



PROJECTS

Process Document

Sourcing & Procurement

Source & Manage Categories

Strategic Sourcing

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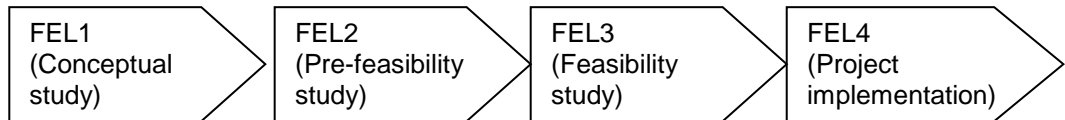
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Abbreviations

Standard Abbreviations:

KPI	Key Performance Indicator
SIPOC	Supplier, Input, Process, Output, Customer
RASCI	Responsible, Accountable, Support, Consult, Inform
FEL	Front End Loading



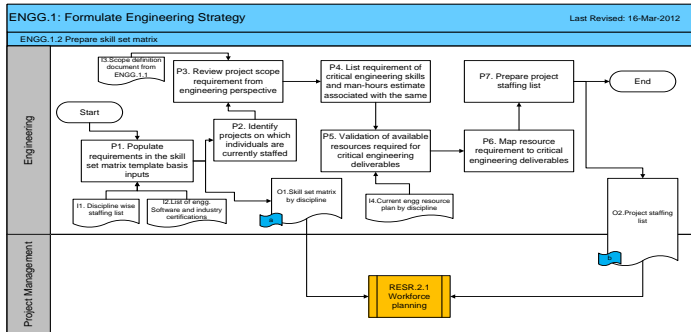
Process Specific Abbreviations:

BoQ	Bill of Quantities
BG	Bank Guarantee
BU	Business Unit
CPBG	Contract Performance Bank Guarantee
DoA	Delegation of Authority
ETC	Erection Testing & Commissioning
FBN	Fact Based Negotiation
LLI	Long Lead Item
MS	Mild Steel
MTO	Material Take Off
PBG	Performance Bank Guarantee
NFA	Note for Approval
PR	Purchase Requisition
RFI	Request for Information
RFP	Request for Proposal
UoM	Unit of Measurement
LSS	Least Supported Solution
MSS	Most Supported Solution
BATNA	Best Alternative to a Negotiated Agreement
TBER	Technically Bid Evaluation Report
IRC	Item Rate Contract
LSTK	Lump Sum Turn Key
PRW	Price Rate Work

Process Document Structure

This Level 2 process document comprises of Level 3 sub-processes as separate chapters. Each chapter consists of the following sections:

1. Process Map



The process map details the sub processes highlighting functions/roles involved. It also demonstrates the flow of activities in the process.

The phases of the process are also defined in the process map as separators (vertical line).

2. Process Notes

ENG 1.1: Prepare engineering scope definition- Process Notes

Phase I - FEL 3

P1. The Project engineering manager (PEM) collects inputs for scope definition (Bankable detailed project report, technical design basis (discipline wise) and preliminary design basis report (package wise)). Inputs for the engineering scope definition for the execution phase (FEL3.4) are part of the 'Prepare and update Project definition'(FEAS.2.2) process completed as part of the Feasibility Assessment process.

P2. The PEM circulates the technical design basis for review of basic engineering scope

Process notes detail out the activities carried out in each of the process elements. They also cover additional details required to complete the process, that do not get covered as part of the process map and SIPOC.

3. SIPOC (Supplier, Input, Process, Output, Customer)

Trigger- Closure of Toll gate 2
Frequency- One time

Supplier	Input	Output	Customer
EC	Bankable detailed project report Technical design basis (discipline wise),	Technical design basis	PEM PM
		Design basis (major packages)	
		PFD	
		P&ID	
		GAD	

SIPOC tabulates the following:

- Supplier of inputs
- Inputs to the process
- Process* (and steps involved)
- Output of the process
- Customer of the output

* Process gets covered in the process map

4. RASCI (Responsible, Accountable, Support, Consult, Inform)

Activity	Responsible	Accountable	Support	Consult	Inform
P1. Collect input for Scoping study	PEM	PEM	DL	HE	PM
P2. Review technical design basis for scope coverage	DL	PEM	PEM, PM, EE, CA	HE	PEM, DL, DE

RASCI table maps all activities defined in the process to all roles which participate in the respective activities in various capacity (Responsible, Accountable, Support, Consult, Inform)

5. KPI

KPI	Objective	Formula	UoM
Design changes related to scope	Minimize design changes	Number of design changes per packages	No.

The KPI of the process is defined in this table; process efficiency is measured based on KPI

6. Templates

Number	Name	Template
ENG 1.2.b	Project staffing list template	

This table lists the templates that will be used to execute the process.

