The General Managers, All Indian Railways/PUs, NF(C), CORE
The DG/RDSO/Lucknow & NAIR/Vadodara
CAOs, DMW/Patiala, WPO/Patna, COFMOW/NDLS
MD/All Railway PSUs, KRCL, MRVC

Sub : Terms and conditions and other related aspects of M&P procurement both import and indigenous.

Ref : (i) Board’s letter No. 98/RS(G)/709/1 dt. 30.05.2006
(ii) Board’s letter No. 98/RS(G)/709/1 part dated 08.09.2011.

1.0 While investigating a case for procurement, installation and commissioning of equipment through global tender, vigilance has observed that the tender condition should be clear as to how the inter-se ranking will be arrived at i.e., whether the cost of essential spares (2 years and 5 years) and annual maintenance spares will be included or not while making inter-se comparison. Vigilance has further observed that arriving at inter-se ranking cannot be left to the discretion of Tender Committee in the absence of clear stipulation in this regard.

2.0 CVC has observed that “The Railway Board should issue clear instructions about what has to be included and what should be left out for determining L-1 so that no Tender Committee gets discretion in determination of L-1, even where the NIT is silent on the issue. The buyer may however be allowed to incorporate in specific NIT any deviation from such guidelines.”

3.0 With regard to procurement of M&P, Railway Board’s instructions issued vide letters No. 98/RS(G)/709/1 dt. 30.05.2006 and No. 98/RS(G)/709/1 part dated 08.09.2011 are self explanatory and comply with the observations of Vigilance and CVC. All Railway Units shall ensure compliance of the same.

4.0 It should be ensured that clear criteria for evaluation of inter-se ranking of bidders should be incorporated in NIT.

(Anshul Malik)
Jt. Director, Rly. Stores (G)
Railway Board

No. 98/RS(G)/709/1 part

New Delhi, dt. 02.07.2018

1. PFAs, All Indian Railways & Production Units
2. The PCMMs, PCEs, PCMEs, PCEEs, PCSTEs, All Indian Railways & PUs, RCF/RBL/NDLS, COFMOW, CORE, WPO and RWP/Bela
3. The Directors –
   a) Indian Railway Institute of Sig. Engg. & Telecom, Secunderabad
   b) Indian Railway Institute of Mech. & Elec. Engg., Jamalpur
   c) Indian Railway Institute of Elect. Engg., Nasik
   d) Indian Railway Institute of Civil Engg., Pune
   e) Indian Railway Institute of Traffic Management, Lucknow
4. Sr. Prof. (Materials Management), NAIR, Vadodara
5. MD, CRIS, Chanakya Puri, New Delhi
6. MD, RITES, RITES Bhawan, Sector-29, Gurugram
7. Director, Iron & Steel, 3, Koila Ghat Street, Kolkata
8. Executive Director (Stores), RDSO, Manak Nagar, Lucknow
9. Chief Commissioner of Railway Safety, Lucknow
10. Zonal Railway Training Institute, Sukadia Circle, Udaipur

(Anshu Malik)
Jt. Director, Rly. Stores (G)
Railway Board

Copy to :- PSOs / Sr. PPSs / PPS / PS to

1. MR, MoS(S), MoS(G), ED(Co-ordination)/MoS(G)
2. CRB, FC, ME, MTR, MRS, MS, MT, SECY., DG(RS), DG(S&T),
   DG(Personnel), DG/RHS, DG/RPF
3. All AMs and PEDs & All Executive Directors of Railway Board
Government of India  
Ministry of Railways  
(Railway Board)

No. 98/RS(G)/709/1  
New Delhi, dt: 30-05-2006

The General Manager,
All Indian Railway & Production Units,
The General Manager (Const.), N.F. Railway, Guwahati,
The Director General, RD&O, Lucknow,
The General Manager, CORE, Allahabad,
CAO/MTP, Mumbai, Chennai, Kolkata,
CAO/MTP, NBCC Place, Bhairava Pitamah Marg, Pragati Vihar, New Delhi,
CAO/DCW, Patiala and COFMOW, New Delhi.

