

**GOVERNMENT OF INDIA  
PERSONNEL,PUBLIC GRIEVANCES AND PENSIONS  
LOK SABHA**

UNSTARRED QUESTION NO:3466  
ANSWERED ON:11.12.2002  
PURCHASE POLICY OF KENDRIYA BHANDAR  
SHEESH RAM SINGH RAVI

**Will the Minister of PERSONNEL,PUBLIC GRIEVANCES AND PENSIONS be pleased to state:**

- (a) the details of the purchase policy of the Kendriya Bhandar;
- (b) whether the Kendriya Bhandar violate the policy by reducing the number of suppliers of photocopier papers; and
- (c) if so, whether the Government propose to inquire into the matter and to bring the people concerned for flouting the purchase policy?

**Answer**

THE MINISTER OF STATE OF THE MINISTRY OF SMALL SCALE INDUSTRIES, MINISTER OF STATE IN THE MINIS PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS, MINISTER OF STATE IN THE MINISTRY OF PLANNING AND M OF STATE IN THE DEPARTMENTS OF ATOMIC ENERGY AND SPACE. (SMT.VASUNDHARA RAJE)

(a): A copy of the purchase policy is annexed.

(b) &(c): Kendriya Bhandar invited tenders for the supply of photocopier paper. The samples of photocopier paper submitted alongwith the offers were sent for testing. The test reports were found satisfactory only for three firms. Two of the firms did not agree to supply at the lowest rate. Hence there was only one supplier of photocopier paper for some time. Subsequently, offers were invited from various manufacturers through newspapers which were processed. Presently Kendriya Bhandar has various brands of photocopier paper like Century, J.K., ITC Bhadrachalam, TNPL and Bilt Copy Power.

**ANNEXURE**

Annexure Referred to the Lok Sabha Unstarred Question No. 3466 for answer on 11.12.2002

**PURCHASE POLICY**

EXTRACT OF 72nd BOARD MEETING HELD ON 25.08.2000

**AGENDA ITEM NO. 6. PURCHASE/PROCUREMENT POLICY**

Purchase Policy for procurement of various items in consumer division, grocery division and stationery division was discussed in detail. Chairman stated that the Purchase Policy has been framed mainly to streamline the procurement of the goods for the Society as also for registration of the supplier for various items in the Society. He also expressed his opinion that purchase policy can be reviewed by the Board if not found practicable to the actual requirement of the Society. The various suggestions of the Directors were considered by the Board and the Purchase Policy was approved unanimously. A copy of the purchase policy as approved by the Board is enclosed.

Any deviation from the guidelines of the purchase policy shall be made with the approval of Chairman and the same will be reported to the Executive Committee in its next meeting.

**KENDRIYA BHANDAR**

**NEW DELHI**

**SUB : PURCHASE/PROCUREMENT POLICY - GUIDELINE**

**1. GENERAL POLICY**

(a) Purchase of branded products shall be made from the manufacturers directly. Only where the manufacturers express their inability to do so the purchases will be made from their authorised distributors.

(b) Tenders shall be invited normally for items which are procured as per generalised specifications and for which brand names are

not relevant.

(c) Purchase of fast moving items should be made frequently so as to avoid the blocking of capital and payment of interest on overdraft. For those items, whose rate are not fluctuating, the society may enter into a contract for suitable period with the suppliers for supply of such goods.

(d) As far as possible approved quality products indicated by Agmark, ISI etc. will alone be purchased.

(e) In order to secure satisfactory performance of contractual obligations by the suppliers, they shall be required to fill up registration form along with affidavit, security amount of Rs.25,000/- (for one group of items) along with other relevant document. For suppliers seeking registration for more than one group of items security amount shall be Rs.50,000/- . Relaxation from submission of security deposit either in case of multinational/reputed Indian companies or in case of welfare organisation etc. may be granted with the approval of Chairman on the recommendation of General Manager.

(f) Purchases should be made strictly in accordance with the delegation of the powers given in this policy.

(g) Quality and competitive price will be the corner-stones of the above policy to be employed.

(h) In order to provide choice to the consumers and also inducing healthy competition amongst the suppliers, 3 to 4 brands or varieties of products/commodity would be simultaneously purchased/procured.

