

WORKS POLICY-2016

enabling

Execution, Consolidation, Simplification (ECS)





WORKS POLICY-2016

भारत हेवी इलेक्ट्रिकल्स लिमिटेड
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FOREWORD

The world is changing faster than ever. With the rise of new challenges like increasing competition, globalization, technology disruptions and newer regulations, the phrase “a satisfied customer is the best business strategy of all” takes on a whole new meaning with an imperative on our part to identify and exceed the expectations of customers in terms of providing faster delivery, superior quality, and better overall value.

It is time for us to adapt ourselves to the new market realities. It is our passionate endeavour to transform BHEL into an organization which is “Responsive, Robust and Rising” to the needs of its stakeholders. Focus on execution, consolidation and simplification (ECS) is one of the most critical pillars towards this endeavour. We have to strive to simplify our processes to eliminate low value added activities, delays and multiplicity of works. Accordingly, existing policies and processes have been revisited.

We recognise that an effective, efficient & productive Works Policy is an integral component in meeting our targets and long term strategic goals. In this context, Works Policy has been simplified and decentralized to enhance our company’s operational agility.

I am sure that ‘Works Policy-2016’ will enable procurement of works and services at the desired levels of quality, price, delivery and transparency.

(Atul Sobti)

Chairman & Managing Director

Date: 14th September, 2016



PREFACE

The Works Policy and financial Delegation of Powers (DoPs) was last revised in 2008 and there have been considerable changes in market environment since then.

With competition intensifying in terms of time, price and technology in today's market scenario, the imperatives include timely ordering at competitive prices, accelerated execution of works by proven and reliable contractors and faster decision making support.

Customers are demanding shorter deliveries and as such we are required to reduce project cycles for distinct competitive advantage to face fierce competition from overseas and Indian companies.

With above imperatives, the extant Works Policy-2008 and its financial DoPs needed to be reviewed for empowering individuals for faster decision making together with transparency and commitment of highest order of integrity in our decisions.

The Task Force constituted for the purpose comprised of senior officers with wide knowledge on procurement policy issues, global best practices & procurement processes in the Company. Task Force had in-depth discussions with power sector regions, business sectors, international operations and other users so as to align Task Force recommendations with changing business scenario and strategic marketing requirements. All efforts have been made to align the new Works Policy with the extant Purchase Policy last revised in 2013 and various other guidelines issued from time to time. Existing provisions have been rationalised to bring in further clarity and certain new provisions have also been added. Draft of revised Works Policy and financial DoPs were also deliberated upon at length at various levels in the Company, and have been duly approved by the Board of Directors.

I trust, the Works Policy-2016 with its financial DoPs will provide support in meeting the future challenging business needs in consonance with the fundamental principles of transparency, fairness, equity, competition and efficiency. Units/ Regions shall release necessary departmental procedure and work instructions in line with this Works Policy.


(S Biswas)

Director (E, R & D)

Date: 14th September, 2016

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Rev. No. : 00	A. K. Jain General Manager (Sourcing Strategy & Policy)
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CHAPTER - I

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0.0 SCOPE

This Policy lays down the directions and guidelines to be followed by the Manufacturing Units/ Regions/ Other Divisions including Cost Centres, here- in-after termed as Unit, on matters relating to procurement of Works/ Services and related Delegation of Powers (DoPs). Procurement of materials/ equipment & their related services and BOP turnkey packages is covered by Purchase Policy.

This Works Policy (termed as Works Policy-2016) supersedes the earlier Works Policy-2008, relevant provisions in the “Handbook of Delegation of Powers” issued in 1990 and various circulars/ instructions related to works/ services, issued from time to time, and will be effective from the date of its issue.

The Works Policy-2016 shall be applicable for all Enquiries/ NITs/ Tenders for Works/ Service floated on or after the date of issue of this Policy. All post-award actions for orders placed under previous Works Policies (Works Policy - 2008 or earlier) including new requirements/ indents intended to be covered under Repeat Ordering/ Framework Agreement/ Rate Contract shall also be governed by the provisions of Works Policy-2016.

1.0 OBJECTIVE

Objective of procurement activity covered under the Works Policy -2016 shall be to procure the required works/ services at the right time, at an optimum price, consistent with quality requirements, in a transparent and fair manner in line with extant guidelines and Government directives, to meet Customer commitments.

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- 2.1 BHEL shall procure works/ services only from contractors/ service providers committed to Quality on long term basis, so as to improve quality, reduce cost and procurement time.
- 2.2 Emphasis shall be more on process control rather than end inspection upon completion of works/ services.
- 2.3 BHEL shall maintain goodwill of registered contractors treating them as business partners.
- 2.4 Bulking of certain general services shall be done, to the extent practicable/ desirable, to derive price advantage.

3.0 CONTRACTOR REGISTRATION

- 3.1 Contractor evaluation and registration shall be a continuous and dynamic process with provision to induct new competent contractors and to weed out non performing contractors from time to time.

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The criteria shall be based on process and organizational capability, technical competence, tools & plants/ equipment, requisite facilities, financial soundness, quality systems, quality/ delivery/ service performance etc. of the Contractor.

3.2 The extant guidelines "Supplier Evaluation, Approval and Review Procedure (SEARP)" shall be followed for registration of contractors, their periodic performance evaluation and feedback.

3.3 In addition to other modes, publication on the website of the Unit and Company (indicating approx. annual procurement value) shall be resorted to for registration of contractors wherever necessary and especially where there are less than four contractors for a type of works/ services in the Product Material Directory (PMD)/ Supplier Directory (SD). The fact of such publication on the website shall also be advertised at least once a year in minimum two National dailies.

The specified formats for registration and pre-qualification criteria etc. should also be hosted on website of the Unit and Company and prospective contractors shall be permitted to download and use these documents.

3.4 Expression of Interest

For works/ services where specifications/ requirements are not very clear or works/ services which are not frequently procured, 'Expression of Interest' (EOI) may be published on the website of BHEL/ National daily, as mentioned at Clause 6.1.2. EOI should include in brief, the broad scope of the requirement, eligibility and the pre-qualification criteria to be met by the prospective contractors, their past experience etc. The prospective contractors may also be asked to send their comments on the scope of work projected in the EOI. Adequate time should be allowed for getting responses from the prospective contractors. The purpose of EOI is to:

- (a) Arrive at uniform specification parameters meeting technical requirements, and
- (b) Shortlist interested parties.

The contractors meeting the finalized specifications shall be short-listed for further process of issuing Open tender, or Limited tender with recorded reasons.

3.5 Units shall maintain the lists of registered contractors in PMD/ SD on the VPN/ intranet (web pages internal to all BHEL Units) and/ or hard copy, with authorized access (user ID/ password protected), and based on the type/ class of works/ services. All PMD/ SD contractors shall be addressed as registered contractors.

3.6 Based on certification from Material Identification and Supplier Control Committee (MISCC; Supplier Review Committee-SRC, in case of regions), Product Manager/ Head

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of Contracting deptt. shall at the start of every financial year certify that the PMDs/ SDs are updated and comprise active contractors.

3.7 PMDs/ SDs of various Units shall be coordinated and link provided on the intranet with authorized access (user ID/ password protected) by SS&P, Corp. Office for use amongst BHEL units.

3.8 To have the advantage of more competition:

(i) Contractor(s) registered with a permanent code by one Unit (as appearing in the PMD/ SD of that Unit) may be considered as registered contractor(s) by any other Unit for the same type/ class/ category of works/ services.

(ii) In case of urgent break-bulk export cargo, potential vessel owners/ shipping company operating through their own freight forwarders can be identified by a committee of minimum three executives including finance representative. This Committee comprising of senior executives, not below the rank of DGM, duly constituted by Unit Head (ROD) will identify and recommend potential contractors based on the information on website of Port Trust/ other sources & availability of the vessels meeting the targeted shipping date for the destination port, as required by ROD. The contractors as may be approved by Head of ROD and Unit Head (ROD) shall be deemed to be registered contractors for only that particular export break-bulk cargo and included for Limited tendering.

3.9 Procedure for suspension of contractors shall be as per the extant 'Guidelines for Suspension of business dealings with Suppliers/ Contractors'.

4.0 ADMINISTRATIVE, TECHNICAL SANCTIONS AND ESTIMATES

4.1 For each procurement, it shall be necessary to obtain all approvals and sanctions as applicable.

4.1.1 For all Customer project related revenue works/ services, estimates shall be prepared and approved by the competent authority.

4.1.2 In case of procurement of works/ services, other than Customer project related revenue works/ services covered by Revenue Budget, the approval shall include administrative sanction, technical sanction and appropriation or re-appropriation. Preliminary estimates are required to be prepared for the purpose of getting necessary administrative approval of the competent authority. In case of works costing more than ₹ 5 lakhs, detailed estimates for technical sanction shall be prepared, after administrative approval, and approved by the competent authority.

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4.2 Estimates

- 4.2.1 Estimates shall be indicated in the indent.
- 4.2.2 The estimated rate is a vital element in establishing the reasonableness of prices and it is important that it is worked out in an objective manner. Schedule of Rates for facilitating preparation of estimates and serving as a guide for the purpose of finalisation of tender could be prepared based on rates of PWD/ Govt. Agency/ other unit(s) of BHEL. The schedule of rates so prepared should be scrutinised by the technical section, concurred by Finance and approved by competent authority.
- 4.2.3 Where schedule of rates are not available, estimates should be prepared by technical/ engg. section on the basis of market rate analysis/ budgetary offers/ trend of last or previous procurement prices (LPP)/ rates at which procurements were made by sister unit(s)/ economic indices for the raw material/ labour/ other input costs/ LME price trends/ relevant industry formula, as applicable/ demand supply situation, etc.
- 4.2.4 Country specific/ local environmental factors or specific site conditions or any other factor (together called as 'Local Factor') affecting the cost of the proposed works/ services may also be considered. The 'Local Factor' shall not exceed 5% of estimated value.
- 4.2.5 The estimates so prepared by Technical/ Engg. Section shall be concurred by Finance and approved by competent authority.
- 4.3 The price reasonability by the Indenter/ Tender Committee, as applicable, is accordingly to be established as part of their recommendations.

5.0 EARNEST MONEY DEPOSIT & SECURITY DEPOSIT

Earnest Money Deposit and Security Deposit will be as per the tender documents.

5.1 Earnest Money Deposit (EMD): EMD is to be paid by tenderers for securing fulfilment of any obligations in terms of the NIT.

