed for submission of bids in Limited Tender Enquiry cases..

(Rule 151)



(c) Single Tender Enquiry

Procurement from a single source may be resorted to in the following circumstances:-

It is in the knowledge of the user department that only a particular firm is the manufacturer of the required stores

In a case of emergency, the required stores are necessarily to be purchased from a particular source and the reason for such decision is to be recorded and approval of competent authority obtained

For standardization of machinery or spare parts to be suitable to the existing sets of equipment (on the advice of a competent technical expert and approved by the competent authority), the required item is to be purchased only from a selected firm.

Note: Proprietary Article Certificate in the following form is to be provided by the Department before procuring the goods from a single source under above provisions.

1. The indented goods are manufactured by M/s.....
2. No other make or model is acceptable for the following reasons:
3. Concurrence of finance wing to the proposal vide :.....
4. Approval of the competent authority vide.....

(Signature with date & designation
of the Procuring Officer)

34.5. Other salient highlights of the important rules for procurement of stores:

(i) Splitting of Purchase Orders :

A demand for stores should not be divided into small quantity to make piece meal purchases to avoid necessity of obtaining sanction of the higher authority required with reference to the estimated value of the total demand.

(Rule 148)

(ii) Belated tender :

In case of advertised tender enquiry or Limited Tender Enquiry late bids should not be considered.

(Rule 148)

(iii) Bid Security :

To safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry, Bid security (also known as Earnest Money) is to be obtained from the bidders except those who are registered with the Central Purchase Organization, National Small Industries Corporation (NSIC) or the concerned Ministry or Department. The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range between two to five per cent of the estimated value of the goods to be procured. The exact amount of bid security,

should be determined accordingly security may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the commercial banks in an acceptable form, safeguarding the purchaser's interest in all respects. The bid security is normally to remain valid for a period of forty-five days beyond the final bid validity period.

(Rule 157)

(iv) Performance Security :

To ensure due performance of the contract, performance Security is to be obtained from the successful bidder awarded the contract. Performance Security is to be obtained from every successful bidder irrespective of its registration status, etc. Performance Security should be for an amount of five to ten per cent of the value of the contract. Performance Security may be furnished in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a commercial bank, bank guarantee from a commercial bank in an acceptable form safeguarding the purchasers interest in all respects.

(Rule 158)

(v) Advance payment to supplier:

Ordinarily, payments for services rendered or supplies made should be released only after the services have been rendered or supplies made. However, it may become necessary to make advance payments in the following types of cases:-

- (1) Advance payment demanded by firms holding maintenance contracts for servicing of air-conditioners, computers, other costly equipments, etc.
- (2) Advance payment demanded by firms again fabrication contracts, turn key contracts etc.

Such advance payments should not exceed the following limits:-

- Thirty per cent of the contract value to private firms;
- Forty per cent of the contract value to a State or Central Government agency or a Public Sector Undertaking; or
- In case of maintenance contract the amount should not exceed the amount payable for six months under the contract.

Department may relax, in consultation with their Financial Adviser, the ceiling (including percentage laid down for advance payment for private firms) mentioned above. While making any advance payment as above, adequate safeguards in the form of bank guarantee, etc. should be obtained from the firm.

Part payment to suppliers:

Depending on the terms of delivery incorporated in a contract, part payment to the supplier may be released after it dispatches the stores from its premises in terms of the contract.

(Rule 159)



(vi) Specifications :

The specifications of the required stores should be clearly stated without any ambiguity so that the prospective bidders can send meaningful bids. In order to attract sufficient number of bidders, the specification should be broad based to the extent feasible. Efforts should also be made to use standard specifications which are widely known to the industry.

(Rule 160)