Organizational Roles

Function	Roles	Abbreviations	Project/Function Resources
Corporate	Chairman	CMN	Top management
Corporate	Managing Director	MD	Top management
Corporate	Chief Executive Officer	CEO	Top management
Corporate	Chief Operating Officer	COO	Top management
Corporate	Chief Financial Officer	CFO	Top management
Human Resources	Head HR (Business)	HHR	Functional head
Information Technology	Head IT (Business)	HIT	Functional head
Accounts	Head Accounts	HAC	Functional head
Legal	Head Legal	HLL	Functional head
Business Development	Head Business Development	HBD	Functional head
Project Management	Director Projects	DP	Project
Project Management	Project Director	PD	Project
Project Management	Head Contract Administrator	HCA	Functional head
Project Management	Project Contract Administrator	PCA	Project
Project Management	Contract Administrator	CA	Project
Project Management	Risk Analyst	RA	Project
Project Management	Document Controller	DC	Project
Project Control	Head Project Control	HPC	Functional head
Project Control	Project Control Manager	PCM	Project
Project Control	Planning Engineer	PE	Project
Project Control	Cost Controller	CC	Project
Engineering	Head Engineering	HE	Functional head
Engineering	Project Engineering Manager	PEM	Project
Engineering	Discipline Lead	DL	Functional
Engineering	Discipline Engineer	DE	Project
Engineering	Field Engineer	FE	Project
Engineering	Owner's Engineer	OE	Project
Engineering	Other External Consultants	EC	Project
Estimation	Head Estimation	HES	Functional head
Estimation	Estimation Engineer	EE	Functional
Sourcing & Procurement	Head Sourcing & Procurement	HSP	Functional head
Sourcing & Procurement	Category Lead	CL	Functional
Sourcing & Procurement	Category Buyer	CB	Functional
Sourcing & Procurement	Project Procurement Manager	PPM	Project
Sourcing & Procurement	Expeditors	EX	Project
Sourcing & Procurement	Site Procurement Manager	SPM	Project
Sourcing & Procurement	Logistics Manager	LM	Project
Sourcing & Procurement	Stores Manager	SM	Project
Construction	Construction Manager	CM	Project
Construction	Area Manager	AM	Project
Commissioning	Commissioning Manager	COM	Project
Operations & Maintenance	O&M Manager	OMM	Project
HSE	HSE Head	HHS	Functional Head
HSE	HSE Manager	HSM	Project
Quality	Head Quality	HQ	Functional Head
Quality	Quality Manager	QM	Project
Equipment management	Head Equipment Management	HEQ	Functional Head
Equipment management	Equipment Manager	EQM	Project
Land Acquisition	Land Acquisition Manager	LAM	Functional

Note: The above defined roles do not correspond to organization level. All functional heads have been referred to as senior management in process note

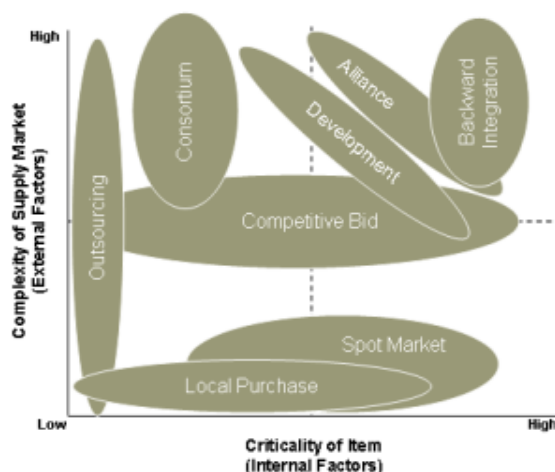
Objective and Applicability

Objective:

The objective of strategic sourcing is to ensure procurement of supplies and services at optimal cost, ensuring supply assurance (as per project schedule) and minimize risk.

These objectives are achieved by executing the sourcing initiatives which have been identified during category strategy formulation stage (*refer PROC.2.1 and template PROC.1.2a*).

Category strategy formulation is based on a structured data driven process and systematic assessment of supply market economics (supply market analysis) and internal requirements (spend analysis).



Category Strategy		
Material Strategy	Equipment Strategy	Services & Package Strategy
Logistics		
Commercial, Contracting, Insurance & Taxation		
Risk Mitigation		
Procurement Governance		

The process of sourcing (vendor identification, qualification, bidding, evaluation, negotiation and selection) which is aligned to approved category strategy is termed as 'Strategic Sourcing'.

The user should go through the process document in conjunction with below mentioned processes that act as input and output to the process.

Inputs:

- Define long term procurement strategic plan PROC.1.1
- Define project procurement plan and strategy PROC.1.2
- Define annual procurement plan PROC.1.3
- Process PR PROC.3.1
- Import Logistics planning CONS.1.3.I
- Selection of construction contractor CONS.3.2
- Contractor development CONS.3.3
- Commissioning planning COMM.1.1
- Analyze & manage categories PROC.2.1

Output:

- Vendor identification and on-boarding– PROC.4.1

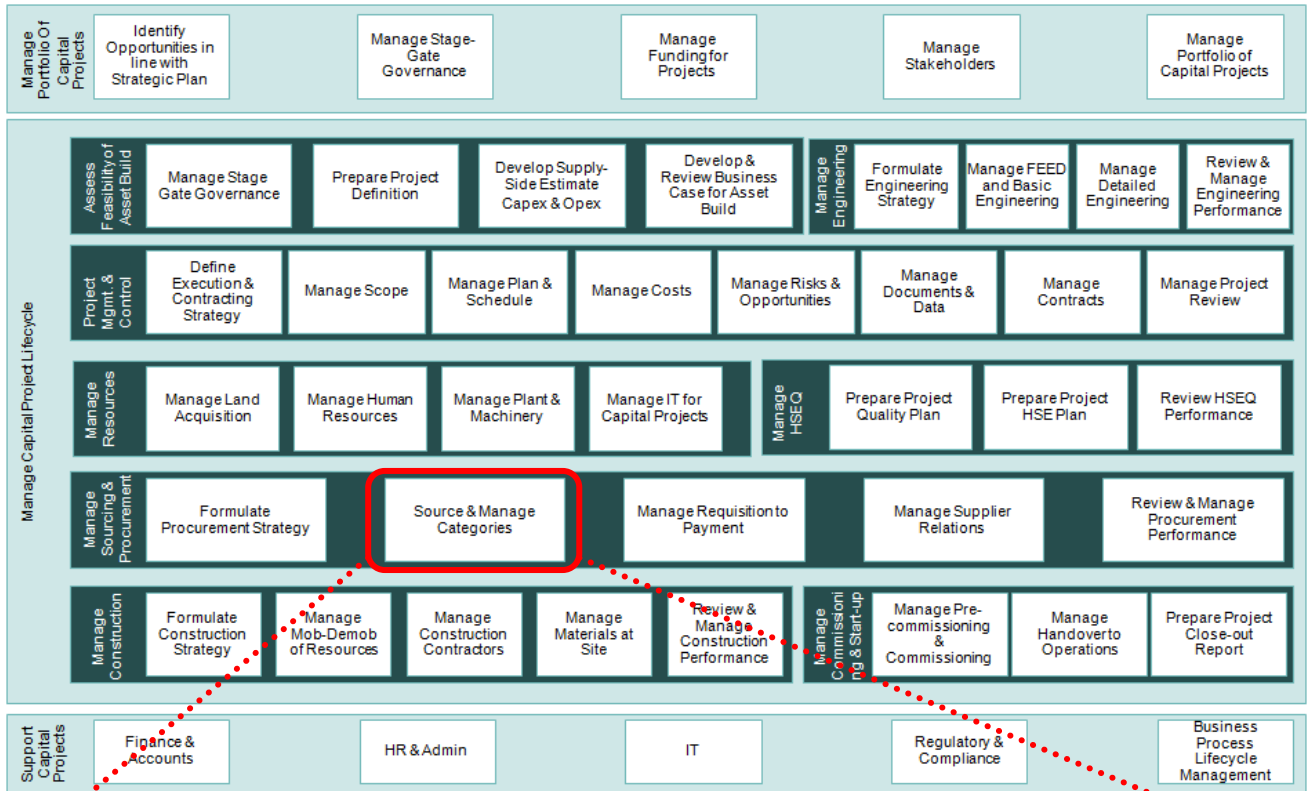
- Formulate contracts PROC.2.4

Applicability:

These processes are applicable for sourcing of packages, bulks and services for capital projects. The processes have been detailed in three sub-sections

- **Strategic sourcing for Package:**
 - Engineered packages - Packages where engineering design of the package is in the scope of contractor
 - EPC package such as CHP, BTG, Fuel oil system, AHP, Bulk material handling, coal washery, IDCT, Chimney, intake system, HVDC transmission line system etc.
 - Equipment package (supply & installation) i.e. transformer, pumps, Ship loader, stacker reclaimer, etc.
 - Packages based on BoQ – Packages where engineering design is developed in-house or by hiring a external consultant and contractor has to execute the work on line item quantity/ rate basis.
 - Civil packages such as roads & drains, BTG civil work, residential building, office buildings, reservoir, Jetty, switchyard, substation etc.
- **Strategic sourcing for Bulks:**
 - Steel, cement, fuel oil, bitumen, cable, fencing, rubble, aggregate, pipes etc.
- **Strategic sourcing for services:** Sourcing where only service (without any supply of material) part is considered.
 - Engineering services, consulting services, quality inspection services, safety inspection services, security services, equipment hiring services, insurance services etc.