5.1.1 Rates of EMD shall be as under:

(i) For works/ services with estimates upto ₹ 10 Crs	2% of the estimated cost
(ii) For works/ services with estimates more than ₹ 10 Crs	₹ 20 lakhs plus 1% of the estimated cost over ₹ 10 Crs

Where work is to be split on two or more contractors, amount of EMD may be based on the maximum quantum of work envisaged on one Contractor.

For SAS jobs, other than R&M jobs, the maximum value of EMD as well as one time EMD

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in a Unit (for exemption from payment of EMD with each such tender in that unit) will be ₹ five lakhs.

5.1.2 Modes of deposit

The EMD may be accepted only in the following forms:

- (i) Cash deposit as permissible under the extant Income Tax Act (before tender opening)
- (ii) Electronic Fund Transfer credited in BHEL account (before tender opening)
- (iii) Banker's cheque/ Pay order/ Demand draft, in favour of BHEL (along with offer)

In case total EMD amount is more than ₹ 20 Lakh, the amount in excess of ₹ 20 lakh may be accepted in the form of Bank Guarantee from scheduled bank. The Bank Guarantee in such cases shall be valid for atleast six months.

5.1.3 The EMD may be waived or amount reduced in following cases with the prior approval of the Head of the Contracting deptt., not below the rank of AGM:

- a) Joint Venture or Subsidiary companies of BHEL
- b) Central/ State PSUs/ Government deptts/ Autonomous/ Educational/ Research institutions
- c) Consultancy services; Banking, Insurance and other Professional services
- d) Repair/ Maintenance of equipment by OEMs/ OESs
- e) Leasing of assets
- f) Hiring of vehicles
- g) Catering, Horticulture, Sanitation and Courier services

The EMD may be waived or amount reduced/ increased in other cases for reasons to be recorded with the prior approval of the Unit Head (Site-in-charge, in case of small value works covered under clause 16.0).

5.1.4 Forfeiture of EMD

EMD by the Tenderer will be forfeited as per NIT conditions, if:

- i) After opening the tender and within the offer validity period, the tenderer revokes his tender or makes any modification in his tender which is not acceptable to BHEL.
- ii) The Contractor fails to deposit the required Security deposit or commence the work within the period as per LOI/ Contract.

EMD by the tenderer shall be withheld in case any action on the tenderer is envisaged under the provisions of extant "Guidelines on Suspension of business dealings with

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suppliers/ contractors” and forfeited/ released based on the action as determined under these guidelines.

- 5.1.5 EMD given by all unsuccessful tenderers shall be refunded normally within fifteen days of award of work.

In case of expiry of offer validity period or any other circumstances, EMD can be released with the approval of Head of Contracting deptt., not below the rank of AGM.

- 5.1.6 EMD shall not carry any interest.

- 5.1.7 EMD of successful tenderer will be retained as part of Security Deposit.

5.2 Security Deposit

Security Deposit means the security provided by the Contractor towards fulfilment of any obligations in terms of the provisions of the contract.

- 5.2.1 The total amount of Security Deposit will be 5% of the contract value. EMD of the successful tenderer shall be converted and adjusted towards the required amount of Security Deposit.

5.2.2 Modes of deposit:

The balance amount to make up the required Security Deposit of 5% of the contract value may be accepted in the following forms:

- i) Cash (as permissible under the extant Income Tax Act)
- ii) Local cheques of Scheduled Banks (subject to realization)/ Pay Order/ Demand Draft/ Electronic Fund Transfer in favour of BHEL
- iii) Bank Guarantee from Scheduled Banks/ Public Financial Institutions as defined in the Companies Act. The Bank Guarantee format should have the approval of BHEL
- iv) Fixed Deposit Receipt issued by Scheduled Banks/ Public Financial Institutions as defined in the Companies Act (FDR should be in the name of the Contractor, a/c BHEL)
- v) Securities available from Indian Post offices such as National Savings Certificates, Kisan Vikas Patras etc. (held in the name of Contractor furnishing the security and duly endorsed/ hypothecated/ pledged, as applicable, in favour of BHEL)

(Note: BHEL will not be liable or responsible in any manner for the collection of interest or renewal of the documents or in any other matter connected therewith)

- 5.2.3 The Security Deposit may be waived or amount reduced in following cases with the

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approval (before tendering) of the Head of the Contracting deptt., not below the rank of AGM:

- a) Joint Venture or Subsidiary companies of BHEL
- b) Central/ State PSUs/ Government deptts
- c) Autonomous/ Educational/ Research institutions
- d) Hiring of expert services
- e) Repair/ Maintenance of equipments by OEMs/ OESs
- f) Rental/ Lease/ Hiring of Premises/ Vehicles/ Office equipment etc. where owner's/ contractor's assets are being let out to/ used by BHEL
- g) Catering, Horticulture, Sanitation and Courier services for contract value upto ₹ 5 lakhs;

The Security Deposit may be waived or amount reduced in other cases for reasons to be recorded with the approval (before tendering) of the Unit Head (Site-in-charge, in case of small value works covered under clause 16.0).

(The requirement of Security Deposit or otherwise, as the case may be, shall be clearly specified in the tender conditions).

5.2.4 Collection of Security:

At least 50% of the required Security Deposit, including the EMD, should be collected before start of the work. Balance of the Security Deposit can be collected by deducting 10% of the gross amount progressively from each of the running bills of the Contractor till the total amount of the required Security Deposit is collected.

If the value of work done at any time exceeds the contract value, the amount of Security Deposit shall be correspondingly enhanced and the additional Security Deposit shall be immediately deposited by the Contractor or recovered from payment/s due to the Contractor.

The recoveries made from running bills (cash deduction towards balance SD amount) can be released against submission of equivalent Bank Guarantee in acceptable form, but only once, before completion of work, with the approval of the authority competent to award the work.

(Note: In case of (a) small value contracts not exceeding ₹ 20 lakhs or (b) SAS jobs, work can be started before the required Security Deposit is collected. However, payment can be released only after collection/ recovery of initial 50% Security Deposit).

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5.2.5 Security Deposit shall be released to the Contractor upon fulfilment of contractual obligations as per terms of the contract.

5.2.6 The Security Deposit shall not carry any interest.

6.0 PROCUREMENT THROUGH TENDER SYSTEM

Tender system is adopted to procure works/ services at the most competitive rates. Three kinds of tenders are in vogue viz., Open tender, Limited tender and Single tender.

- (a) Normally, no advance payment shall be made to the Contractor. Mobilisation advance payment in exceptional circumstances shall be interest bearing and secured through Bank Guarantee/s and shall be limited to a maximum of 5% of the contract value. The Bank Guarantee shall be for 110% of the value of advance so as to enable recovery of not only principal but also the interest portion, if so required. In these cases, advance payment conditions shall form part of the Tender Enquiry.

In exceptional circumstances, with due justification, Head of the Unit/ Region is empowered to approve proposals for payment of additional interim interest bearing advance to contractors, against Bank Guarantee/s, for resource augmentation towards expediting work for project implementation. However, the unadjusted amount of advances paid shall not exceed 5% of the total contract value at any point of time. Recovery of advances shall be made from the running bills progressively such that the amount paid along with the interest is fully recovered by the time the Contractor reaches 90% billing of total value of works to be executed.

(Note: Interest rate shall be the base rate of SBI (on the date of release of advance) plus 6% which shall be indicated in the NIT)

- (b) Advance payment/s (interest free and waiver of BG) can be agreed with the approval of Unit Head (not below the rank of GM) in the following cases:
- (i) Deposit works undertaken by Central/ State Govt bodies
 - (ii) Consultancy services/ Type test services from professional Central/ State Govt. bodies or Institutions like IITs, NITs, reputed laboratories, etc.
 - (iii) Type testing of BHEL product by other test house/ laboratory of International repute (limited to ₹ 50 lakhs against each order)
- (c) Total price quoted against item rate tenders are generally considered for evaluation and inter-se ranking. For item rate tenders, it is important that the inter-se ranking as determined at the evaluation stage does not change upon execution of the contract. To obviate change in ranking, item rate tenders should be invited on either of the following basis:

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- (i) Estimated rates are disclosed in tender documents and percentage rate tenders (overall percentage above or below, or at par with the tender rates) are invited.
- (ii) Percentage allocation against each item of the BOQ is disclosed in the tender document which becomes the basis for allocation of item wise amount/ rate against the total lumpsum price for the entire contracted scope/ BOQ.
Individual item rates so derived based on (i) or (ii) above shall be deemed to be the contracted rates for various BOQ items for all purposes.

6.1 Open Tender

6.1.1 Open tender shall be the preferred mode of tendering for tender valuing ₹ 1 Cr & above.

Pre-Qualification procedure shall be adopted for selection of prospective contractors from whom offers can be considered and Pre-Qualification criteria (i.e. past experience/ performance, financial soundness, technical competence), requisite facilities, organizational capability, etc., commensurate with the requirements shall form part of the NIT. For this purpose, two/ three part bid system shall be followed in all cases of Open tenders.

Notes:

1. The common Pre-Qualification Requirements (PQR) notified by PS-HQ/ MSX for Power Sector projects for Civil/ Mech/ Elect./ C&I Works from time to time shall be followed while preparing the PQR for the works.
2. Contracting department shall make best possible efforts to get the authenticity of the documents (submitted by the bidders for pre-qualification) verified.

6.1.2 Open tender shall be hosted on the website of the Unit and BHEL. The fact of such publication on the website shall also be advertised in the newspaper/s having wide circulation as per the following guidelines:

Tender Value	Modalities of Press Advertisement
Less than ₹ 10 lakhs	(Press advertisement not mandatory)
₹ 10 Lakhs to ₹ 20 Lakhs	One Local daily
₹ 20 Lakhs to ₹ 1 Cr	One National daily & One Local daily
More than ₹ 1 Cr	Two National dailies & One Local daily

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Global Tender

Where competition from more than one source from different countries is envisaged, Global tendering is to be resorted to. Concurrent to the publication of tenders in newspaper/s, as applicable to Open tendering system, copy of NIT will be endorsed to the respective Embassies and High Commissions in India to seek offers through their liaison.

Press advertisement may also be given in newspaper/s with 'global circulation'. The selection of newspaper/s abroad and Embassies/ High Commissions in India will depend on the possibility of availability of the eligible contractors from such countries.

In addition to above, attention of registered contractors and other probable contractors may also be drawn to the Open/ Global tender.

- 6.1.3 Tender documents shall be hosted on the website and prospective contractors shall be permitted to download and use these documents for submission of bids.