Sub: Report of the committee on issue of terms and condition and other related aspects of M&P procurement both import and indigenous.

A committee of 3 SAG level officers viz. COS/COFMOW, FA&CAO/COFMOW and CME/DLW was nominated to make recommendations on the issue of terms and conditions to be incorporated and other related aspects to Machinery & Plant procurements - both import and indigenous. Accordingly, the committee have gone through the existing instructions on the subject and submitted its recommendations to Board. Board after detailed deliberation on the recommendations has approved the following modifications to the tender conditions and guidelines for procurement of M&P.

Following modifications may be incorporated in the Tender Conditions for procurement of M&P:-

1. Element of Freight for indigenous purchase:

   (a) In case where the consignees are more (say more than 4 or so), tenderers are required to quote for the FOR station of dispatch prices with an average freight for all consignee, which will be added to FOR station for dispatch price to get FOR destination prices.

   (b) In case where the consignees are four or less, tenderers are required to quote FOR station of dispatch price with actual freight for each individual consignee, which will be added to FOR station of dispatch price to get FOR destination prices for each individual consignee.

   contd...2/-
2. Timely Commissioning of M&P:

In the event of contractors' failure to have M&P commissioned by the time or times respectively specified in the letter of acceptance or contract, purchaser may withhold, deduct or recover from the contractor as penalty, a sum @ 2% (two percent) of the price of M&P which the contractor has failed to commission as aforesaid for each and every month (part of a month being treated as a full month) during which the M&P may not have been commissioned, subject to an upper limit of 10% (ten percent) of contract value.

3. Warranty:

(a) Warranty period for M&P will be 24(twenty four) months from the date of commissioning and proving out of M&P. A Maximum period of 2(two) weeks will be allowed for attending and rectification of faults during the warranty period.

(b) Maximum down time during the warranty period will be 2% (two percent) for on line M&P and 10% (Ten percent) for off line M&P calculated on quarterly basis.

(c) A penalty of 0.5% (Zero point five percent) per week of the contract value will be levied for delay in response time for attending and rectification of faults beyond specified time during the warranty period as detailed above.

(d) Maximum penalty to be levied on account of warranty failure will be 5% (five percent) of the contract value calculated during whole of warranty period and after that if there is any delay on the part of supplier, purchaser shall be entitled for escalation of WO B.unds. In such cases the bad performance of firm during the warranty period, the same should be recorded and circulated to all Railways. The same should be given due regard in deciding future orders on the firm and when evidence to the contrary is not available, the firm's offer may be even rejected.

4. Annual Maintenance Contract:

(a) Tenderers are required to quote for post warranty annual maintenance for a period of five years after expiry of the warranty period of M&P along with their offers.

[Signature]

Contd...3/-

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(b) Tenderers are required to mention such AMC schedule of such Annual periodic maintenance along with offers giving the charges for AMC maintenance schedule and other details of items to be used in such preventive maintenance.

(c) The charges of Annual preventive maintenance schedule for five years along with the cost of items to be used in preventative maintenance schedule during these five years are payable to supplier and sum total of these charges would be included in the FOR destination price quoted for M&P for the purpose of comparative evaluation of offer.

(d) Tenderers are required to give the cost of essential spares and service charges for each item of work of repair of M&P outside preventive maintenance contract. These charges will not be included in the price of M&P for the purpose of comparative evaluation of offers.

(e) The terms & conditions of AMC must clearly specify the maximum down time and maximum response time.

(f) Tenderers who are OEM, must give undertaking for supply of spare parts for a period of expected life of the machine/equipment. Other tenderers must submit undertaking from OEM for supply of spare parts for a period of expected life of the machine/equipment.

5. Payment Terms:

(i) Payment to foreign supplier: Payment against foreign supplies shall be made through Letter of Credit. All charges, including the confirmation charges of L.C., levied by foreign Banks, shall be borne by the supplier. The standard payment terms subject to recoveries if any, under the liquidated damages clause and general condition of contract will be as under:

(a) 80% of the payment against irrevocable L.C. on proof of inspection certificate and shipping documents within 30 days of receipt of shipping documents as specified.