The following procedure should be followed for Grocery, Consumer, Ration Articles, Stationery and other items.

## 2. GROCERY ITEMS

(a) For common nature of items having generalised specification such as pulses/rice/spices, fortnightly tenders shall be invited along with samples of goods from the Public sector cooperative and registered suppliers having pulses licence/food grain licence/Agmark licence etc. and goods conforming to Kendriya Bhandar specification which should be better than that prescribed under Prevention of Food Adulteration (PFA specification)/Agmark specification. Time to time specification may be reviewed. Purchases may be made on the recommendations of the purchase committee on the basis of rates and samples submitted by the suppliers and their performance against the previous supplies. While recommending the purchase of these items, the fluctuation in rates as published in the Economic Times shall also be taken into consideration. In case, the committee feels that the rates and quality is not upto mark, they may visit market to know the reasonable prices and then purchases should be made as per purchase policy from the registered suppliers. The sample selected by purchase committee shall be divided in 3 parts. One part in sealed cover duly signed by AGM, P&SE and CAO/AO shall be given to Supdt. of concerned godown to ensure that goods received from supplier conform to the sample. Second part of sample may be kept under the custody of AGM. The goods shall be unloaded in godown after comparing with the approved samples by Supdt. of Godown. Thereafter, random samples shall be taken from bulk supplies by Quality Control Department and the same shall be tested in approved Laboratory. After getting satisfactory report, goods shall be cleared for packing and onward sale through outlets of Kendriya Bhandar. These goods should be packed in the godowns of Kendriya Bhandar affixing the lot number, date of packing and selling price. Similarly, superior quality of pulses/rice/spices/Dry Fruits shall be purchased through monthly tender by purchase committee for Govt. institutions, I.T.D.C. Hotels, Hospitals, Govt. Schools and other agencies such as Maruti Udyog Limited etc.

(b) Effort should be made for supply of Rice/pulses in supplier's pack directly to the stores so that supplier may be held responsible for any deficiency.

(c) Atta and Besan may be purchased through contract awarded to reputed firms having their own grinding mill and rates shall be fixed on the basis of rates of Chakki wheat and Besan published in the Economic Times every week.

(d) Other grocery items like edible oil, Vanaspati Pure Ghee etc. shall be purchased either directly from the manufacturers or their authorised distributors at rates applicable to wholesalers. As far as possible products conforming to PFA/Agmark/ISI specification in manufacturer's original packing may be purchased. Preference may be given to a product available in public/cooperative sector.

(e) For washing soap, advertised tender shall be invited and based on the rates, brands, past performance and sale potential etc, same shall be purchased.

(f) For the provisioning of polythene for packing pulses/rice/sugar and spices, advertised tender shall be called for every year. Based on rates, capacity and performance of tenderer, the contract may be awarded.

(g) Other products such as Aggarbati, Dalia, Papad, Basmati Rice, Fancy Masala/spices etc. may be purchased of reputed make in supplier's pack from the manufacturer or their authorised distributor at whole sale rates. Before introduction of any new product market survey with regard to rates and popularity shall be carried out. At the same time random samples of these products shall be purchased from market and tested in approved laboratory. As such only products which are established in the market and are of acceptable quality shall be introduced.

(h) Wherever institutions do not purchase dietary items against the rates fixed by ISU on the basis of monthly tender and they call for the tender separately from different agencies, Kendriya Bhandar may participate in the tender after obtaining the quotations from registered and past suppliers of Kendriya Bhandar on back to back basis. For this Kendriya Bhandar margin may be kept upto 3%

maximum and depending upon the competition in the tender and value of order, the margin may be reduced so that Kendriya Bhandar may not loose orders.

(i) Generally payment to the suppliers shall be made in following days .

- 1) Rice, Pulse etc. - 10 days
- 2) Spices - 30 days
- 3) Branded items - As per terms mutually agreed terms between Kendriya Bhandar and Manufacturer or their Authorised distributor.

### 3. RATION ARTICLES

These are purchased from the agencies sponsored by the Government at the prices fixed by the government. There is no question of either for inviting tender or negotiations or open market purchases for these items. These items, therefore, be purchased from Government sponsored institutions at the prices fixed by them.