34.6. Negotiations :

- (i) As post tender negotiations could often be a source of corruption, it is directed that there should be no post-tender negotiations with L-1, except in certain exceptional situations. Such exceptional situations would include, procurement of proprietary items, items with limited sources of supply and items where there is suspicion of a cartel formation. The justification and details of such negotiations should be duly recorded and documented without any loss of time.
- (ii) In cases where a decision is taken to go for re-tendering due to the unreasonable quoted rates, but the requirements are urgent and a re-tender for the entire requirement would delay the availability of the item, thus jeopardizing the essential operations, maintenance and safety, negotiations would be permitted with L-1 bidder(s) for the supply of a bare minimum quantity. The balance quantity should, however, be procured expeditiously through a re-tender, following the normal tendering process.
- (iii) Negotiations should not be allowed to be misused as a tool for bargaining with L-1 with dubious intentions or lead to delays in decision making. Convincing reasons must be recorded by the authority recommending negotiations. Competent authority should exercise due diligence while accepting a tender or ordering negotiations or calling for a re-tender and a definite timeframe should be indicated so that time taken for according requisite approvals for the entire process of award of tenders does not exceed one month from the date of submission of recommendations. In cases where the proposal is to be approved at higher level, a maximum of 15 days should be assigned for clearance at each level. In no case should the overall timeframe exceed the validity period of the tender and it should be ensured that tenders are invariably finalized within their validity period.
- (iv) As regards the splitting of quantities, some organizations have expressed apprehension that pre-disclosing the distribution of quantities in the bid document may not be feasible, as the capacity of the L-1 firm may not be known in advance. It may be stated that if, after due processing, it is discovered that quantity to be ordered is far more than what L-1 alone is capable of supplying and there was no prior decision to split the quantities, then the quantity being finally ordered should be distributed among the other bidders in a manner that is fair, transparent and equitable. It is essentially in cases where the organizations decide in advance to have more than one source of supply (due to critical or vital nature of the item) that the Commission insists on pre-disclosing the ratio of splitting the supply in the tender itself. This must be followed scrupulously.



- (v) Counter-offers to L-1 in order to arrive at an acceptable price, shall amount to negotiations. However, any counter-offer thereafter to L-2, L-3, etc. (at the rates accepted by L-1) in case of splitting of quantities, as pre-disclosed in the tender, shall not be deemed to be negotiation. It is reiterated that in case L-1 backs-out, there should be a re-tender..

(CVC No. 005/CRD/12 dated 25.10.2005)

(CVC No. 005/CRD/12 dated 3.10.2006)

(CVC No. 005/CRD/12 dated 3.3.2007)

34.7. Undertaking by the Tender Committee:

Regarding transparency, CVC has advised that members of the Tender Committee should give an undertaking at the appropriate time, that none of them has any personal interest in companies/agencies participating in the tender process. Any member having interest in company should refrain from participating in the Tender Committee.

(CVC No. 005/VGL/66 dated 9.12.2005)

(ICAR No. 42-2/2006-Vig. dated 30.1.2006)

34.8. Two bid system

For purchasing high value plant, machinery etc. of a complex and technical nature, bids may be obtained in two parts as under:

Technical bid consisting of all technical details along with commercial terms and conditions; and Financial bid indicating item-wise price for the items mentioned in the technical bid.

The technical bid and the financial bid should be sealed by the bidder in separate covers duly superscribed and both these sealed covers are to be put in a bigger cover which should also be sealed and duly superscribed. The technical bids are to be opened by the purchasing Department at the first instance and evaluated by a competent committee or authority. At the second stage financial bids of only the technically acceptable offers should be opened for further evaluation and ranking before awarding the contract.

(Rule 152)

34.9. Buy- Back Offer:

When it is decided with the approval of competent authority to replace an existing old item(s) with a new and better version, the department may trade the existing old item while purchasing the new one. For this purpose a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders formulate their bids accordingly. Depending on the value and condition of the old item to be traded, the time as well as the mode of handing over the old item to the successful bidder should be decided and relevant details in this regard suitably incorporated in the bidding document. Further, suitable provision should also be kept in the bidding document to enable the purchaser either to trade or not to trade the item while purchasing the new one.

(Rule 162)



34.10 Less than three bids:

In purchase cases where bids received are less than three even on re-tender then the decision may be taken on the basis of less than 3 bids/tenders looking into reasonability of rates and urgency of the requirement as advertisement of demands is a costly affair and advertisement time and again will add to avoidable expenditure.

(ICAR No. 6-3/98/CDN(Audit & Accounts) Pt. dated 14..2.2002)

Note(1):As per Manual on policies and Procedures for purchase of goods endorsed by the ICAR, inter-alia, it is stated that sometimes sufficient number of tenders are not received and a situation may also arise where, after analyzing the tenders, the purchase organization ends up with one responsive tenderer then in such a situation the purchase organization is first to check whether, while floating/issuing the tender enquiry, all necessary requirements like standard tender enquiry conditions, industry friendly specification wide publicity, sufficient time for formation of tenders etc. were fulfilled. If not, the tender is to be re-issued/re-floated after rectifying the deficiencies. However, if after scrutiny, it is found that all such aspects were fully taken care of and in spite of that the purchaser ends up with one responsive tender only, then contract may be placed on that tenderer provided the quoted price is reasonable.