In case of any inability/ restrictions to host certain drawings/ part of tender documents on the website, the modalities for sending/ collection of such documents shall be clearly stated in the NIT.

- 6.1.4 In case of two/ three acceptable offers, the Open tender shall be treated as Limited tender for further processing as per DoP.

- 6.1.5 In case of a single acceptable offer, if it is considered necessary to proceed further in the same tender enquiry (reasons to be recorded), the Open tender shall be treated as Single tender for further processing as per DoP.

6.2 Limited Tender

- 6.2.1 Limited tender shall be addressed to all registered contractors (with permanent code) with the approval of competent authority as per DoP. However, approval of competent authority not below the level of Head of Contracting department (AGM or above rank) is required (reasons shall be recorded with rationale) in the following cases:

- (i) For excluding any of the registered contractors
- (ii) For including registered contractors with low performance rating under SEARP
- (iii) For addressing Limited tender enquiry to contractors short listed through EOI as per CI 3.4
- (iv) For including unregistered Govt. agencies for specialised calibration/ testing jobs
- (v) For including potential contractors as per CI 3.8 (ii)

In exceptional circumstances, contractors who have been qualified earlier for a similar

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job (in response to open tender/s) may also be addressed with the approval of competent authority not lower than Head of Unit, subject to following conditions:

- (i) all contractors qualified in previous open tenders floated in last two years are included; and
- (ii) bidders qualified under this clause should not be less than four.

6.2.2 For addressing Limited tender enquiry to unregistered contractors referred by the Customer, approval of Product/ Construction Manager/ Head of Contracting Deptt (AGM or above rank) shall be taken with recorded reasons. In such cases, bids should be invited in two/ three parts, and the offers of such contractors will be considered provided they are registered with permanent code in line with the provisions of SEARP, before price bid opening.

6.2.3 Wherever the number of registered contractors in PMD/ SD is less than four, it should be recorded that the process as in clause 3.3 is being followed.

6.2.4 In case of a single acceptable offer, if it is considered necessary to proceed further in the same tender enquiry (reasons to be recorded), the Limited tender shall be treated as Single tender for further processing as per DoP.

6.3 Single Tender

6.3.1 The Single tender route shall be resorted to only in exceptional cases. Single tender may be invited from the registered/ other Contractor due to any of the following reasons, duly certified by the Head of the Indenting department (not below the rank of DGM):

- a) Proprietary in nature
- b) Works by collaborators or by their recommended contractors
- c) Customer's contract requirement
- d) Urgency of requirement (to be certified by Head of Indenting department/ Product/ Project Manager/ Site-in-charge, with recorded reasons underlying the urgency)
- e) Type testing of BHEL product by test house/ laboratory of International repute
- f) Works (pertaining to Re-conditioning, Re-building, Renovation & Modernisation, Repair, Maintenance) by original suppliers of equipment/ services or their recommended vendors
- g) Value of works being less than ₹ 50,000/-
- h) Deposit Works undertaken by Central/ State Govt. or other bodies like Railways/ RITES etc

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- i) Only one registered Contractor in the PMD/ SD, subject to fulfilment of the following:
 - (i) Process at 3.3 is being followed, and
 - (ii) In case the estimated value of the tender is more than ₹ 20 Lakhs, it shall be recorded that Open tender has been resorted to in last financial year and there was no new qualified response.
- j) Strategic Works to be executed by CPSEs, based on sectoral preference guidelines from administrative ministry
- k) Hiring of technical competencies for R&D projects (to be certified by Head of the Indenting department, not below the rank of AGM, based on recommendations of R&D project leader as per BHEL's R&D Policy)
- l) Procurement of works/ services from Joint Ventures or Subsidiaries of BHEL
- m) Requirements resulting from Strategic tie-ups/ Business Sharing Agreements approved by CMD.
(to be certified by the concerned Business Sector/ Marketing Group that source/ supplier has been identified as per clause 36.11, and bears the approval of the Competent Authority).

6.3.2 Head of Contracting Deptt can also certify for reasons under clauses (g) & (i). Head of Commercial/ Marketing department can also certify for reasons under clause (c).

6.3.3 On successful completion of the job, such contractors, if not registered earlier, may be included in the PMD/ SD, as per SEARP.

6.3.4 In order to reduce cases of Single tender procurement, all such cases shall be reviewed by the Product Head/ Head of Contracting Deptt every quarter. In addition, following cases shall be reviewed by Unit Head at least once in six months:

- Single response finalized against Open/ Limited tender.
- Single tender purchases under 6.3.1 (i)
- All other Single tender purchases valued above ₹100 Lakhs.

7.0 REVERSE AUCTION

The norms and procedure for reverse auction shall be as per extant guidelines issued by SS&P, Corp. Office.

8.0 E- PROCUREMENT

Procurement process can also be through electronic mode, within the provisions of the Works Policy and relevant acts, where bidding, contracting and payments etc. are accomplished electronically improving the process time and thus efficiency.

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9.0 QUOTATIONS AND OPENING OF TENDERS

9.1 Type of Bids

- a) Generally, two-part bid system is preferred where bids are invited in two parts viz. Techno-commercial (Part-I) and Price (Part-II) bids. Techno-commercial bids are opened first, evaluated and only then the price bids of qualified contractors are opened.
- b) Single-part bid system may be followed where technical specifications and requirements are clear and no deviations are acceptable. No post-tender opening clarifications are allowed in single-part bids. The evaluation/ exclusion criteria for commercial terms shall be stated in the NIT. Bids not meeting the evaluation/ exclusion criteria stated in the NIT will be rejected. However, in Limited tender single-part bids, retendering (two-part bidding) shall be resorted to in the event of L-1 bidder getting rejected on technical grounds.
- c) Wherever bidders need to be pre-qualified first, bids can also be invited in three parts viz. Pre-qualification (Part-I), Techno-commercial (Part-II), and Price (Part-III) bids.

9.2 Submission Time

Adequate notice should be given to contractors for submission of offers which should not be less than three weeks for Open tenders, two weeks for Limited tenders and ten days for E-procurement.

This time limit may be reduced (before floating of tenders) or extended (after floating of tenders) for recorded reasons, with the approval of authority competent to invite tenders (limited to Unit Head).

9.3 Offers by FAX/ E-mail/ Internet/ EDI (Pre-specified in NIT)

Fax/ E-Mail/ Internet/ EDI offers received in time shall be considered only when such offers are complete in all respects. Suitable security measures, as applicable, shall also be taken.

9.4 Receipt of Tenders

In general, the receipt of tenders should be through tender boxes. The location of tender box should be clearly indicated in NIT. Tender box should be conspicuously located in a secured environment in conveniently approachable premises.

However, in cases where tenders are bulky, or due to some reasons tenders are required to be submitted by hand, the names and designation of atleast two officers to whom such

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tenders are to be submitted should be mentioned in the bid documents. Else such tenders may be submitted in a secured tender room identified for the purpose and indicated in NIT.

The latest technology such as webcam etc. may be used.

9.5 Tender Opening

All tenders shall be opened at a specified place and appointed date and time (or the extended date/ time, if any) by representatives of Contracting deptt. and Finance departments in the presence of representatives of contractors who would like to be present. The last day of submission (or the extended date of submission) and the opening date shall be same.

Proper records of proceedings (like date, place, time, number of tenders received, signature of bidders on attendance sheets/ register, etc.) of tender opening shall be maintained.

9.6 Tender Evaluation

Tender evaluation shall be carried out on the basis of technical specifications and commercial terms & conditions specified in the tender documents and changes thereof, if any, shall be communicated to all the bidders before price bid opening. Techno-commercial bid should normally not be rejected (in the case of two-part bid system) without giving the bidder an opportunity to withdraw the deviations/ furnish the clarifications/ documents by appropriate cut-off date. Reasons for rejecting a bid shall be clearly recorded.

9.7 Loading Criteria

The list of permissible technical/ commercial deviations and the loading criteria thereof shall be informed in the NIT through tender conditions. In respect of any additional technical deviations for which loading criterion is required to be framed after opening of techno-commercial bid, the Engineering/ Indenting head shall be authorized to accept any technical deviations and frame the additional loading criteria thereof. As regards any additional commercial deviations for which loading criteria is required to be framed after opening of techno-commercial bid, approval of the authority competent to approve the placement of order (limited to Product Head/ Head of Contracting deptt) shall be obtained for accepting the deviations and framing the loading criteria thereof. Such additional deviations and the loading criteria shall be communicated to all the qualified bidders before the price bid opening.

9.8 Price Bids (in two/ three-part bid system)

- 9.8.1 Any discount/ revised offer submitted by a bidder on its own shall be accepted provided it is received on or before the due date and time of offer submission (i.e. Part-I bid). The discount shall be applied on pro-rata basis to all items unless specified otherwise by the bidder.

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Unsolicited discounts/ revised offers given after Part-I bid opening shall not be accepted.

9.8.2 In case there is no change in the technical scope and/ or specifications and/ or commercial terms & conditions, the bidder/s shall not be allowed to change his/ their price bids after the due date, within the validity period.

9.8.3 In case of changes in scope and/ or technical specifications and/ or commercial terms & conditions, having price implications, techno-commercially acceptable bidders shall be asked by BHEL (after freezing the scope, technical specifications and commercial terms & conditions) to submit the impact of such changes on their price bid. A suitable cut-off date and time should be given to all the techno-commercially acceptable bidders to submit the impact on their price bids.

In such cases, the estimates prepared may be re-examined w.r.t. the changes in specification/ terms & conditions.

In the event of any bidder, after finalizing the technical specification & scope of supply, opting to revise and submit their latest price bid instead of submitting impact on their price bid asked by BHEL, then their original price (i.e. the previous bid) shall also be opened to know the price impact.

9.8.4 All the techno-commercially acceptable bidders shall be informed of the date and time of opening of price bids. The price bids shall be opened on the due date and time by representative of Contracting and Finance Departments in the presence of representatives of contractors who would like to be present.

9.9 Safe Custody of Bids

After tender opening, all the un-opened bids (including price bids) shall be stored in safe custody. Units to incorporate suitable instructions in their Departmental Procedures/ Work Instructions.

9.10 Return of Un-opened Bids

After release of letter of intent/ work order, the un-opened bids (including price bids) shall be returned to the respective bidders alongwith reasons for not opening the bids.

10.0 LATE TENDERS

In case of Open/ Limited tenders, offers received after the specified time of their 'Submission' are treated as Late tenders and shall not be considered.