### 4. CONSUMER ITEMS

Consumer Division deals with toilet soaps, detergents, beauty and health care items etc. which are branded and there is no scope of inviting tenders.

(i) Reputed multinational/national products shall be procured either directly from the manufacturer or from their authorised distributors on their whole sale rates.

(ii) Exercise note books, registers etc. shall however be purchased on the basis of Advertise tenders.

(iii) Before introduction of any new product market survey regarding rates, sale potential etc. shall be done.

(iv) Payment terms shall be 7 days to 40 days as mutually agreed between manufacturers and their authorised distributors in case of godown supply. In case of direct supply item payment generally shall be made on consignment basis.

### 5. STATIONERY ITEMS

#### TENDERS

Tenders should be invited normally for items which are procured as per generalised specifications, for which brand names are not relevant and marketing support from supplier is neither feasible nor required. A list of illustrative items is at Appendix-1 which shall be reviewed from time to time. Tenders for registration and price approval shall be called at regular intervals and will be remain valid for a maximum period of 2 years subject to revision of rates depending on market conditions.

(a) Tender process will be conducted into two stages technical and financial. For each tender both technical and financial evaluation shall be conducted. During technical evaluation all technical aspects including capacity and capability of the firm, market reputation and standing of the firm, financial soundness etc. will be carefully evaluated. The tenderers shall be asked to submit technical and commercial tenders (bids) together. Short listing will be done after technical evaluation and the short listed firm may be given another opportunity to the extent to reduce their rates, if any, in their financial bid. Financial bids received from the short listed firms will be opened in presence of their representatives and the lowest tender (L1) shall be accepted. In case it is found that lowest tenderer (L1) does not have the capacity to supply the entire quantity, balance quantity may be offered to (L2) firm at the same price and terms and conditions.

(b) Depending upon monthly consumption of an item, minimum turnover of eligible tender shall be indicated. Tenderers shall be required to furnish audited balance sheet along with their offer.

(c) It shall also be made clear that no brand name should be mentioned on the items supplied against tender and Kendriya Bhandar shall be within its right to procure branded items outside tender system.

### 6. Branded products

(a) Branded product shall be excluded from the purview of tender system. For procurement of such items Kendriya Bhandar shall approach manufacturers for direct supplies at rates applicable to bulk purchasers. In case they express their inability to do so in

writing to Kendriya Bhandar the same shall be procured from distributors authorised by them.

(b) The number of approved suppliers for different brands of same product shall be restricted to five for items having sale upto Rs.5 lakhs per month. For items sale exceeding this limit number of suppliers e.g. photocopier paper and machines, computers etc. shall be restricted to (10) except in case of furniture where there are at present (20) suppliers wherein the objective shall be to reduce it to 15 nos. A sale target shall be given to all the suppliers including new supplier at the time of registration which should be reviewed annually (six monthly for new suppliers.).

(c) Before registering a new manufacturer for furniture items their manufacturing unit shall be visited by a team of officers to assess their capacity and to determine their category depending upon their infrastructure, plant and equipments, experience and sale to private customers.

(d) There are a large number of items specially different varieties of papers for which demand is unpredictable e.g. Maplitho paper, Art card, Art paper etc. for which normally stocks are not maintained, neither manufacturer nor their authorised distributors are interested in giving supplies to Kendriya Bhandar. In that event a tender should be invited indicating name of mills etc. asking interested suppliers to indicating their source of supply etc. and lowest rate from authorised tenderer may be approved.

(e) Registration of suppliers shall be valid for one year and shall be reviewed thereafter. At the time of renewal supplier shall be required to furnish their latest ITCC, balance sheet, sales target etc.

(f) Kendriya Bhandar shall normally sell a product on fixed margin of profit ranging from 3% to 9% except in case of submitting its quotation against tenders wherein its margin shall be reduced upto 50% of the normal margin. In order to facilitate follow up against Govt. tenders consisting of number of items a supplier registered with Kendriya Bhandar for more than 60% of value of order (covered in the tender) shall be permitted to execute entire order at rates not exceeding those approved in Kendriya Bhandar, if any.