Operating Framework



Analyze and Manage Categories

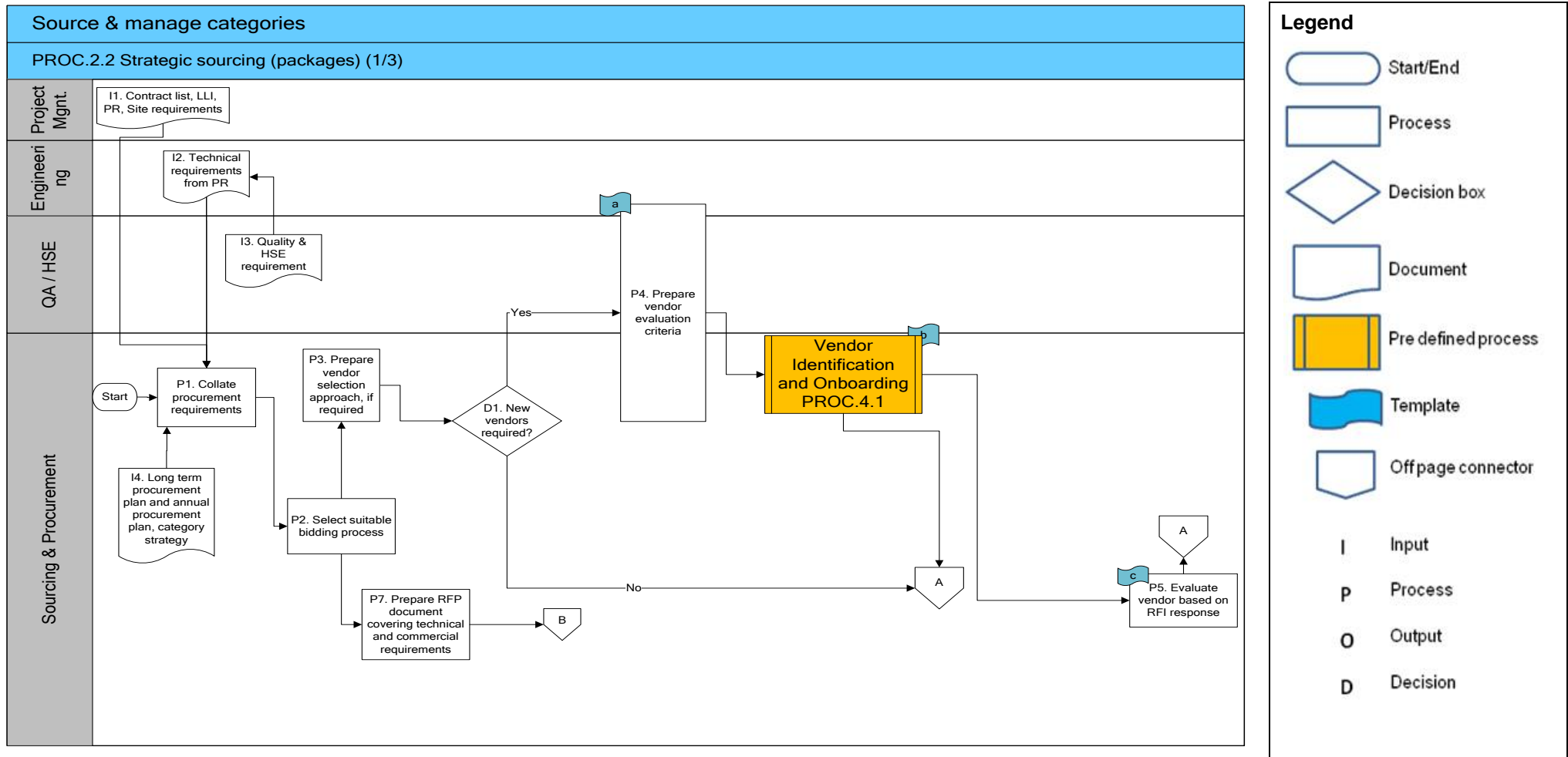
Strategic Sourcing

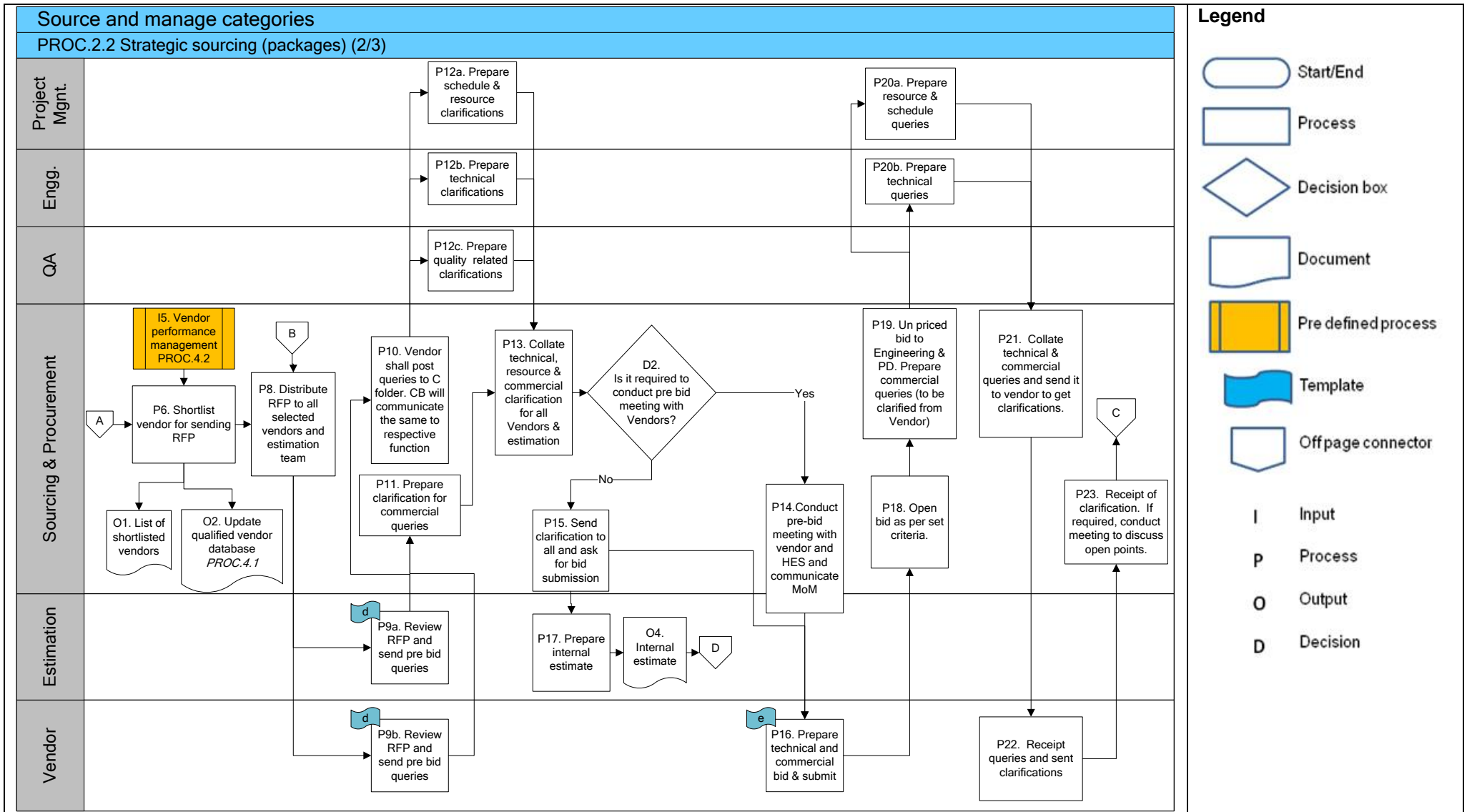
Procurement Risk Management

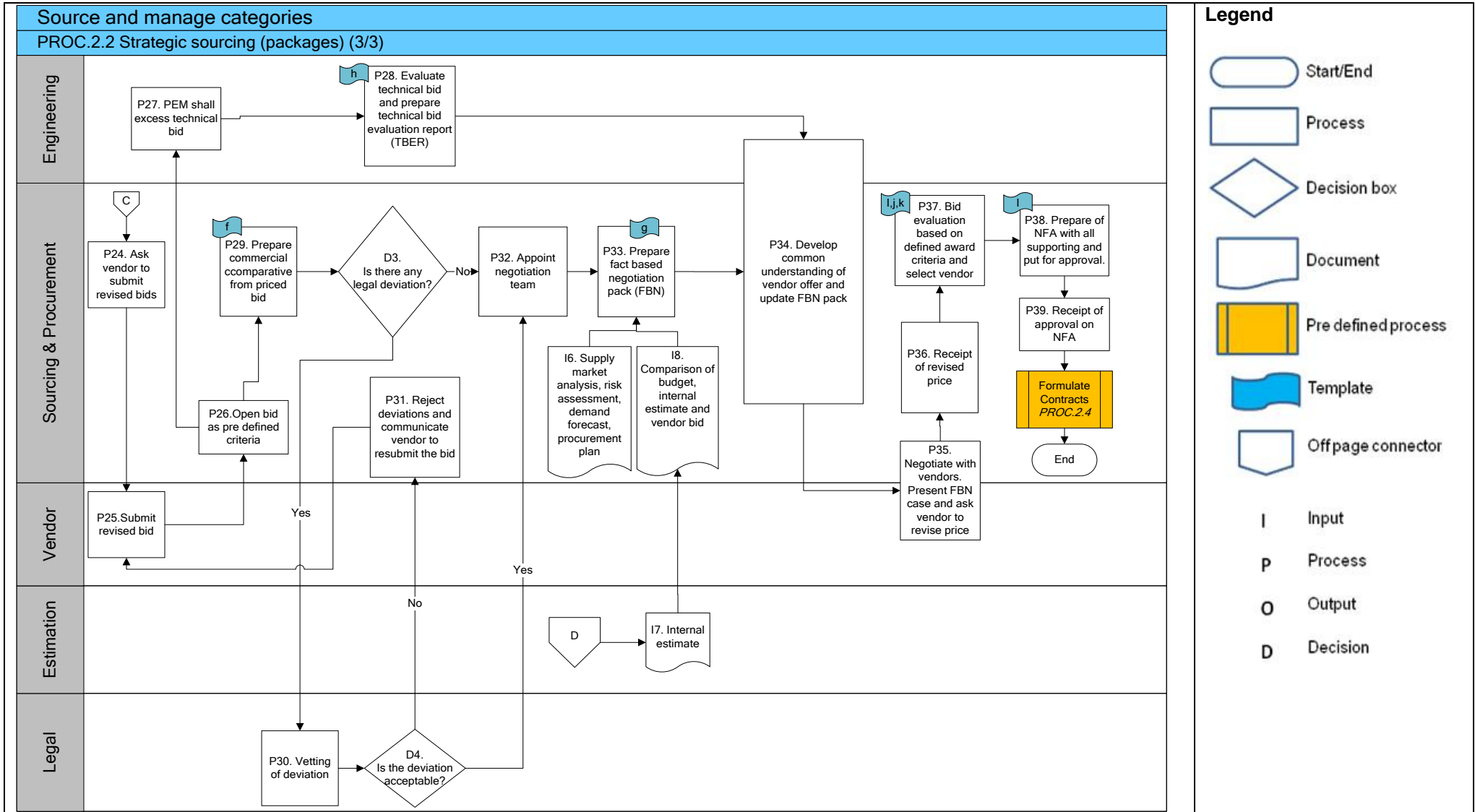
Formulate Contract

Process Documentation
PROC.2.2 Strategic sourcing

PROC.2.2: Strategic sourcing (Packages)- Process map







PROC.2.2: Strategic sourcing (Packages) -Process notes

P1. CL shall initiate the sourcing process based on following inputs:

- Contract list, LLI, PR and site requirements from PD
- Long term procurement plan or annual procurement plan

PPM shall also collate technical requirements from PEM/ DL. Quality and safety requirements also shall be communicated to PPM by PEM after collation of information from respective functions. PPM shall forward all collated documents to CL for initiating sourcing.

P2. Depending on the nature of the category CL in consultation with HSP shall decide on:

a) Bidding process to be followed:

- Open bidding: Bidding is open to all interested vendors. Invitation for open bidding is through public notification. Invite can be open to all international vendors or restricted to domestic vendors.
- Limited bidding: Bidding is limited to a limited set of vendors which shall be identified by CL. Similar to open bidding the set of invited vendors can be international or limited to domestic players.
- Repeat order: Repeat order can be considered in cases where strategic sourcing has been conducted for package/ bulk/ services of same/ similar nature in the recent past and repeat order provides a clear advantage over a formal bidding process (open or limited). For repeat orders enquiry shall be floated only to the existing successful vendor for same or similar requirement. HSP shall consider following criteria before selecting repeat order strategy:
 - i) Performance of vendor on current project with respect to mobilization and execution
 - ii) Spare capacity available with vendor
 - iii) Cost and schedule advantage
 - iv) Reduce time during ordering & mobilization with its impact on project
 - v) Alignment with category strategy
 - vi) Approval as per DoA for repeat order

b) Mode of bidding:

- E-Tendering – *refer appendix-I for guidelines*
- Paper based bidding

c) Bidding procedure:

- Single stage: Single envelope bidding procedure
- Single stage: Two-envelope bidding procedure

Single-Stage: One-Envelope Bidding Procedure	Vendors submit bids in one envelope containing both the technical and the commercial bids, which are opened at the date and time mentioned in the RFP. The contract is awarded to the lowest evaluated vendor based on overall rating.
Single-Stage: Two-Envelope Bidding Procedure	Vendors submit two sealed envelopes simultaneously, one containing the technical bid and the other the commercial bid. Initially, only technical bids are opened at the date and time advised in the RFP. The commercial bids remain sealed. The technical bids are evaluated, while no amendments or changes to the technical bids are permitted. The objective of this exercise is to allow evaluation of the technical bids without reference to price. Bids of vendors who do not conform to the specified technical requirements and/or are not acceptable in terms of performance, technical or service factors may be rejected, with the review and

concurrence as per DoA. Following the technical evaluation, the commercial bids of the technically responsive vendors are opened and the commercial bids are evaluated. The award of contract is made as per the bid evaluation criteria.
 This procedure is applied in the case of equipment & packages for which complete technical specifications are prepared in advance.

P3. Based on the bidding procedure to be followed, CL in consultation with QM and DL shall evaluate vendor selection approach. Vendor selection approach will depend on the category characteristics. The guidelines for vendor selection approach are given below in *Exhibit1: Vendor selection approach*.

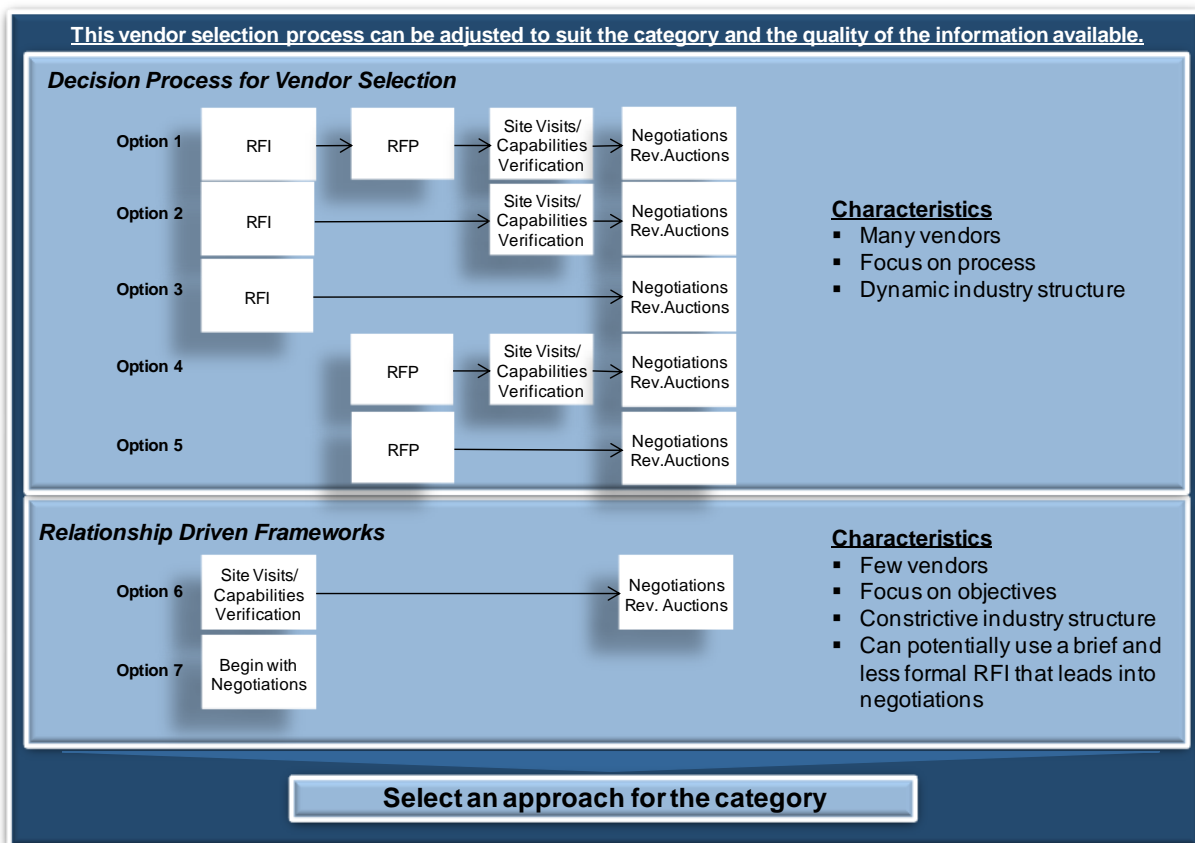


Exhibit1: Vendor selection approach

D1. Vendor selection approach will also identify if there is a need to look for new vendors or continue with existing vendors. The decision will be taken based on time availability, adequacy of existing vendors and past efforts in identifying new vendors.