In case of Single tender enquiry, late offers may be considered with the prior approval of next higher authority competent to invite tenders (limited to Unit Head).

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11.0 COST EVALUATION

11.1 Evaluation shall be on the basis of delivered cost (i.e. “total cost to BHEL”).

11.2 For evaluation, the exchange rate (TT selling rate of SBI) shall be taken as under:

Single part bids : Date of tender opening

Two/three part bids : Date of Part-I bid opening

Reverse Auction : Date of Part-I bid opening

If the relevant day happens to be a bank holiday, then the forex rate as on the previous bank (SBI) working day shall be taken.

All the above shall also be stated in the tender conditions.

11.3 Ranking (L-1, L-2 etc.) shall be done only for the techno-commercially acceptable offers.

12.0 TENDER COMMITTEE

A Tender Committee for all works/ service (including repeat orders cases) above ₹ 5 lakhs shall be formed.

12.1 Role of tender committee

The role of Tender Committee as given below commences with opening of bids, which is indicative and not exhaustive.

12.2 The Tender Committee will be responsible for the following:

i. To judge the following as per NIT:

- a) Suitability of all the tenderers in terms of their technical soundness for the contract for works/ services to which the tender relates on the basis of technical data.
- b) Past performance.
- c) Bidders' financial statement of accounts including tax assessment etc.
- d) Whether the tenderers fulfil the qualifying requirements.

ii. To deliberate on techno-commercial aspects to bring all tenderers at par.

iii. To ensure that offers have been technically and commercially loaded in respect of various factors mentioned in the tender enquiry.

iv. To comment on:

- a) Deviations from specifications, drawings etc.
- b) Special instructions imposed by the tenderer.
- c) Specifying clearly whether modification etc. are acceptable.

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- d) Scope of work, if changed, will necessitate calling of fresh tenders.
- v. To certify that the tendering process as per the policy has been followed.
- vi. The Tender Committee should also state in its recommendation whether the prices are reasonable and commitments are within the approved budget.

12.3 The Tender Committee will consist of at least three officers one each from – (a) Contracting department, (b) Finance and (c) Indenting/ Construction and/ or Engineering department (nominated by respective Head of department). Executive(s) from any other department(s) may also be nominated, if required.

12.4 The rates at which works are to be awarded should be reasonable with reference to the estimates (for labour supply contracts, bids lower than the minimum statutory amount, i.e minimum wage, PF, ESI, etc., as may be declared by unit HR deptt., shall be rejected). Variations upto +10% of the estimates could be agreed to by the authority competent to award the work by recording the justification.

However, in exceptional cases in respect of turnkey jobs or any prestigious job with a definite date line to be met, the Unit Head not below the rank of a General Manager, may relax the above limits up to +20% of the estimates after recording the justification for the same.

In case of variance beyond +20%, the estimates may have to be re-examined and normally re-tendering shall be resorted to. In case fresh competitive bidding is considered not feasible or desirable and in situation where revised final price obtained are still beyond +20%, acceptance of such price shall require approval of respective Functional Director (or CMD, in case of Units directly reporting to CMD) with concurrence of Director (Finance).

12.5 The tender committee will also conduct negotiations, if required. No negotiation shall be conducted with the contractors by a single individual. All the proceedings of the Committee must be clearly recorded before the competent authority's sanction is obtained.

12.6 Negotiations

Price negotiations may be conducted as an exception, with L-1 bidder, by the Tender/ Negotiation Committee with the prior approval of the next higher authority competent to award the work (limited to the Unit Head). Wherever necessary, an expert may also be associated.

In the absence of tender committee, where the value of work is less than ₹ 5 lakhs, negotiations have to be generally avoided. However, where negotiation is considered absolutely necessary, for reasons to be recorded in writing, a separate negotiation committee on the lines of a tender committee shall be formed to conduct the negotiation.

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After negotiation, bidder may be asked to submit his revised price.

The negotiation committee should sign the minutes of the meeting of the negotiation held with bidder, immediately after negotiations.

(Note: Counter offering to L-1 bidder tantamounts to negotiation).

- 12.7 The Tender Committee is empowered to make, and is accountable for their final recommendation to the Competent Authority.

The Committee in their recommendations should state whether the prices are reasonable or not, keeping in view of the consideration given in estimates, submit recommendations and clearly indicate further course of action to be adopted.

Recommendations of the Committee shall be submitted for approval of the Competent Authority.

- 12.8 In the decisions of the Committee(s), the responsibility of individual members will be confined to their specific area/ function with collective responsibility for the final recommendations.

13.0 SPLITTING THE WORK

- 13.1 Wherever necessary, work can also be awarded to more than one Contractor. The distribution is to be done in a fair and transparent manner whereby the distribution is guided by the order of tender rankings.

- 13.2 In cases where it is decided in advance to have more than one Contractor, the intention and the manner of splitting shall be stated in the tender enquiry. In case of two/ three part bid, if the intention and the manner of splitting was not pre-disclosed in the NIT, and it is later discovered that the work needs to be distributed on more than one Contractor, the intention and manner of splitting shall be disclosed to all the techno-commercially acceptable bidders before price bid opening.

In case of single-part bid, if the distribution of work is not envisaged in the NIT, and if, after due processing, it is discovered that the work to be awarded is far more than what L-1 alone is capable of executing and since there was no prior decision to split the work, the balance work should be distributed among the other bidders, at overall L-1 rates, in a manner that is fair, transparent and equitable.

Wherever the numbers of qualified responses (N) are three or more, the distribution shall be limited to (N-1) qualified responses. Distribution in case of two qualified bidders shall require approval of Unit Head (not below the rank of GM).

- 13.3 Rates of L-1 bidder, as finalized, shall be counter offered to the other bidders in case of

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splitting of order. In case any bidder(s) do not accept the L-1 rates, the counter-offer may be extended to other bidders.

14.0 RE-TENDERING

Re-tendering may be resorted to only after the administrative approval of the competent authority for ordering under the circumstances such as:

- (a) Inadequate response;
- (b) Unreasonably high/ low price;
- (c) Suspected cartel formation;
- (d) Sudden slump in market prices;
- (e) Negotiation has not yielded desired results;
- (f) Major changes in scope and/ or pre-qualification requirement in a tender.

In case L-1 bidder backs out, re-tendering shall be done (without including the L-1 bidder who had backed out).

15.0 REPEAT ORDERS

- 15.1 Repeat Orders without calling for fresh tenders may be resorted to only in case of contracts not exceeding ₹ 50 lakhs, with recorded reasons and approval of Competent Authority as per DoP, provided (a) there is no downward price trend (with supporting data/ rationale), (b) it should give benefit in delivery/ reducing cycle time and (c) performance of the party in execution of the original/ previous contract is satisfactory.
- 15.2 Repeat ordering is not permitted if (a) for individual item(s) of the package if the original order was evaluated on total package basis, (b) the original order was placed on Single tender basis (under 6.3.1 d & i), (c) the original order was placed on Single acceptable response basis against Open/ Limited tender, (d) the bidder(s) was rejected on delivery grounds in the original tender, and (e) it is a Framework Agreement.
- 15.3 Quantity discount/ reduction in price by the Contractor due to reduced effort on his part (design/ marketing effort etc.) shall neither be treated as downward price trend nor as negotiation. The impact due to taxes and duties shall be considered by the Tender Committee/ dealing Contracting deptt. executive while reviewing and recommending the discount/ price reduction offered.
- 15.4 Total value of repeat order/s (including amendments) shall not exceed the original order value. Repeat order/s may be placed within two years from the date of original order or one year from the completion of original work, whichever is earlier
- 15.5 In case original orders were placed on two or more contractors at L-1 rate after splitting,

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the repeat order should be split in same ratio; and if not possible, the work should be split in a transparent and fair manner, also taking into account the contractors' performance in execution of the original orders.

15.6 The Sister Unit wanting to place the 'Repeat Order' shall also comply with the following:

- Request the original Unit for placement of repeat order, or
- Shall ensure fulfilment of the conditions of 'Repeat Ordering' and will take clearance of the original Unit, followed by confirmatory information and contract copy to the original Unit.

15.7 Repeat order should be supported by latest estimates duly vetted by Finance.

16.0 SMALL VALUE WORKS AT PROJECT SITES

Small value works at Project Sites including Service Sites shall be carried out as per the Policy with the approval of:

- Site In charge of the rank of E-6 & above (with Financial concurrence by officer of the rank of minimum E2):

Open/ Limited Tender	Up to ₹ 20 lakhs (₹ twenty lakhs)/ USD 50,000 in case of overseas sites.
Single Tender	Up to ₹ 5 lakhs (₹ five lakhs)/ USD 12,500 in case of overseas sites.

- Site In charge of the rank of E2 and above (with Financial concurrence - by the officer of the rank of minimum E1A):

Open/ Limited Tender	Up to ₹ 10 lakhs (₹ ten lakhs)/ USD 25,000 in case of overseas sites.
Single Tender	Up to ₹ 2 lakhs (₹ two lakhs)/ USD 5,000 in case of overseas sites

For such works at sites, Works Policy/ related procedural requirements shall be followed.

Locally available registered/ unregistered contractors who are technically qualified may be included for tendering.

A report for all such works undertaken at site shall be submitted to the Unit Hqrs. on a monthly basis.

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17.0 WORK EXECUTION IN OTHER AREAS

Works can also be done by the existing Contractor in other areas 'not described' and unforeseen in the contracted scope of work, provided:

- a. Such areas are in the same project site.
- b. Items, rates and other related conditions of contract remain unchanged.
- c. The total value of work executed is within the variation limit specified in the original contract.

Engineer In-charge shall obtain concurrence of Finance (within powers as delegated in DOP for financial concurrence, Chapter-III) and approval as under:

Approving authority	Value of such works (Contract Value)
Site In-charge (not below the rank of DGM)	Upto 5% of Contract Value
Head of the Unit	Upto 15% of Contract Value

18.0 RECOVERY RATES FOR MATERIALS AND TOOLS & PLANTS (Not specified in the contract)

In case delays are not attributable to the contractor and stores & materials are issued by BHEL/ Customer to the Contractor for expediting the work, cost of such material will be recovered at higher of the prevailing market rate or the book rate plus 5% departmental charges with the concurrence of Head of Finance and approval of Unit Head.

Recoveries alongwith applicable Sales Tax/ VAT/ other duties shall be ensured within three months from the date of issue of material, beyond which the interest will be charged on the outstanding amount at base rate of SBI (as on the day of issue of material) + 6%.