(Para 11.7 Manual on Policies and Procedures for purchase of goods)

(ICAR Endt. No. 9(7)/2007-CDN (A& A) dated 15.11.2007)

34.11 Annual Rate contract for glassware/chemicals for Instts. located in one place:

Annual Rate Contract for glass wares and chemicals for different institutions located at one place (e.g. Karnal, Hyderabad, Delhi, Hisar, Izatnagar, Bhopal, Jhansi, Bikaner, Bangalore etc.) should be finalized by a committee headed by the Director of the biggest Institute at that place with the members of representatives of the institutes located at that place as its members and with head of the administration of the biggest Institute as the Member Secretary. The Committee will consider the purchase through rate contract and decide the rate contracts with different firms as per procedure so far as glassware and chemicals are concerned. The finalized rate contract will be circulated among all the Institutes with a copy to all DDGs and Director (Finance) at the ICAR Headquarter. The said rate contract will be binding on all such Institutes.

(ICAR No. PS/Dir.(Fin.)/Purchase Manual/68 dated 6.7.2004)

34.12 Consideration of Indian Agents:

- (i) Complaints have been received alleging thereof that in Government tenders at times an Indian Agent participates on behalf of two different foreign suppliers and in the event of only offers of these two suppliers getting short-listed then the Indian representative



knowing the prices of the two foreign suppliers/Manufacturers may take an undue advantage and therefore, in order to maintain sanctity of the tender system. it is advised that one Agent cannot represent two suppliers or quote on their behalf in a particular tender.

(CVC No. 12-02-6-CTE/SP(1)-2 dated 7.1.2003

(ICAR No. 42-3/2000/Vig.dated 5.2.2003)

- (ii) The instructions as per (i) above is to be taken note with reference to sub clause 13.2(e) (ITB- Page 16) of the bidding documents, wherein it is stated that if an agent in its bid submits quotation on behalf of more than one manufacturer, it is necessary that each such bid is accompanied by a separate bid form and bid security for each such quotation and authorization from the respective manufacturer (as per authorization form in section VII(3)). Otherwise, all such quotations will be rejected as non-responsive.

(ICAR No. PS/Dir(Fin.)/Purchase Manual/68 dated 29.11.2004)

34.13 Specifications of equipments/utilities:

The CVC has directed that that specifications of equipments/utilities etc. should be drawn up more precisely to obtain comparable offers in tender processes and in case the institutes are not able to do this then they should state their requirement, arrange pre-bid conferences and try to evolve common parameters as standards on the basis of which tenderers could quote.

(ICAR No. 35-4/2003/Vig. dated 23.2.2006)

34.14 Pre-Bid Conference:

In case of turn-key contract(s) or contract(s) of a special nature for procurement of sophisticated and costly equipment, a suitable provision is to be kept in the bidding documents for a pre-bid conference for clarifying issues and clearing doubts, if any, about the specifications and other allied technical details of plant, equipment and machinery projected in the bidding document. Such pre-bid conference should be sufficiently ahead of bid opening date.

(GOI decision No. (viii) GFR Rule 160)

34.15 Validity of bids:

The institute should ensure placement of contract/purchase /procurement within the original validity of bids. Extension of bid validity must be discouraged and restored to only in exceptional circumstances.

(GFR Rule 161)

34.16. Delegation of powers to the Management Committees/Board of Management of the ICAR Research Institutes:

- (i) Powers have been delegated to the Management Committees/Board of Management of ICAR Research Institutes to examine and approve the list of equipments for a particular year out of the list approved by the PIC/EFC for the entire plan period and to scrutinize and



approve any substitution of items in the light of research requirements within the overall budgetary provisions of non- recurring contingency of the Institute.

(ICAR No. 6-4/92-Cdn.(A&A) dated 6.8.1992)

(ICAR No. 6-2/93-Cdn.(A&A) dated 10.8.1993)

- (ii) Delegation of powers as per (i) above to substitute a listed item with a non-listed item needs to be exercised with due care and caution. Only items having a direct relationship with the actions/activities envisaged in the approved EFC Memo may be considered for approval in lieu of listed item. Care also needs to be taken to ensure that the price differential in the originally listed item and the one proposed to be purchased as a substitute is not unreasonable. Further, this power should be used sparingly when there is compelling justification.