(b) Balance 20% payment within 90 days after installation/commissioning and proving out test of M&P subject to submission of bank guarantee for an amount of 10% of contract value, as warranty security.
(ii) Payment against indigenous supply: The standard payment terms subject to recoveries if any, under the liquidated damages clause and general condition of contract will be as under:-

(a) 80% of the payment on proof of inspection certificate and Rail/Road Chiller to be made within 30 days of receipt of documents as specified.

(b) Balance 20% payment within 90 days after satisfactory installation/commissioning and proving test of M&P subject to submission of bank guarantee for an amount of 10% of contract value, value as warranty security.

Railways are further advised to keep in view the following guidelines while procuring M&P:-

(1) Turnkey contract in case of indigenous contract may be concluded for large and complex plants on case to case basis.

(2) Inspection of M&P items will be carried by M/s RTES

(3) In case of bad performance of firm during the warranty period, the same should be recorded and escalated to all Railways. The same should be given due regards in deciding future orders on the firm and when evidence to the contrary is not available, the firm's offer may even be deleted.

(4) Insurance upto ultimate consignee must be ensured.

(5) For assessing the capacity/capability of the foreign firm, tender documents should include submission of Performance Statement giving details of same or similar equipments manufactured/supplied by tenderer in the last five years must be ensured in the Tender Docum. The Tender Committee should examine the credentials, capacity/capability of firms & satisfactory performance of same/similar equipments manufactured/supplied by tenderer to other customers.

(6) For timely site preparation, all indenters should identify/decide location of site for installation of M&P before submitting indent for procurement.

Other terms and conditions for procurement of M&P remain unchanged.
This issues with the concurrence of Finance Directorate of Ministry of Railways.

Anu Jain
(Dy. Director Rly. Stores(G)-II
Railway Board.

No. 98/RS(G)/709/1

New Delhi, dt: 31-05-2006

Copy to:

1. The COS, All Indian Railways/PUs
2. The COS, Konkan Railway Corp. Ltd., Raigad Bhawan, 6th Floor, Sector – 11, CBD, Belapur, Navi Mumbai – 400 614,
3. The COS, Mumbai Rail Vikas Corporation, 2nd Floor, Church Gate Station Building, Mumbai – 400 020.
4. The Director General, Railway Staff College, Vadodara.
5. The Principal –
   (i) Indian Railway Institute of Sig. Engg. & Telecom, Secunderabad.
   (iii) Indian Railway Institute of Elect. Engg., Nalik.
   (iv) Prof. (Inv. Mgt.), Railway Staff College, Vadodara.
6. Chairman, Railway Rates Tribunal, Chennai.
7. Executive Director, Iron & Steel, 3, Kolla Ghat Street, Kolkata.
8. The MD, RITES, New Delhi House, Barakhamba Road, New Delhi.
10. ED(QA)/RITES, RITES Bhawan, Sector – 29, Gurgaon (Haryana).

Anu Jain
(Dy. Director Rly. Stores(G)-II
Railway Board.

No. 98/RS(G)/709/1

New Delhi, dt: 31-05-2006

Copy to:

1. FA&CAO, all Indian Railways & Production Units.
2. The ADAI(Rlys.), New Delhi (with 10 spare copies).
3. The Director of Audit, All Indian Railways.

[Signature for Financial Commissioner/Railways]
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 98/RS(G)/709/1 part. New Delhi, dated 8th September 2011.

The General Manager, All Indian Railways & PUs including NF(C).
The General Manager, CORE, Allahabad.
The General Manager, Metro Railway, Kolkata.
The Director General, RDSO, Lucknow & Railway Staff College, Vadodara.
The MD, RITES, RITES Bhawan, Sector 29, Gurgaon.
The MD, KRCL, Belapur Bhavan, 4th Floor, Sector-11, CBD, Belapur, Navi
Mumbai.
The MD, MRVC, 2nd Floor, Church Gate Station Building, Mumbai.
The MD, CRIS, Chankaya puri, New Delhi.
CAO/Workshop Projects Organisation, 1st Floor, Chamber Bhazwan, J.C. Road,
Patna – 800001.
CAO/DMW, Patiala and COFMOW, New Delhi.
CAO/MTP, NBCC Place, Bhisma Pitamah Marg, Pragati Vihar, New Delhi.
CAO/MTP, Mumbai and Chennai.