When the Contractor is not responsible for delay and the works needs to be completed within a specified time frame, the services of BHEL T&P alongwith operator and fuel can be extended to the Contractor with the concurrence of Head of Finance and approval of Unit Head at the charges to be intimated by Unit/ PS Finance every year.

19.0 WORKS THROUGH PERSONAL ENQUIRY

Works up to ₹ 30,000/= (USD 750 in case of overseas project), limited to ₹ two lakh (USD 5,000 in case of overseas project) per annum per site in Unit/ Region, may be carried out without obtaining quotations by a representative duly authorised by an officer not below the rank of DGM. Payment can be made by cash/ cheque/ draft/ EFT.

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20.0 INTER-UNIT PROCUREMENTS

Procurement of works/ services within the range of the sister Units shall be made from them if time schedule and quality requirements are met.

In such cases, tenders need not be called from other parties and work can be awarded directly on the sister Units of BHEL at mutually agreed prices.

Procurement from outside sources, of works/ services falling within the range of the sister Units of BHEL may be carried out only with the prior approval of the Unit Head for recorded reasons.

21.0 PRE-BID/ POST-BID/ PRE-AWARD TIE-UPS/ MOUs

21.1 Pre-bid Tie-ups/ MOUs

Pre-bid activities are undertaken before submission of BHEL's bid to the prospective Customers for high-value works and services.

Such a mutually exclusive arrangement is desirable to firm up estimated costs of high-value (₹ 10 Cr and above) works and services or where BHEL does not have previous experience of such work/ service or engineering know-how, to be certified by Unit Head.

However, preliminary estimates shall be necessary in all cases before initiating pre-bid tie-up action.

Following additional guidelines shall be applicable in respect of such Tie-ups/ MOUs:

- i) A Committee consisting of (a) Construction/ Indenting and/ or Engineering, (b) Contracting/ Purchase, (c) Marketing/ Commercial and (d) Finance depts. may be constituted by the Unit Head for entering into MOU/ Tie-up.
- ii) Bids obtained from contractor(s) may be opened in-camera.
- iii) Negotiations (with L-1 only) may be conducted by a Committee and an MOU entered into with due approvals.
- iv) MOUs shall contain all major terms and conditions to be included in Contract, with ample scope for negotiations with Customer without involving the Contractor.
MOUs shall be as comprehensive as possible requiring minimum alterations at the time of contract placement and shall specify "Customer-BHEL-Contractor" back-to-back arrangements/ commitments to the maximum extent possible.
- v) MOU should contain stipulation that in the event of price reduction during negotiation by BHEL with the customer, corresponding reduction will be passed on to the contractor(s). Major terms and conditions such as acceptance of LD/ penalty, guarantee/ warranty, payment terms including advance, if any, etc., shall be on

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- a back- to- back basis and clearly spelt out in the MOU. Conditions for advance payment shall form part of Tender Enquiry.
- vi) MOU should contain adequate safeguards regarding requisite technical parameters and the quality requirements along with appropriate clauses for alteration in prices in case of deviation from the stipulated technical parameters.
 - vii) MOUs shall contain adequate provisions for variance in financial commitments quantified against Additions, Deletions and Changes in scope of supplies and works and services, preferably identifying them against bills of materials, rates per unit etc. of supplies or services.
 - viii) Within 30 days of signing the MOU, 1% of the value of MOU shall be taken from the Contractor as bid bond in the form of bank guarantee or security deposit etc, in order to ensure the contractor's continued commitment during the validity period of the MOU.
- However, the Unit Head may relax this condition for registered contractors of BHEL.
- ix) MOUs may be converted into a Contract on receiving the order from the Customers without any major deviations/ financial implications keeping in view the spirit of the MOU and without going through the tender procedure.

Wherever, the tie-up has to be finalised on Single tender basis, with the collaborator or with the supplier/ service provider/ Contractor recommended by Head of concerned Marketing Group with the approval of competent authority, as per clause 6.3.1 (m), the bids received may be negotiated and converted into MOU and/ or a contract on receiving the order from the Customers, without going through the tendering process.

21.2 Post-bid Tie-ups/ MOUs

Pre-bid tie-up is the most preferable mode of finalizing MOUs, as it is done before bid is submitted by BHEL to the Customer. In the eventuality of Pre-bid tie-up/ MOU process not being completed by the time BHEL submits its bids to prospective customers, the necessity of continuing with the process at the post-bid stage requires the approval of Heads of Unit, and the concerned Business Sector/ Marketing Group. However, it may be ensured that the price bids of techno-commercially acceptable bidders are opened and comparative statement is vetted before BHEL submits its bid proposal to the Customer.

On approval, the process may be continued at post-bid stage and MOUs finalized in line with the guidelines at 21.1.

21.3 Pre-award Tie-ups/ MOUs

Based on marketing intelligence of the concerned Business Sector/ Marketing Group, tie-up process can also be initiated, with the approval of the Unit Head, at pre-award stage

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and MOUs finalized in line with the guidelines at 21.1.

- 21.4 All Pre-bid/ Post-Bid/ Pre-award Tie-ups/ MOUs shall require approval of the Unit Head. In order to facilitate such approvals, the units may develop and finalise detailed procedures from time to time within the framework of this Policy.

22.0 PROCUREMENT THROUGH FRAMEWORK AGREEMENTS

Framework Agreement (FA) means an agreement with one or more contractors for procurement of regular work/ services. Such FAs may be entered into for a period normally not exceeding two years (the time limit of two years may be relaxed upto five years by Unit Head for justified reasons, depending upon the nature of scope and resources/ assets already deployed or proposed to be deployed for the longer term agreement with regular periodic maintenance/ support).

FA sets out terms and conditions under which specific procurements can be made during the term of the agreement and shall include agreement on prices which are determined after following the tendering procedure.

The intention and the manner to split the work/ services on more than one Contractor shall be stated in the tender enquiry/ MOU terms as per clause 13.0.

- 22.1 The works/ services for which Unit has or intends to have FAs with the objective of having procurements at competitive rates shall always be available on Unit/ BHEL website so that interested contractors can contact the concerned Unit for registration.

Such FAs shall have provisions for suitable price variation (wherever possible), short closing of agreements, performance monitoring, quality surveillance, etc. However, price trends/ developments are to be watched. Concurrence of Finance and approval of Competent Authority to be obtained in case of any cost implications for which approval was not taken during finalization of the FA.

Individual work orders can be placed within the validity period and the value approved for FA.

- 22.2 A common category or class of works/ services required by more than one BHEL Unit may be bunched and FAs finalized by the Lead Agency.

The Lead Agency for a category or class of works/ services shall be identified by Corp. Office/ Business Sector. Lead Agency shall be responsible for all pre-purchase activities i.e. till entering into the FA. Such agreements with the contractors may contain provision for mutually agreed quantity variation.

No separate approval shall be required by the user Unit/s for issue of individual Work

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orders within the value/ quantity allocated.

- 22.3 The user Unit operating the FAs shall maintain a centralized register of orders placed against its allocation. Any increase beyond the allocation can be done only after clearance from the Lead Agency.

The Lead Agency shall consolidate the usage/ actual orders released against FA periodically.

- 22.4 Extension of FA should normally be avoided. Timely action for entering into fresh FA should be initiated.

However, validity of existing FA may be extended for recorded reasons, provided there is no downward trend in prices and the total period including extension/s does not exceed two years (or five years, as applicable) limit.

Any further extension of the existing FA beyond the two years (or five years, as above) limit, upto a period of three months will require approval of Unit Head, provided action has been initiated for the fresh FA. There will be no extension of FA beyond two/ five years and three months.

Increase in value, if any, can be permitted on pro-rata basis for the extended period.

Extension of an FA and/ or increase in value shall require approval as per SI D.2 of DoP of Works Policy.

22.5 Techno-commercial MOUs

Units may enter into Technical and Commercial MOUs with registered contractors so as to finalise the technical and commercial terms & conditions in advance, thereby reducing the procurement cycle. Subsequently, the bids may be invited in single/ two parts, as the case may be.

Such TC MOUs shall continue until any change occurs in the conditions by BHEL.

The works/ services for which units have or intend to have techno-commercial MOUs shall always be available on the Unit/ BHEL website so that interested contractors can contact the concerned Unit for registration/ MOU.

23.0 PRICE VARIATION CLAUSE IN TENDER

- 23.1 Procurements shall normally be made on the basis of firm prices.

- 23.2 In cases where completion period is longer (say, more than 12 months) and/ or inputs costs of labour/ materials/ consumables etc. depend upon statutory regulations or

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otherwise controlled/ administered prices or in cases where these costs are liable to wide fluctuations, price variation clause may be provided in the tender with mathematical based formula.

24.0 PENALTY/ LD FOR DELAYED DELIVERY

24.1 Units should incorporate proper penalty/ Liquidated Damages (LD) clause in the NIT.

In case Penalty/ LD clause is not proposed in any particular NIT, the same may be excluded with the approval of Unit Head with recorded reasons.

24.2 Any proposal to waive penalty/ LD due from contractors shall require the concurrence of Finance and approval as per DoP.

24.3 In case extension of completion period becomes necessary, delay analysis shall be done and financial concurrence obtained before approval by Competent Authority as per DoP. For expeditious handling of such cases, Units shall suitably modify their respective Departmental Procedures/ Work Instructions.

25.0 COMPENSATION FOR COMPRESSION

In case of delays not attributable to the Contractor, additional efforts to be made by the Contractor to expedite completion of balance works may be suitably compensated. A committee of General Managers (including Head of Finance) shall recommend such proposals, on case to case basis, for approval of the Unit Head.

(Notes:

- i) This clause is to be operated in exceptional circumstances only with the approval of Unit/ Region Head. Unified Guidelines to operationalize the same shall be issued jointly by Heads of PS Regions, Power Sector MSX, TBG, ISG & PE&SD with the approval of Business Directors.
- ii) This clause is applicable for Project sites of Power Sector, TBG, ISG and PE &SD.
- iii) This clause shall be applicable upto March' 2017.
- iv) The suitable compensation worked out by the Committee shall be supported with all relevant/ necessary data. A self-explanatory/ speaking note leading to payment of such compensation to the Contractor will be made by the Committee.
- v) The Committee shall also identify and inform the agency(ies) responsible for delay/s to avoid recurrence in future. The decision of the Committee regarding the agencies responsible for the delay shall be final.
- vi) The Committee, inter-alia, would make cost benefit analysis while making recommendations. The compensation shall be payable for compression of balance

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works carried out post issuance of guidelines under Note (i)).

