

## TENDERING PROCESS

**MODULE NAME** : TENDERING PROCESS

**ISSUED BY** : IHCL CORPORATE

### Objective

This process outlines the steps to ensure that Request for Quotation (RFQ) & Purchase Order (PO) are issued to only those vendors who have the capacity and capability to deliver on the requirements of the organization and also fulfil the safety assessment criteria required.

#### 1. Types of Tendering

**A. Procurement of goods by obtaining quotes:** Except for goods covered by purchase through the hotel Purchase Committee or against Rate Contracts (Central or Regional), goods should be procured by adopting one of the following standard methods of obtaining quotes:

- Open tender Enquiry (OTE)
- Limited tender Enquiry (LTE); and
- Single Tender Enquiry (STE).

**B. Procurement of Services:** The above- mentioned methods will also be applicable for procurement of services, subject to other instructions contained in this Manual being followed.

#### 2. Advertised/Open Tender Enquiry:

The Tendering system is the preferred mode for procurement of common use items of generic or commercial specifications which are readily available off-the-shelf in the market from a wide range of sources/vendors. This sort of tendering is usually preferred for high value items. Open tender system involves wide publicity through advertising media (Press, Trade, Journals etc.).

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### 3. Limited Tender Enquiry (LTE)

- a) **Limited Tender Enquiry:** Normally, the number of supplier firms in Limited Tender Enquiry should be more than three. However, Limited Tender Enquiry may be resorted to also when there are only two or three known sources of supply.
- b) **Publicity and dispatch of tender documents:** Copies of the bidding document will be sent directly by speed post/registered post/ courier/email/fax to firms which are borne on the list of registered suppliers for the goods in question. Web based publicity is done for Limited Tender Enquiry also and efforts are made to identify a higher number of approved suppliers to obtain more responsive quotes on competitive basis.
- c) **Time to be given for submission of quotes:** Sufficient time, normally ranging from one to three weeks, is allowed for submission of quotes in Limited Tender Enquiries. For perishable goods or consumables, a reduced time frame may be followed.

### 4. Single Tender Enquiry (STE)

**Single Tender Enquiry (STE):** Procurement from a single source may be resorted to with the prior approval of the RMC.

- a) STE is generally sent only to OEMs and registered firms.

### 5. Cost of Tender and Quote Security/Earnest Money Deposit

- a) **The cost of the Tender document:** Tender sets in respect of Advertised (Open) Tender Enquiry will be sold on payment, the prices of which would be determined on case to case basis.
- b) **Quote security:** To safeguard against a bidder's withdrawing or altering his quote during the quote validity period in the case of advertised or limited tender enquiry, Quote Security (also known as Earnest Money Deposit or EMD) shall be obtained from the bidder's.
- c) **Refund of Quote Security of Bidder's:** Quote securities of the unsuccessful bidders will be returned to them at the earliest after expiry of the final quote validity and latest on or before the 30th day after the award of the contract.
- d) **Forfeiture of the Quote Security:** The quote security/earnest money will be liable to be forfeited if the bidder withdraws or amends, impairs or derogates from the tender in any respect within the validity period of his tender.

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- a) **Expression of Interest:** In those cases, where specifications of the desired goods or services are not clear or the sources are not known units may resort to pre-qualification of suppliers, a notice calling for expression of interest/information may be issued and pre-quote conference may be held to firm up the Qualitative Requirements (QRs)/specifications before issuing the Request for Quotation.
- b) **Preparation of the Request for Quotation/Tender Enquiry:** The Request for Quotation (RFQ), also called Tender Enquiry (TE), is the most important document in the procurement process. The RFQ will contain full and clear specifications, scope of requirement and the evaluation criteria, both for technical quotes and commercial quotes.

### 7. Receipt of Tenders/Quotations

- a) **Tender Box:** To ensure that the quotes are received by the purchaser in time, a tender box is placed in an easily accessible but secured place, duly locked and sealed, clearly indicating the name of the department. The words "Tender Box" will be written on the box in bold font.
- b) **Delivery of Quotes by Email:** In cases where the tenders are received by email, they should be in non-editable PDF format and preferably password protected.

### 8. Tender Opening

**Opening of Tenders:** The following procedure will be followed for opening of tenders:

- ✓ All the tenders received on time will be opened in the presence of authorized representatives of the tenderers at the prescribed time, date and place by the official/Tender Opening Committee.
- ✓ The tender opening official/committee will announce the salient features of the tenders like description and specification of the goods, quoted price, terms of delivery, delivery period, discount if any, whether EMD furnished or not and any other special feature of the tender for the information of the representatives attending the tender opening.
- ✓ After opening, every tender will be numbered serially, initialed, and dated on the first page by the official(s) authorized to open the tenders. Each page of the price schedule or letter attached to it shall also be initialed by them with date, particularly the prices, delivery period etc., which will also be circled and initialed indicating the date. Blank tenders, if any, should be marked accordingly by the tender opening officials.
- ✓ Alterations in tenders, if any, for e.g.- erasing, cutting, formatting etc. made by the tenderers, will be initialed with date and time by the official(s) opening the

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tenders to make it perfectly clear that such alterations were present on the tenders at the time of opening.