(g) In order to sell capital equipment, furniture etc. Kendriya Bhandar enter into price agreement with the suppliers, who will be required to do marketing of their product on behalf of Kendriya Bhandar. Capital items being costly normally inventory shall not be maintained by Kendriya Bhandar.

(h) There are certain items (eg. Photocopier machines) on which rate of local sales tax is much higher than that in the other states. Further, as per existing Govt. policy manufacturing units located in a particular area are either totally exempted from Sales Tax or lower rate of Sales Tax is applicable. Since Kendriya Bhandar's objective is to make available goods to its customers either at a lower price or at the same price it is available in the market such products may be sold to the customers on the agency sale basis. In such transactions suppliers shall raise their bills directly to the customers. Customers shall however send the cheque to Kendriya Bhandar for entering before forwarding it to the suppliers. Kendriya Bhandar shall receive agency commission on such transactions As a policy `agency sales` shall be discouraged and will be permitted only in exceptional cases.

#### 7. Approval on case to case basis

(a) Whenever requirement of special furniture and other items are received Kendriya Bhandar shall invite limited tender from the registered suppliers and the lowest rate out of minimum three tenders shall be approved.

#### 8. Payment terms for Stationery Items

(i) Tender items - 40 days credit

(ii) Branded items - As per terms mutually agreed between  
Kendriya Bhandar and manufacturer or their  
authorised distributors

(iii) Capital equipments, - After realisation from customers  
furniture etc.

#### 9. HANDLING OF TENDERS

i) Preparation of tender notice for advertised tenders.

With a view to enable intending tenderers to have a clear idea of the stores to be purchased by the Kendriya Bhandar, a brief and clear indication of the items required should be given.

ii) Fixation of time for receipt and opening of tenders

The date and time for receipt and opening of tenders should be indicated in the tender notice as well as tender enquiry. In case of

advertised tenders, it should be not less than 4 weeks from date of publication of tender notice and in case of limited tenders it should not be less than 2 weeks.

iii) Time allowed for offers to remain open for acceptance.

Normally the tenderers should be asked to keep their offers open for acceptance for a period of one month from the date of opening. But for difficult items for which tender samples are to be tested or in other similar cases, a longer period may have to be fixed for the tenders to remain open.

Ordinarily there should be no occasion to seek extension of time beyond the original validity period. Extensions should be sought in exceptional case for such period within which it is expected to cover the demand.

iv) Postponement of opening date of tenders

Request for extension of the opening date of tenders will have to be decided on merits. When a decision regarding postponement of the date of opening of a tender is taken, it should be communicated to all concerned well in advance of the originally stipulated date of opening, in order to avoid complaints.

v) Sale of Advertised tenders

Tender sets should be sold at the cash counter on payment of Rs. 200/- per set. A copy of the advertised tender notice shall be sent under certificate of posting to registered/likely suppliers of that item. In all events a copy shall be displayed on notice board.

vi) Limited Tender Enquiries

Those enquiries should be sent to all the past/likely firms under certificate and should also ensure that the list is kept upto date by removing the names of those firms who have been black listed/suspended/banned and including new suppliers and past suppliers.

vii) Receipt and Custody and Opening of Tenders

All the tenders should be received in sealed tender box kept for this purpose. The tenders should be entered in a register kept for the purpose. The tender opening committee should consist of the following officers:

1. Accounts Officer/System Analyst

2. Purchase & Sales Executive

If any of the officer is not available, Divisional head may Nominate any other officer.

viii) Opening of Tenders

The Committee opening the tenders should verify that only authorised representative of the firms which have actually submitted the tenders are present at the tender opening. The unauthorised representative or representative of firm which have not submitted the tenders should not be allowed to be present. The tendering firms should be requested to indicate the name and address of the representative who would be attending the opening of tenders on their behalf.