26.0 COMPENSATION TO CONTRACTOR IN EXCEPTIONAL CIRCUMSTANCES

Payment of compensation to Contractor under this clause can be considered only in case compensation is received from customer and delay is not attributable to Contractor but is on account of exceptional circumstances, such as,

- a) Project under hold
- b) Extraordinary delay in project.

Compensation to Contractor due to above reasons may be considered in case PVC/ Escalation and/ or Overrun Compensation, if any paid/ payable to Contractor during the extended period is not adequate to compensate the Contractor for additional costs incurred/ to be incurred by him during such extended period.

The compensation payable under this clause would not exceed the pro-rata amount of compensation received by BHEL (i.e. proportion of the aggregate value of the sub-contracts to BHEL's contract value corresponding to the scope for which compensation is received by BHEL). The release of payment towards compensation shall be regulated vis-à-vis achievement of mutually agreed schedule by Contractor.

27.0 FINANCIAL CONCURRENCE

27.1 Financial concurrence implies a second check to ensure that the Works Policy, DoP and administrative instructions are complied with, apart from a thorough checking of all calculations.

27.2 Authority for according financial concurrence shall be an executive one step lower than the approving authority, with full powers to Head of Finance not below the rank of AGM. In the absence of finance executive of the required rank, powers of financial concurrence can be sub-delegated by Director (Finance).

27.3 These policy guidelines and those in Chapter no. III supersede the powers relating to financial concurrence of proposals relating to Works/ Services contained in Chapter No.8 "Powers of Financial Concurrence" of "Handbook of Delegation of Powers" issued in 1990.

Further administrative instructions on Financial Concurrence would be issued by Director (Finance) from time to time.

28.0 COMMITMENT REGISTER

The sanction of Capital/ Revenue Budget relating to works should be split into convenient heads for the purpose of budgetary control and a computerised commitment register shall be maintained for ascertaining the commitment against budget.

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29.0 GENERAL

- a) The consultant/ firm (and any of its affiliates) shall not be eligible to participate in tender/s for the related works or services for the same project, if they were engaged for the consultancy services.
- b) Procurement of works/ services directly from the original suppliers of equipment/ services shall be preferred. However, if the OEM/ Principal insists on engaging the services of an agent, such agent shall not be allowed to represent more than one manufacturer/ supplier in the same tender. Moreover, either the agent could bid on behalf of the manufacturer/ supplier or the manufacturer/ supplier could bid directly but not both. In case bids are received from both the manufacturer/ supplier and the agent, bid received from the agent shall be ignored.

The extant guidelines issued by SS&P, Corp. Office for regulation of Agents of foreign principals shall be followed.

- c) Head of MM, wherever mentioned in the Works Policy/ DoP, shall include Head of Contracting department, not below the rank of DGM, unless the rank/ level has been specifically provided for.
- d) Wherever tender committee was not required to be constituted, rejection of a bid on technical/ commercial grounds shall be with the approval of concerned Section Head of Indenting/ Contracting group, not below the rank of DGM.
- e) Next higher authority, wherever mentioned in the Works Policy/ DoP, shall mean the authority one step higher than the authority competent to approve that action, but limited to the Unit Head. Next higher authority shall be from the same department/ function.
- f) A senior level officer shall always be deemed to have and can exercise the powers of lower authority.
- g) In the absence of an authority competent to approve an action, a senior level officer may approve that action. However, such approval by the senior officer shall not vitiate the powers of the original authority and all future processing/ approvals shall be with reference to the original authority that was competent to approve that action.
- h) Notice Inviting Tenders, Letters of Intent/ Work Orders/ Contracts/ Amendments, FAs etc., after due approvals, shall be signed by an executive of minimum E1A level. Any deviation shall be with the specific approval of the Unit Head.
- i) All tender enquiries (except E-procurement) addressed to contractors shall be sent through Registered Post/ Courier Service/ Speed Post/ FAX / E-Mail/ Hand delivered (with due receipt having signature, name and date).

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- j) To deal with tenders having offers of short validity or cut-off date/s for acceptance of Repeat Orders, urgency etc., offer acceptance/ LOI/ Work Orders/ Amendments can be given through E-mail/ Fax followed by the post confirmation copy.
- k) If all or group of the works/ services have to be necessarily procured as a package from a single/ common source (due to reasons like design and compatibility, customer requirement, kitting, etc.), it shall be indicated in the Indent. Such conditions shall be incorporated in the tender enquiry and evaluation of prices and ranking in the comparative statement shall be done accordingly.

Wherever felt necessary, contracting deptt. may also decide to bunch and package small/ ancillary/ sundry works/ services.

- l) When both Contractor and Purchaser meet their respective obligations as per the contract, payments/ recoveries are settled, Bank Guarantees etc. returned/ discharged, the contract shall be closed.

All tender documents/ purchase files shall be retained as per Departmental Procedures/ Work Instructions of the respective Unit.

- m) Wherever approval is indicated, it implies written approval of the Competent Authority.
- n) All Works/ Service contract details to be captured in central data portal of the Unit.
- o) All tenders enquires, corrigenda and details of bid awards shall be published on Central Public Procurement Portal as per extant instructions.

30.0 SHARING OF INFORMATION

Units shall share the information with sister Units by hosting the following information on their respective intranet sites:

- (a) List of contractors and their performance including action taken under “Guidelines on Suspension of Business Dealings”.
- (b) Rates/ Prices as per orders placed to enable the other Units to know the price trend of various items/ works/ services.

31.0 NORMS FOR PROCUREMENT

Unit should evolve and fix norms for Contract lead time (i.e. from the date of indent, raising enquiry, placement of order/ contract) for different types of works/ services depending on the complexity of the works/ services. Summary analysis shall be reviewed by the Unit Head every quarter.

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32.0 MODIFICATION IN FINANCIAL LIMITS:

The financial limits in the Works Policy and Delegation of Powers are based on the price indices as on Jul' 2015. With the concurrence of Director (Finance) and approval of CMD, the financial limits may be modified.

33.0 GUIDELINES/ INSTRUCTIONS

33.1 Guidelines/ Instructions issued by Government from time to time relating to procurement activities, which are mandatory and have the force of Law (such as CVC instructions, Presidential directives, MSMED Act 2006, Companies Act 2013, etc.) shall be adhered to without waiting for formal amendment to the Works Policy document.

33.2 Any sub-level guidelines on matters related to the Works Policy shall be issued with the approval of Director (E,R&D), and these guidelines shall not be repugnant to the provisions of this Policy.

34.0 FEEDBACK AND WORKS POLICY REVIEW

Adaptation of company's procurement policies to a continuously changing environment in terms of liberalization, Trade policies, Industrial policies etc. is very essential to make BHEL's products, systems & services competitive in both domestic and international market.

Input for such an adaptation or changes in procurement policies may be derived based on feedback about the effectiveness of the manner in which the present policy is implemented and the qualitative results of procurement.

35.0 INTERPRETATIONS/ CLARIFICATIONS/ DEVIATIONS TO WORKS POLICY

35.1 Director (E,R&D) shall constitute a Committee every year, comprising officers one each from SS&P, Corporate Finance (nominated by Director/ Finance) and Power Sector (nominated by Director/ Power) for deliberations on interpretations/ clarifications for implementation on matters covered in this policy.

Any issue needing clarification/ interpretation can be referred by Unit's Head of Contracting deptt. alongwith views of the Head of Finance for due consideration by the Committee. Based on the decision of this committee, necessary clarifications shall be issued by SS&P, Corp. Office.

The Works Policy has to be read along with the Works Accounts Manual.

35.2 Any deviation, which is not in conformity with the Works Policy and the Delegation of Powers thereto, shall have the concurrence of Director (Finance) and approval of CMD.

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35.3 All relevant guidelines on specific issues of the policy issued by SS&P, Corp. Office from time to time shall be uploaded on SS&P intranet.

36.0 EXPLANATION OF TERMS USED IN THE WORKS POLICY

36.1 Works

“Works” includes all works associated with site preparation, construction, re-construction, demolition, repair, maintenance or renovation of (i) buildings, installations or other structures; (ii) roads, storage sheds or other infrastructures including enabling works; (iii) any construction project; or any construction work relating to excavation, drilling, installation of equipment and materials; (iv) services and/ or supply of materials incidental or consequential to the works.

36.2 Service

“Service” means any subject matter of procurement other than materials or works and includes physical, maintenance, professional, intellectual, consultancy and advisory services or any other service classified or declared as such but does not include appointment of an individual made by the company under its relevant employment rules, regulations or orders issued in this behalf.

36.3 Contract for Works/ Services:

Contract covered by the Works Policy will be termed as ‘Contract for Works/ Services’.

36.4 Emergency Works

These are works arising out of (a) natural calamities and (b) other exigencies directly affecting the operation/ activities of the unit/ public image of the company, as approved by the Unit Head not below the rank of GM.

36.5 Enabling Works

These are temporary facilities including site office, accommodation, workshop, roads/ pathways (including their strengthening), temporary civil works, stores, power & water facilities required for construction and their distribution, canteen facilities, sanitation, drainage etc. required for proper and efficient execution of work at site.

36.6 Classification of Works

The classification of works as Capital or Revenue will be based on the basic underlying accounting principles and guidelines issued by Director (Finance) from time to time.

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36.7 Proprietary works/ services

These are works/ services for which there is only one source/ Contractor for executing such works/ services and no equivalents are acceptable (for recorded reasons) from any other source and, at times, due to patent/ copyright limitations too. Proprietary works/ services need to be certified by the Head of the Indenting/ Engineering Department (not below the rank of DGM).

The list of proprietary works/ services may be reviewed from time to time for exploring the possibility of alternatives, at least after every two years by the Head of Design/ Indenting department and shall be approved by the Unit Head.

Such list shall be maintained and updated by the Unit on the intranet. SS&P, Corp. Office shall provide a link on its intranet to the lists of all such Proprietary works/ services maintained by the Units.

36.8 Collaborator and its recommended contractors

Collaborator shall mean an entity which has been or is a partner of BHEL and has furnished or made available to BHEL technical information including amongst others, designs, drawings and/ or intellectual property rights for the manufacture/ erection of components, products or systems by BHEL (upon expiry of Collaboration agreement, Single tender procurement of works/ services from collaborator recommended Contractor shall not be operated under clause 6.3.1(b)).