(ICAR No. 6-293-CDN.(A&A) dated 31--8-2005)

34.17 Replacement of vehicles:

The lives of motor vehicles (up to 20 HP RAC) in terms of distance run in (kilometers) and length of use (in years) whichever is reached later, is revised according to Govt. of India norms as follows:-

Type of vehicle	Existing		Revised	
	km	Years	km	Years.
Motor vehicles fitted with engines upto 20 H.P. (RAC)	2,00,000	8	1,50,000	6 ½

Further the lives of following vehicles will remain as under :-

Type of vehicles	Kilometers	Years.
(i) Heavy commercial motor vehicles	4,00,000	10
(ii) Motor cycles fitted with engines of 3.5 H.P. (R.A.C) or above.	1,20,000	7
(iii) Motor cycles fitted with engines of less than 3.5 H.P. (R.A.C)	1,20,000	6

The life of a tractor shall be taken as 10,000 hours or 10 years which is reached later.

(MOF Notification No. 1(21)-E.II(A)/90 dated 21.5.1993

(ICAR No. 6(3)/92-Cdn(A&A) dated 25.5.2009)

Note(1) Purchase of vehicles under KVK projects:

Since KVK projects bear approval of CCEA, vehicles sanctioned under such KVK projects be procured without any questions.

(ICAR No. 4(5)/2011-WS dated 28.12.2011)



34.18. Maintenance of Tree Register :

Cutting of trees without proper permission is an offence and attracts strict punishment . All Institutes should maintain a tree register and a census of all the standing trees will be carried out and the trees in the Institutes/Regional Station campus shall be entered in the Asset Register of the Institute.

(ICAR No. 39-6/2011-Vig. Dated 14..9.2011)

34.19. Maintenance of Asset Register :

Asset Register is to be maintained in a new format, which is to be adopted from 2009-10. Before adopting the new format, all the Institutes are required to complete the Asset Register upto 2008-09 either in the GFR format or ICAR Audit Manual format (as the case may be) and reconciled with the annual accounts of the Institute. The progressive total of assets must be reflected in the new Asset Register as opening entry. In addition to the Asset Register as per the prescribed format, the abstract of Asset Register is required to be prepared by the Officer who is maintaining the Asset Register by taking closing balance of assets under each category at the end of the financial year and proforma basis and provide depreciation and arrive at net value of assets, with the concurrence of Finance & Accounts Office. It may be ensured that (i) the Gross Block of Assets as shown in Asset Register and (ii) depreciation and net value of assets as shown in the Abstract to Asset Register are tallying with Annual Accounts of the Institute.

(ICAR D.O. No. 3-82/2004-IU dated 13.7.2009)

(ICAR No. 3(4)/2009-IU dated 30.10.2009)

(ICAR No. 3(4)/2009-IU dated 8-6-2010)

(ICAR No. 6-1/1010-IU dated 4.2.2011)

34.20. Disposal of farm produce at the Institute/Centres under the ICAR and the procedure thereof :

Farm produce of the Institute/Centres such as rice, wheat, milk products potato etc. will be disposed while following the procedure laid down as below:-

- (a) In institutes carrying on educational activities and having a hostel/co-operative messes/canteens attached with the Institutes, requirements of these shall be met before the produce is distributed to other members of the staff. Similarly the requirement of Guest house/Scientists Home (like the visiting Scientists' Hostel at the institute) shall also be given preference
- (b) If possible the produce shall be sold to the staff according to their requirements. However, if the quantity available is not sufficient to meet full demand of all, the Director shall ensure that the produce is distributed equitably among the staff so that all categories of staff get reasonable share.



- (c) The price of the commodity shall be decided by the Price Fixation Committee taking into consideration the prevailing rate as certified by the Civil Supplies Department. The price so fixed shall be reviewed quarterly in consultation with the Civil Supplies Department of the state concerned.
- (d) If any surplus produce is left over, after meeting the demand of the staff, the balance shall be disposed of through public auction.
- (e) In respect of commodities under statutory rationing, the Director shall ensure that the rules of the Civil Supplies Department are adhered to strictly.

(ICAR No. 8(9)/69-Reprgm(F&A) dated 15.10.1975)