P4. Based on the vendor selection approach defined in process step P2; technical requirements and quality requirements; CL in consultation with PEM and QM shall decide the vendor evaluation criteria. For key categories CL shall take HSP's approval on the evaluation criteria. The parameters which may be considered for deciding vendor evaluation criteria are:

- Product/ service range
- Key personnel & their qualifications
- Financials

- Continuous improvement process
- Environment/ quality procedures in place
- Health and safety procedures in place
- Research and development capabilities
- Manufacturing capabilities
- Productivity records
- Sourcing capabilities
- Customer service/ responsiveness
- Logistics and supply chain capabilities
- Systems and e-readiness
- Globalization/ localization efforts
- Existing customers
- Customer feedback
- Past experience
- Licenses/ certifications required to carry out specified work
- After sales setup
- Availability of regulatory compliances

It may be decided to add any additional parameter if required. CL in consultation with QM and DL shall assign weight to each of the parameters – a parameter having high importance will be assigned a higher weight. CL in consultation with QM and DL shall also decide on the scoring criteria for each of the parameters. Vendor evaluation criteria will be documented in *template PROC.2.2a*. The same template will also be used for evaluation of the vendors.

It is not preferable to set a limit on the number of successful applicants prior to the evaluation. All applicants meeting the qualification criteria specified shall be allowed to bid. However, it is also important to set the criteria so that a reasonable number of applicants shall be qualified.

Key supplier evaluation criteria listed

Weightages given to each criteria for overall evaluation

Scores calculated based on details for each evaluation criteria

Supplier Evaluation Criteria

Criteria	Weightage	Score		
		3	2	1
Product / Service List	15.0%	More than 3 years experience in O&M of WTP & STP	1 - 3 years experience in O&M of WTP & STP	Less than 1 year experience in O&M of WTP & STP
Past Experience	10.0%	More than 5 years	2 - 5 years	Less than 2 years
Past Experience with Group	10.0%	More than 2 years	1-2 years	Less than 1 year
Financial Turnover	10.0%	More than INR 5 Cr.	INR 3 - 5 Cr.	Less than INR 3 Cr.
Statutory Compliance	10.0%	All 3 licenses available (ESI + PF + Labour license)	2 licenses available	Less than 2 licenses available
Customers	10.0%	3 or more customers of good repute	2-3 customers of good repute	Less than 2 customers of good repute
Personnel (Manpower Available)	10.0%	More than 40 Technically Qualified personnel	30 - 40 Technically Qualified personnel	Less than 30 Technically Qualified personnel
Location, Laboratory (own lab, other labs)	10.0%	Own MOEF,GOI recognized laboratory	Third Party MOEF,GOI recognized laboratory	Laboratory not recognize
Legal / Labour Disputes	10.0%	No disputes ever	1-2 disputes in the past, nothing at present	More than 2 disputes in past and / or any existing dispute
Environment / Quality	5.0%	Multiple valid Environment & Quality Certificates	At least one valid Environment or Quality Certificates	No valid certificates

Exhibit 2: Illustrative vendor evaluation criteria

A vendor evaluation criteria is required for selecting potential vendors:

- To ensure that invitations to bid are extended only to technically and commercially qualified vendors, and to avoid awarding a contract to unqualified vendor based on superficial evaluation.
- To limit the number of vendors, in advance, to a manageable size for bidding procedure and evaluation, when a large number of vendors are expected to participate.
- To enable prospective vendors, who may be insufficiently qualified on their own, to avoid the expense of bidding, or to form a joint venture that may give a better chance of success.

Evaluation criteria for joint venture: The evaluation for joint ventures shall be conducted based on the following guidelines:

(i) *All Partners Combined* - "All Partners Combined" represents the status in which all JV members shall be deemed to be combined as "one applicant" and the JV shall be considered responsive to the requirements stipulated in the evaluation criteria on the condition that any members of the JV meet the evaluation criteria, even though one or more of the members in the JV fail to meet them. This JV compliance requirement is applied in the situation where the evaluation requirements are relatively rigid and each member of the JV is not necessarily expected to meet the criteria as long as all members of the JV meet them as a whole.

(ii) *Each Partner* - Each member of the JV shall individually meet the evaluation criteria. This is aimed at ensuring a particular level of the technical or commercial capacities of all members of the JV, while avoiding the situation where any individual member of the JV does not meet the evaluation criteria.

(iii) *At Least One Partner* - This JV compliance requirement is applied when at least one member of the JV, who can be a **leading member of the JV** in terms of its technical or commercial capacities in executing the contract, shall meet the evaluation criteria.

Please refer process steps of Proc 4.1 Vendor Identification and onboarding process, for procedure to be followed for onboarding new vendors.

P5. For all the responses received by cut-off date, CL shall evaluate the vendors based on Vendor Evaluation Criteria *evaluation template PROC.2.2c*. Illustrative vendor evaluation is depicted in *Exhibit 3* below.

Criteria for RFI evaluation of multiple vendors with weight ages assigned

Scores for multiple vendors are collated and compared

Criteria	Wtg	Scores						
		Vendor 1	Vendor 2	Vendor 3	Vendor 4	Vendor 5	Vendor 6	Vendor 7
Past Experience	10.0%	3	3	3	3	3	2	3
Past Experience with Group	10.0%	2	1	2	2	1	1	2
Financial Turnover	10.0%	3	3	3	3	3	1	3
Statutory Compliance	10.0%	3	3	3	1	3	2	3
Customers	10.0%	3	3	3	3	2	2	3
Personnel (Manpower Available)	10.0%	3	3	3	3	1	1	1
Location, Laboratory (own lab, other authorized labs)	10.0%	2	1	1	1	3	1	1
Legal / Labour Disputes	10.0%	3	1	1	3	3	3	3
Product / Service List	15.0%	3	3	2	3	1	1	1
Environment / Quality	5.0%	1	1	2	2	2	1	1
Total Score		2.7	2.3	2.3	2.45	2.15	1.5	2.1
% Score		90%	77%	77%	82%	72%	50%	70%
Decision		Selected	Selected	Selected	Selected	Selected	Rejected	Selected

Overall scoring and decision

Exhibit 3: Illustrative RFI evaluation

P6. CL shall shortlist the vendors for sending RFP, based on the vendor evaluation scores and past performance of vendor (in case of existing vendor). Past performance of the vendors will be based on the vendor scorecard as defined in the *process manage vendor performance PROC.4.2*. In case vendor scorecard is not maintained for the vendor a written feedback from concerned QM and PD should be taken.