36.9 Customer Contract Requirement

Tenders/ Contracts with customers may contain provisions wherein the approval of customer is required for contractors of certain works/ services. Such provisions may also specify that the procurement of works/ services should be from specified source(s). These requirements are termed as Customer Contract Requirement.

36.10 Urgency

Urgency is a situation or circumstance needing immediate procurement measures.

36.11 Requirement resulting from Strategic tie-ups/ Business Sharing Agreements

In those cases where the scope of work of another company/ supplier is substantial, or to garner specialised technological edge for harnessing company's business, BHEL may decide as its marketing strategy to submit its proposal/ bid together with one or more supplier/ partner.

There could also be cases where BHEL may decide, to select a partner for technological

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tie up, as part of its marketing strategy, and submit a composite proposal for the total scope to its prospective Customers.

The Works Policy will not be applicable for the selection of proposal/ bid partner/s and such strategic marketing (including technological) tie-ups with supplier/ partner shall be decided by the concerned Business Sector/ Marketing Group.

Procurement by BHEL resulting out of such strategic marketing (including technological) tie-ups shall be sourced from the partner/s identified by the concerned Business Sector/ Marketing Group and dealt under Works Policy. However, the value of order/s should be within the value apportioned to the supplier(s)/partner(s) in the bid/ proposal.

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CHAPTER - II

WORKS POLICY-2016

DELEGATION OF POWERS

1. The Works Policy outlined in Chapter-I is based on the philosophy of centralized policy making and de-centralized administration of works. Within the framework of provisions of this Policy, delegation of powers has been framed. However, Units, based on their spectrum of operations or administrative and other considerations, may reduce the financial limits within overall ambit of delegation of powers, under intimation to concerned Functional Director and Director (Finance).
2. The approving authority must ensure financial propriety, transparency and fair play as well as the objective to optimize resources being used. The approving authority is accountable for all decisions taken by them while approving any measure involving company funds.
3. These powers cannot be sub-delegated to a lower authority. In exceptional cases where such sub-delegation is considered necessary, prior approval of concerned Functional Director and CMD shall be obtained.
4. Delegation of Powers (DoPs) are subject to the provisions of the extant Companies Act, as amended from time to time, Memorandum & Articles of Association of the Company, the directives issued by the President of India, the Policies laid down by the Board of Directors and also subject to such directives as may be given from time to time by CMD/ Functional Directors/ Corporate Office.
5. The delegations are subject to the availability of funds in the approved Capital or Revenue Budget.
6. All Preliminary/ Detailed estimates will be approved by the authority competent for Administrative and Technical Approval.

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CONSTITUTION OF TENDER / NEGOTIATION COMMITTEE

Sl. No.	Nature of Tender and Value upto (₹ Lakhs)			Convenor (Contracting Deptt)	Members		
	Open Tender	Limited Tender	Single Tender		Finance	Indenter	Co-opted (if any)
1	20	10	NIL	Engineer (E1A)	Accounts Officer (E1A)	Engineer (E1A)	Engineer (E1A)
2	30	20	5	Sr. Engineer (E2)	Accounts Officer (E1A)	Sr. Engineer (E2)	Sr. Engineer (E2)
3	50	30	10	Dy. Manager (E3)	Sr. Accounts Officer (E2)	Dy. Manager (E3)	Dy. Manager (E3)
4	125	50	20	Manager (E4)	Dy. Manager (E3)	Manager (E4)	Manager (E4)
5	250	125	50	Sr. Manager (E5)	Manager (E4)	Sr. Manager (E5)	Sr. Manager (E5)
6	Exceeding 250	Exceeding 125	Exceeding 50	DGM (E6)	Sr. Manager (E5)	DGM (E6)	DGM (E6)

Notes:

1. Tender Committee to be formed for works above ₹ 5,00,000 (₹ Five Lakhs). The Committee shall be formed by an authority one step above the authority competent to award the work, not below the rank of DGM (limited to Unit Head). Nominations of committee members shall be in consultation with Heads of respective departments.
2. In case, executive of the level shown above is not available for any reason, an executive one level below can participate. For any further relaxation, due to the non-availability of the appropriate level, the committee can be constituted with the approval of next higher authority not below the rank of AGM (limited to Unit Head).
3. The Representative should not in any case be below the rank E1A grade.

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DELEGATION OF POWERS (DoPs)

(Value in ₹ Lakhs)											
Sl. No.	APPROVING AUTHORITY FOR	ED & GGM/ GM (l/c)-HOU	GGM/ GM (l/c) & GM - HOU	GM (Others) and AGM - HOU	AGM (Others)	SR. DGM/ DGM	SR. MGR (E5)	MGR (E4)	DY. MGR (E3)	SR. ENGR (E2)	ENGR (E1A)
A	ADMINISTRATIVE AND TECHNICAL SANCTION INCLUDING ESTIMATES (These powers to be exercised by Indenting department)										
A.1	Capital works (within the budget sanction)	FULL	FULL	FULL	100	50	-	-	-	-	-
A.2	Revenue works/ services										
(a)	Customer Project Related Revenue Works	FULL	FULL	FULL	200	100	50	-	-	-	-
(b)	Other Revenue Works including Repairs & Maintenance and Modification to assets	FULL	FULL	FULL	200	100	50	-	-	-	-
A.3	Emergency Works	FULL	200	100	-	-	-	-	-	-	-
A.4	R & D PROJECTS (Sanction of Expenditure on approved R&D Projects)										
(a)	Each case	FULL	25	10	-	-	-	-	-	-	-
(b)	Annual limit	FULL	100	50	-	-	-	-	-	-	-
	Note: This is subject to terms and conditions laid down from time to time for scrutiny by respective Product Committees / Technical Committees.										
A.5	Expenses like consultancy, testing, survey, technical/ model studies, etc.(before Customer order)	FULL	50	20	-	-	-	-	-	-	-

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(Value in ₹ Lakhs)											
Sl. No.	APPROVING AUTHORITY FOR	ED & GGM/ GM (I/c)-HOU	GGM/ GM (I/c) & GM - HOU	GM (Others) and AGM - HOU	AGM (Others)	SR. DGM/ DGM	SR. MGR (E5)	MGR (E4)	DY. MGR (E3)	SR. ENGR (E2)	ENGR (E1A)
A.6	To fix schedule of rates for the purpose of estimates	FULL	FULL (UNIT HEAD ONLY)	FULL (UNIT HEAD ONLY)	-	-	-	-	-	-	-
B	PRE- AWARD STAGE										
B.1	Provision/ Acceptance of Bonus clause at the NIT stage for earlier completion of work on a back-to-back basis	FULL	FULL	FULL	-	-	-	-	-	-	-
B.2	Provision/ Acceptance of Price Variation Clause and/ or Over-run compensation clause(s) at the NIT stage	FULL	FULL	FULL	-	-	-	-	-	-	-
B.3	Changes in tender clauses and Relaxation of General Conditions of Contract	FULL	FULL	FULL	-	-	-	-	-	-	-
C.1	INVITING TENDERS (FOR EACH CASE)										
(a)	Open Tender	FULL	500	250	125	50	30	10	-	-	-
(b)	Limited Tender	FULL	250	125	50	30	10	-	-	-	-
(c)	Single Tender	FULL	125	50	10	2	-	-	-	-	-
C.2	AWARD OF WORKS (FOR EACH CASE)										
(a)	Open Tender	FULL	FULL	500	250	125	50	30	10	-	-
(b)	Limited Tender	FULL	500	250	125	50	30	10	-	-	-
(c)	Single Tender	FULL	250	125	50	10	2	-	-	-	-

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(Value in ₹ Lakhs)											
Sl. No.	APPROVING AUTHORITY FOR	ED & GGM/ GM (I/c)-HOU	GGM/ GM (I/c) & GM - HOU	GM (Others) and AGM - HOU	AGM (Others)	SR. DGM/ DGM	SR. MGR (E5)	MGR (E4)	DY. MGR (E3)	SR. ENGR (E2)	ENGR (E1A)
C.3	Pre-bid/ Post-bid/ Pre-award tie ups/ MOUs on back to back basis.	FULL	FULL (UNIT HEAD ONLY)	FULL (UNIT HEAD ONLY)	-	-	-	-	-	-	-
C.4	Procurement of works / services from Sister units for works/ service within their range	FULL	FULL	500	250	125	50	30	10	-	-
C.5	Placement of repeat orders under clause 15.0 of the policy.	FULL	FULL	FULL	FULL	FULL	FULL	FULL	FULL	FULL	FULL
D	POST-AWARD STAGE										
D.1	Amendment to contract clauses / conditions (other than those specifically provided in this DoP) where there is no financial implication	FULL	FULL (in r/o contracts awarded under their power or of lower authority)	FULL	FULL	FULL	FULL	FULL	FULL	FULL	FULL
D.2	Validity extension for priced Frameworks Agreements	FULL	FULL	FULL	FULL	FULL	FULL	FULL	FULL	FULL	FULL

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Sl. No.	APPROVING AUTHORITY FOR	ED & GGM/ GM (I/c)-HOU	GGM/ GM (I/c) & GM - HOU	GM (Others) and AGM - HOU	AGM (Others)	SR. DGM/ DGM	SR. MGR (E5)	MGR (E4)	DY. MGR (E3)	SR. ENGR (E2)	ENGR (E1A)
D.3	EXTENSION OF TIME										
(a)	Extension of time for completion of total work or part thereof, after recording the justification for the same where the delay is not attributable to the Contractor	FULL	FULL (in r/o contracts awarded under their respective powers or of lower authority)	For contract value upto ₹1 lakh	-	-	-	-	-	-	-
(b)	Extension of time for completion of total work or part thereof, where the delay is on account of the Contractor, without waiver of LD	FULL	FULL	FULL (in r/o contracts awarded under their power or of lower authority)	-	-	-	-	-	-	-

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Sl. No.	APPROVING AUTHORITY FOR	ED & GGM/ GM (I/c)-HOU	GGM/ GM (I/c) & GM - HOU	GM (Others) and AGM - HOU	AGM (Others)	SR. DGM/ DGM	SR. MGR (E5)	MGR (E4)	DY. MGR (E3)	SR. ENGR (E2)	ENGR (E1A)
(c)	Provisional extension of time pending 'delay analysis' for completion of total work or part thereof with recorded reasons and release of running/ interim payments to Contractor without deduction of LD/ Penalty subject to submission of Bank Guarantee (BG) by Contractor equivalent to maximum LD / Penalty amount which shall be valid till completion of work and grant of final 'Time Extension'. However, depending upon the circumstances and merits of each case, the Competent Authority may waive the requirement of Bank Guarantee subject to:	FULL	-	-	-	-	-	-	-	-	-
	(a) Withholding of amount @ 10 % of subsequent RA/ interim bills till final 'delay analysis' and decision on levy of LD/ Penalty or otherwise, and (b) Ensuring sufficient financial safeguards (e.g. Security Deposit, Retention amount), as appropriate.										
	Note: No PVC/ ORC/ Retention amount shall be payable during the period of 'provisional time extension'										