Subject: Terms & conditions and other related aspects of M&P
procurement both import and indigenous.

REF: RB’s letter no. 98/RS(G)/709/1, dated 30.05.2006.

A. Board has issued above referred letter as an improvement over the then
procurement practice for M&P items. The aspect of improving the upkeep of M&P
items in Indian Railways has further been considered in Railway Board.
Accordingly, the following paras of the above letter are modified as under:-

Para 4 of the above referred letter is modified as under:

4. Annual Maintenance Contract:
(a) Tenderers are required to quote for post warranty Annual Maintenance Contract
(AMC) for a period of five years after expiry of the warranty period of the M&P
along with their offers. The scope of AMC will include preventive and break-
down maintenance. AMC charges will include all costs of personnel, spares etc.
except the cost of consumables required for day-to-day operation & daily
maintenance checks.

(b) The tender documents must specify the maximum downtime and maximum
response time as also penalties for failure to adhere to the same. AMC Payment
terms should be linked to these performance parameters.

(c) The tenderers should quote AMC rates for each of the five years. The AMC
prices for each year will be firm. The AMC charges shall be separately payable
in Indian Rupees only. The AMC charges would be added to the FOR
destination price quoted for M&P for the purpose of comparative evaluation of
offer. In order to equitably compare different AMC charges for different years,
the concept of NPV (Net Present Value) may be used at a predetermined rate
of discounting to bring the AMC charges at the same footing in the assessment of
FOR destination price. The rate of discounting and the of NPV calculation shall
be pre-disclosed in the tender document.

(d) The post-AMC maintenance of machines will be dealt with by the end users. In
order to facilitate the same, tenderers are required to give the current cost of
spares required for maintenance of machine after AMC period and the current

1 of 4
service charges for each items of work of repair of M&P beyond the AMC period. These charges will not be included in the price of M&P for the purpose of comparative evaluation of offers.

(e) Tenderers who are OEM, must give undertaking for supply of spare parts for a period of expected life of the machine/equipment. Other Tenderers must submit undertaking from OEM for supply of spare parts for a period of expected life of the machine/equipment.

(f) The actual Contract Agreement must show the AMC charges as a separate schedule / annexure to distinguish it from the transaction value of M&P, to avoid undue Custom Duty / charges.

B. The letter under reference states that the AMC may be incorporated in the tender conditions for procurement of M&P. However, it is clarified that for the following machines, AMC will be necessarily included in the scope of contract:

(i) Spectrometer
(ii) Laser Cutting / Welding machine
(iii) Machines using robotics for welding, gauging etc.
(iv) CNC wheel lathes, Wheel Presses, Axle Turing Lathes etc.
(v) Simulators,
(vi) CNC Machining centres.

That is, while the aspect of including AMC in the scope of tender for other machines is optional, for all above machines, tender document will have to necessarily include the aspect of AMC which will be entered into by the contract placement authority and will be operated by the end user.

C. For such items where AMC is to be included in the scope of contract, the indentor should make the necessary budget provisions under revenue for meeting such expenditure as and when it arises. A confirmation to the effect that “Necessary funds provision shall be ensured for meeting the AMC charges estimated at 5% per annum of the indented machine cost” should be indicated in the indents to the purchasing authority.

This is issued with the concurrence of Finance Directorate of Railway Board.

(M.K. Gupta)
Director, Railway Stores(IC)
Railway Board.

No. 98/RS(G)/709/1 AEA

New Delhi, dated 8.09.2011.

Copy to:
1. FA&CAOs, All Indian Railways & Production Units.
2. PCEs, All Indian Railways & Production Units.
3. The ADA(Railways), New Delhi (with 10 spares copies)
4. The Director of Audit, All Indian Railways.

for Financial Commissioner / Railways

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