- ✓ The tender opening official(s) will prepare a list of the representatives attending the tender opening and obtain their signatures on the list. The list should contain the representatives' names and the corresponding tenderers' names and addresses. The authority letters brought by the representatives should be attached with this list. This list should be signed by both the tender Opening official(s) with date and time.
- ✓ An on-the-spot report containing the names of the tenderers (serial number wise) salient features of the tenders, as read out during public opening of tenders will be prepared by the tender opening official(s) duly signed by them with date and time.
- ✓ The tenders, which have been opened, the list of the representatives attending the tender opening and on-the spot report will be handed over to the nominated Manager of the purchase department and acknowledgement obtained for the same.

### 9. Evaluation of Commercial Quotes

- a) **Preparation of the Comparative Statement of Tenders:** After opening of the commercial quotes, the purchase department will prepare a comparative statement of tenders (CST). The CST will be prepared with due care showing each element of cost (basic cost, taxes, levies, etc.) separately against each tenderer. It will be prepared soon after opening of the commercial quotes. All comparative statements to be reviewed by another person in the department for correctness of information captured.
- b) **Commercial Evaluation:** Evaluation of commercial quotes is the core activity in any purchase decision. Incorrect evaluation of quoted rates, items quoted, freight, insurance, taxes, duties and other expenses would make purchase decision deficient and faulty. Detailed guidelines on establishing reasonability of prices and ranking of quotes are contained in [Chapter 6] of the Manual.
- c) **Commercial Negotiations:** It is recommended to hold commercial negotiations in each case, in open and limited tender cases, where the response has been substantial and the L1 price is found to be very close to the reasonable price, if such an assessment had been carried out prior to opening of the commercial quotes, negotiations may not be mandatory. However, commercial negotiation may become necessary to ensure that the interest of the Unit is fully protected and the price paid is reasonable. Commercial Negotiations are invariably conducted in case of single tender situations or when price is considered high with reference to assessed reasonable price, irrespective of the nature of tendering.

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- d) **Composition of Purchase Committee:** The purchase committee apart from the Chairman, Finance Head, and Materials Head may include representatives of the user, finance, technical, purchase, maintenance or any other representative as required.
- e) **Responsibility of the Purchase Committee:** Wherever negotiations are conducted by the purchase committee, minutes/Logic notes of the purchase committee meetings will be recorded clearly and expeditiously. Purchase committee will determine L1 and make unambiguous and specific recommendations giving reasons for making the recommendations. Detailed record of discussions regarding compliance with tendered QRs, price and contract clauses held during the purchase committee will be prepared and placed on record in the form of minutes of the meeting. All the members of the purchase committee will sign the minutes.
- f) **Acceptance of Purchase Committee's recommendations:** The recommendations of the purchase committee will be processed on file by the Procuring Agency for the approval of the Approver, wherever required as per the delegation of powers.

### 10. Resultant Single Vendor Situation

**Action to be taken in Resultant Single Vendor Situations:** There are cases when only a single quote or a single valid acceptable quote is received even against LTE or OTE. This results in a single vendor situation indicating lack of competition. In such situations, the following aspects are to be examined:

- Whether all necessary requirements such as standard tender enquiry conditions, industry- friendly specifications, wide publicity, and sufficient time for formulation of tenders had been taken care of while issuing the RFQ;
- Whether the RFQ had been properly dispatched and duly received by the prospective vendors to whom these were sent.
- Whether the SQRs, particularly in the LTE cases, could be reformulated and made broader based to generate wider competition.
- Whether time and criticality of requirement permits reformulation of the SQRs.
- If the examination reveals that (a) and (b) had been complied with and (c) and (d) are not

feasible, the proposal may be processed further treating it as a case of OTE or LTE with the approval of the Approver and Logic notes in place. In case, however, there is any doubt about the tendering process or it is considered feasible to consider reformulation of SQRs without compromising on operational requirement, the RFQ will be retracted and re- issued after rectifying the deficiencies and/or reformulating the SQRs.

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### 11. Signing of Contract/Placing of Supply Order

- a) **Signing of Contracts/Placing of Supply Orders:** Once the Purchase committee recommendations are accepted by the Approver, the contract may be signed or the purchase order placed. It must be ensured that the contract/purchase order is as per the approved terms and conditions and the rates are correctly shown as finally negotiated and accepted by the Approver.
- b) **Assessment of the Vendor's Facility:** If required and considered necessary, a composite delegation of representatives of the technical, purchase or/and user Department, may be deputed to visit the plant/factory of the vendor to assess the capability/capacity of the selected vendors to carry out upgradation, refurbishment, etc. before commercial negotiations are finalized and approved by the Approver.

### Flow Chart Tendering Process

#### Tendering Process