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(Value in ₹ Lakhs)											
Sl. No.	APPROVING AUTHORITY FOR	ED & GGM/ GM (I/c)-HOU	GGM/ GM (I/c) & GM - HOU	GM (Others) and AGM - HOU	AGM (Others)	SR. DGM/ DGM	SR. MGR (E5)	MGR (E4)	DY. MGR (E3)	SR. ENGR (E2)	ENGR (E1A)
D.4	Reduction/ Waiver of LD/ Penalties due from contractors.	5	-	-	-	-	-	-	-	-	-
D.5	Sanction of extra quantity/ supplementary/ substitution/ extra items	Overall deviations limited to (+) 30% of the contract value (irrespective of any variation of individual quantities) may be sanctioned by the Authority Competent to award the original work. Deviation beyond (+) 30% of the contracted value will require approval of next higher authority (not below Head of Unit).									
D.6	Sanction of 'part' item rates in the item-rate contract for payment in Running Bills.	FULL	FULL	FULL	FULL	FULL	FULL	FULL	-	-	-
Notes: 1. Provided no 'part' payment is recommended till 25% of work in the item rate is executed 2. Payment of item rate to be made in not more than three instalments, last stage payment to be not lower than 20% of the item rate.											
D.7	Escalation claims and/ or provision/ approval of price variation clause in respect of contracts where Price Variation Clause has not been provided and/ or modification in PVC clause in the contract provided the delay is not attributable to Contractor. (Note: The compensation under SI No D.7 and D.8 put together shall not exceed 15% of the contract value)	Upto 10% (limited to ₹ 1 Cr) of the contract value (for contracts awarded by lower authority)	-	-	-	-	-	-	-	-	-

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		(Value in ₹ Lakhs)										
Sl. No.	APPROVING AUTHORITY FOR	ED & GGM/ GM (I/c)-HOU	GGM/ GM (I/c) & GM - HOU	GM (Others) and AGM - HOU	AGM (Others)	SR. DGM/ DGM	SR. MGR (E5)	MGR (E4)	DY. MGR (E3)	SR. ENGR (E2)	ENGR (E1A)	
D.8	Acceptance/ payment of over-run compensation where the delay is not attributable to the Contractor. (Note: The compensation under SI No D.7 and D.8 put together shall not exceed 15% of the contract value)	Upto 10% (limited to ₹ 1 Cr) of the contract value (for contracts awarded by lower authority)	-	-	-	-	-	-	-	-	-	
D.9	Changes/ relaxation in terms of payment in existing contracts for recorded reasons	Full powers for contract awarded by lower authority		-	-	-	-	-	-	-	-	
		For contract approved by ED and GGM/ GM (I/c) (HOU), approval of Functional Director (or CMD, in case of Units directly reporting to CMD) will be required with concurrence of Director (Finance).										
D.10	Cancellation of contracts	FULL	Full powers for contract awarded by lower authority (Unit Head only)		-	-	-	-	-	-	-	
D.11	Write Off of the loss of Measurement Book	FULL In consultation with Finance.	-		-	-	-	-	-	-	-	
D.12	Compensation to Contractor in exceptional circumstances under Clause 26.0	FULL	-		-	-	-	-	-	-	-	

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NOTES:

1. EDs/ GGMs/ GM(I/c)/ GMs posted in Corporate Office will exercise the same powers as delegated to EDs/ GGMs/ GM(I/c)/ GMs holding the charge of units.
2. Where one tender enquiry is split into more than one award proposal, each proposal shall carry the cumulative value of all the proposals and financial concurrence and approving authority shall be based on the cumulative value.
3. All cases of waiver/ reduction of LD/ Penalty (due from Contractor) beyond ₹ 5 lakh shall require approval of respective Functional Director (or CMD, in case of Units directly reporting to CMD) with concurrence of Director (Finance).
4. Common notes for D.7 & D.8
 - (a) Escalation claims and/ or provision/ approval of Price variation clause/ Over-run compensation (D.7 and D.8 put together) upto 25% (limited to ₹ 10 Cr) of the contract value shall require approval of Functional Director (or CMD, in case of units directly reporting to CMD) with concurrence of Director (Finance).
 - (b) However, claims under D.7 & D.8 put together beyond 25% (and/ or ₹ 10 Crs and upto ₹ 30 Crs) of the contract value shall require approval of CMD.
5. Approval taken from higher authority than DoP, if required under specific provisions of the Works Policy, shall not be construed as exercising the DoP for Administrative and technical sanction/ Inviting Tenders/ Award of Work etc.
6. All ex-gratia payments to contractors with recorded reasons and rationale will require concurrence of Director (Finance) and approval of CMD.
The proposal of Business Groups to be routed through Business Group Chief. Such ex-gratia payment can be allowed on back-to-back basis provided BHEL has received a similar payment from the customer.
7. All proposals requiring concurrence of Director(Finance) and/ or approval of CMD shall be routed through concerned Business/ Functional Director.
8. Powers under the DoP can be exercised by the officers of Contracting department or their superiors in the chain of reporting, unless otherwise specifically provided for. Depending on individual project requirement, Head of Unit (Executive Director only) can form Contracting Department at site wherever respective General Manager is posted. In such cases, specific provisions in this Works Policy/ DoP relating to Small Value Works at sites shall not be applicable.

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AD-HOC PAYMENTS TO CONTRACTORS AGAINST RUNNING BILLS

1. As a general rule, no advance shall be payable to the Contractor except according to the terms of the tender / contract.
2. Payment for the work done and services rendered by the contractors are to be made on the basis of the work bills submitted by them. At the time of payment, it should be ensured that the Contractor has fulfilled his statutory obligations with respect to the labour laws.
3. At times, some ad-hoc payments, apart from those payable according to the terms of the contract, become necessary to be paid to the contractors in the interest of work. Such payments to the contractors shall be made only on the written request of the Contractor for financial aid in the shape of part payment against running bills received from the Contractor for the work done by him. Such payments shall be made only on the certificate of an officer not below the rank of E-3 for the work against which ad-hoc payments are recommended, that the work has actually been done at site and that the Contractor has not previously received any such payments.
4. Such payments shall be made on exceptional basis when it becomes absolutely necessary to make statutory payments by the Contractor. This should not become as general or continuous process for making such payments during the course of execution of the contract. Such payments up to 10% of the contract value or 75% of the running bill against which payment has been recommended, whichever is less, shall be made with prior sanction of Head of the Contract Department at Unit or Regional Head-quarter not below the rank of AGM. Beyond this limit, approval of the Head of the Unit shall be required.
5. All such ad-hoc payments shall be approved by the Competent Authority with financial concurrence from Head of Finance of the Unit.
6. In case such ad-hoc payments are made in exceptional circumstances duly approved by the competent authority, it should be adjusted in the next work bill. In case the payment could not be adjusted in the next work bill, the deferment should not prolong for more than 2-3 next month's bills and that too with the approval of the Head of the Contract Department of the Unit / Regional Head-quarter, as the case may be, with financial concurrence of the Unit Finance Head.
7. In any case before the close of the financial year, all such ad-hoc payments should be reviewed.

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CHAPTER - III

WORKS POLICY-2016

POWERS OF FINANCIAL CONCURRENCE

1. Under the powers vested in him by the Board of Directors, the Chairman & Managing Director hereby authorizes the executives of the Finance & Accounts Department to severally exercise under the general supervision and control of Director (Finance) the powers in regard to Financial Concurrence to the extent indicated here-in-after.
2. Authority for according financial concurrence shall be an executive one step lower than the approving authority, with full powers to Head of Finance not below the rank of AGM. In the absence of finance executive of the required rank, powers of financial concurrence can be sub-delegated by Director (Finance).
3. While exercising these powers the executives of the Finance & Accounts Department will, inter alia, ensure that the proposals conform to the provisions of the extant Companies Act, as amended from time to time, Memorandum and Articles of Association of the Company, the directives issued by the President of India, the Policies laid down by the Board of Directors and also subject to such directives as may be given from time to time by CMD/ Functional Directors/ Corporate Office, availability of funds in the approved Capital/ Revenue budgets, and powers have been exercised by the executives of the concerned departments in accordance with the approved scheme of Delegation of Powers.
4. Executives entrusted with the responsibility of administering Public Funds should adhere scrupulously to the age-old and universally accepted canons of financial propriety which are as follows:
 - a) Every officer/ employee should exercise the same vigilance in respect of expenditure incurred from company's money as a person of ordinary prudence would exercise in respect of his own money.
 - b) The expenditure should not be prima-facie more than the occasion demands.
 - c) Powers of sanctioning expenditure should not be exercised to pass an order which will directly or indirectly be advantageous to the authority sanctioning the expenditure; and
 - d) The amount of allowances granted to meet expenditure of a particular type should be so regulated that these are not on the whole a source of profit to the recipients.
5. The proposals based on the recommendations of the Negotiation Committee shall be concurred in by the next higher authority (limited to Unit Head) subject to Powers of Financial Concurrence as per sl. no. 2 above.

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6. Financial concurrence would be necessary in all cases except the following cases:
- (i) For all proposals, including amendments, up to the value of ₹ 50,000/-
 - (ii) Reduction/ Extension of time for submission of offer.
 - (iii) For administrative and technical sanction.
 - (iv) Detailed Estimate up to the value of ₹ 5 lakhs.
 - (v) Release of EMD.
- Financial concurrence shall be mandatory in all other cases.
7. Financial concurrence of NIT terms relating to PQR, taxes & duties, payment terms, Bonus clause, PVC, ORC, LD/ Penalty shall be obtained before floating of NIT for all cases above ₹ 5 lakhs
8. Modalities and further administrative instructions on Financial Concurrence can be issued by Director (Fin) from time to time.



CREATING BHEL OF TOMORROW



Bharat Heavy Electricals Limited

Registered Office : BHEL House, Siri Fort, New Delhi - 110049
Website : www.bhel.com



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