The Committee opening the tenders should prepare on the spot comparative statement of the quotations received indicating the salient features thereof. Each tender should be numbered serially, initialed and circled on the front page. Each page of the schedule of the prices, delivery period etc. should be circled and initialed. Blank tender should be cancelled under the initials and date by the committee members opening the tenders. Overwriting/corrections in the tender, if any, made by the firm should be initialed by the officer opening the tender. No amendment to the tenders will on any account be permitted after the tender opening has commenced. Under no circumstances tender in which the prices quoted are doubtful be considered.

ix) Late and Delayed Tenders

The tenders or modifications to tenders received after the specified time of opening are treated as `Late` while tenders and modifications to tenders received before the time of opening but after the due date and time for receipt of tenders are considered as `Delayed` tenders. Late/Delayed tenders should not be considered. The question whether a firm submitting Late/Delayed tenders should be called for negotiation, in case it is decided to have negotiation after opening of tenders. The Late/Delayed tenders should not be normally considered and not called for negotiation. The question whether a firm who have originally submitted their offer in time but makes a post tender revision should be called for negotiation.

The post tender revision should not be considered. However, if negotiations are to be held for solid reasons which are in no way connected or influenced by the post tender revision by a particular firm that firm should also be called for negotiation. In case post tender revision is not affecting the ranking of their offer and Kendriya Bhandar is gaining then only the post tender revision may be accepted.

x) Comparative Statement - Preparation of

After the tenders have been opened and on the extract prepared, the P&SE concerned will prepare comparative statement indicating necessary details concerning the firm`s offer such as rates, delivery, quantity offered discounts etc. together with any other relevant information. The P&SE will also be responsible for the correctness of the comparative statement.

The quotations received from the tenderers for consideration of a particular demand should be carefully examined by the Purchase & Sales Executive. The comparative statement should thoroughly be checked vis-à-vis the tenders received from the firm so as to avoid the possibility of any mistake.

#### xi) Revision of Rates

While considering the fixation/revision of the rates, the Purchase Committee shall consider whether the revision is necessitated by

- a) general increase in price of raw materials;
- b) increase in the quantum of levies/taxes etc. by the Government and
- c) any other relevant factor

#### 10. Purchase Committee for procurement of items shall be as follows

##### (a) Purchase Committee for Stationery Goods

1. DGM(Sty.)/AGM(Sty.) - Chairman
2. CAO/AO - Member
3. P&SE(Sty.) - Member-Secretary
4. Supdt.(Sty.Godown) - Member
5. Sr.Manager/Manager/  
Incharge Sty.Counter - Member

##### (b) Purchase Committee for Consumer Goods

1. AGM - Chairman
2. CAO/AO - Member
3. P&SE - Member-Secretary
4. Supdt. Consumer Godown - Member

##### (c) Purchase Committee for Grocery Goods

1. AGM(G) - Chairman
2. CAO/AO - Member
3. P&SE(G) - Member-Secretary
4. Supdt.Grocery Godown,Mahadev  
Road - Member
5. Supdt.Grocery Godown, -  
Pushpa Bhawan Member
6. Incharge Masala Unit - Member(for purchase of spices only).

Chairman/GM may Co-opt or reconstitute the purchase committee depending upon the need.

## 11. Quality Control

### a) Pre-testing

Pulses, rice, spices purchased through tenders may be pre-tested before releasing the sale. The random samples from the bulk supply lifted by quality control division and sent for testing in laboratory. On receipt of the test report confirming to specification, goods shall be released for sale by the godown.

### b) Post-testing

Goods may be lifted from the self-service store by the quality control division randomly and the sample may be tested in laboratory. In case goods are not confirming as per specification of goods purchased, the sale of that lot/batch may be stopped and action may be taken for replacement. The random post testing shall also be applicable for stationery items. Any edible item should be tested before introduction in Kendriya Bhandar.

### c) STY ITEMS

In order to ensure quality, to the extent possible, items should be procured in original manufacturer/mill packing at the time of acceptance of items by Supdt.(Godown)/Manager concerned, quality of goods supplied shall be physically checked with reference to approved sample and other physical parameters such as weight, size, packing labels etc. Samples may also be drawn at regular intervals and sent for testing in the laboratory. In order to ensure that spurious items are not supplied to Kendriya Bhandar some samples of the items should be sent to the original manufacturer to certify the authenticity of the item.

## 12. INDEMNITY

a) The terms and conditions applicable between Kendriya Bhandar and its customers against supplies made by the supplier shall also be applicable to them on back to back basis.

b) In event of any damages being claimed by any customer of Kendriya Bhandar or any statutory authority for whatsoever reason against any product supplied by the suppliers shall be applicable to them and will indemnify Kendriya Bhandar and its employees in such case.

c) For edible items the supplier should submit their bill with warranty certificate as prescribed in P.F.A.

## 13. DELEGATION OF POWER

Financial powers for making purchases will be as under:

a) In case supplies are proposed to be procured/purchased from manufacturers or their authorised distributors, manufacturers/distributors will be identified by the purchase committee and the rates obtained.

b) In case of articles like pulses, other food grains, spices etc. efforts should be made by the purchase committee to procure the requirements from State Cooperative Marketing Federation and registered supplier.

c) GM may accord approval for purchase of goods worth Rs. 20 lakhs at any time. If the value exceeds Rs. 20 lakhs approval of Chairman shall be obtained.

d) Registration of new supplier and introduction of new item shall be introduced only after the approval of Chairman.

e) General Manager may accord approval of revision in price of existing product or may authorise to divisional head or any other officer depending upon the product. He may also authorise divisional heads for purchase upto Rs. 1 lakh.

f) G.M. shall be competent to write off damaged goods worth upto Rs. 1 lakh and for value exceeding this limit approval of Chairman shall be required.

## LIST OF TENDER ITEMS

S.No

1. Exercise Notebooks

2. Notesheet pads

3. File Covers

4. File Boards, Flaps, Index file, Dak pad

5. Ruled Registers

6. Diaries

7 Fax Rolls, Amonia paper

8. Different varieties of paper

9. Envelopes

10. Shorthand Notebooks, Slip pads

#### STATIONERY COUNTER -II

11. Table Glass

12. Tags, Thread Balls, Paper Weight

13. Tat, Sutli, Rubber Band, Ash Tray, Drawing Pins, Hammer

14. Towels

#### STATIONERY COUNTER-IV

15. Brushes, Brooms, MOPS etc.

16. Bleaching powder, Gamaxine, Soda Ash

17. Dusters

#### EXTRACTS OF EXECUTIVE COMMITTEE MEETING HELD ON 21ST OCTOBER,2000

##### AGENDA ITEM NO. 3 Consideration of the points raised by Elected Directors in regard to Purchase Policy

The points raised by the Elected Directors regarding Purchase Policy were considered and following decisions were taken:

a) In case of procurement of items in deviation of the guidelines laid down in the Purchase Policy, approval of the Chairman may be obtained. However, such cases should be placed before the Executive Committee in their next meeting.

b) It was decided that in case 60% of the value of the order covered in the tender are to be supplied through registered suppliers, the same supplier may be permitted to supply the remaining items also at the rates not exceeding approved rate in Kendriya Bhandar even though he may not be registered in Kendriya Bhandar in respect of the remaining items.

c) It was decided that new items not on the existing list of Kendriya Bhandar shall be introduced with the approval of Chairman and the same may be brought before the Executive Committee subsequently for its information.

d) It was decided that damaged goods may be written off as per delegation of powers defined in the Purchase Policy, however, such cases may be placed before the Executive Committee for its information. Shri M.D.Pandey was of the view that damaged goods in the store may be identified and a Committee may be formed to consider writing off the said items. This was agreed to and a Committee was proposed to be constituted under the direction of Chairman.

e) It was decided that in case of purchase of any item of more than Rs. 20 lakhs from source other than established manufacturer or their authorised agent approval of the Chairman may be obtained and the same should be placed before the next Executive Committee.

Extracts from the minutes of the Executive Committee Meeting held on 28.09.2001

##### AGENDA ITEM NO.3 Amendment to the Purchase Policy

After detailed discussion the amendment proposed in the Purchase Policy was approved with the observation that while tendering process is initiated, it should be ensured that supply of goods and sale thereof should not suffer. The existing para 6 of the Purchase Policy may now be read as under:

`Branded items may be procured from the manufacturers by direct negotiations with the Company or its wholesale distributors (in case the company does not have a system of direct sales). However, in order to generate competition and get the best price, Kendriya Bhandar may resort to limited tendering for the same/similar products from the registered/reputed suppliers or even resort to open tenders.