As part of the qualification each vendor shall be qualified for a maximum contract value (bidding capacity). A vendor shall be allowed to bid for any RFP within its bidding capacity. However, it may only be awarded a maximum number of contracts for which it meets the aggregated requirements of such contract combination (award capacity).

The list of pre-qualified vendors (*refer PROC.4.1*) should be updated with the details of any new vendor who has been qualified in previous step. CL shall initiate the process for updation and should follow the procedure defined in *PROC.4.1*.

- P7. Based on the procurement requirements collated in P1; Category Buyer (CB) shall prepare the RFP document covering commercial and technical requirements. The process of RFP preparation and vendor identification & short listing (Process activity P2 through P10) may be performed simultaneously. For different type of contracting options refer Appendix –II.
- P8. Depending on the type of bidding procedure selected, CB shall distribute the RFP document to the selected vendors. A copy of the RFP shall be given to the Head Estimation (HES) for preparing internal estimate.
- P9a. Vendors shall review the RFP document and send pre bid queries to the contact person designated in the RFP document. The queries should be sent in the formats given in the RFP document and should be separate for commercial queries and technical queries.
- P9b. HES shall review the RFP document and send pre bid queries to the contact person designated in the RFP document. The queries should be sent in the formats given in the RFP document and should be separate for commercial queries and technical queries.
- P10. Vendor shall post all the queries in IT platform (c-folder). CB shall segregate technical & commercial queries and forward the technical queries to PD, PEM and QM. CB shall receive the commercial.
- P11. CB with the support from CL shall prepare the clarifications for the commercial queries and submit to vendor (through c-folder) in template PROC 2.2e
- P12a. PD in consultation with CM shall prepare the clarifications related to schedule and resource mobilization and submit to vendor (through c-folder) in template PROC 2.2e
- P12b. PEM/ DL shall prepare the response for vendor queries on technical/ engineering aspects. PEM/ DL shall submit the query response in *template PROC.2.2e* to vendor (through c-folder). The timeline will be guided by the timelines specified in the RFP document.
- P12c. QM shall prepare the response for vendor queries on quality aspects. QM shall submit the query response in *template PROC.2.2e* to vendor (through c-folder). The timeline will be guided by the timelines specified in the RFP document.
- P13. CB shall collate the responses for technical and commercial queries and send to Estimation team.

D2. CL shall evaluate the need for a pre-bid meeting based on the queries and communication requirements.

P14. In case there is a need for pre-bid meeting, CB shall organize the same and communicate meeting schedule to all the vendors who have been issued RFP and HES. Post pre-bid meeting, minutes of the meeting (MoM) shall be communicated to all the vendors and HES.

P15. In case the pre-bid meeting is not required, all clarifications on vendor queries will be compiled and communicated to all the vendors and HES.

P16. Vendors shall prepare and submit technical and commercial bids as instructed in the RFP document. The instruction should include:

- Timelines for submission
- Formats for submitting technical and commercial response
- Compliance documents such as EMD (Earnest Money Deposit)
- Required supporting documents

P17. Based on RFP document, technical clarifications and commercial clarifications Estimation Engineer (EE) shall prepare internal estimates. For preparing the internal estimates, EE should leverage the supply market analysis, past pricing details, industry cost structure and vendor cost structure.

P18. Bids will be opened as per the pre-decided criteria depending on the bid type and bid procedure selected in process step defined above. At the time of opening of the bids a preliminary examination of bids should be carried out by CB. The purpose of preliminary examination is to confirm whether the bids received were complete as required by the RFP before conducting further detailed evaluation. If a bid contains inadmissible reservations or is not substantially responsive to the RFP or does not conform to the RFP procedure sufficiently, it shall be rejected. A preliminary examination shall then be made to evaluate each responsive bid and to enable bids to be compared.

Verification of Bid: Attention should be directed toward deficiencies that, if accepted, would provide unfair advantages to the vendor. The areas to be covered by this examination are:

- Whether bid documents have been properly signed or not
- Whether a power of attorney for the authorized person has been submitted or not
- Whether joint venture agreements, if required, are submitted or not
- Whether documents, required to assess the post qualification of a vendor with respect to its financial and technical capability to undertake the contract, have been provided or not

Completeness of Bid: Unless the RFP has specifically allowed partial bids—permitting vendors to quote for only selected items or for only partial quantities of a particular item—bids not offering all of the required items should ordinarily be considered nonresponsive. However, under civil works contracts, missing prices for occasional

work items are considered to be included in prices for closely related items elsewhere. If any changes have been made, they should be initiated by the vendor. They may be acceptable if they are corrective, editorial, or explanatory. If they are not, they should be treated as deviations.

Determination of Substantial Responsiveness: The scrutiny of bids for substantial responsiveness to the provisions of the RFP is one of the most important aspects of the evaluation of bids. A bid is considered substantially responsive if it does not contain any material deviation, reservation, or omission from the RFP or conditions which cannot be determined reasonably in terms of monetary value for commercial adjustment. A material deviation, reservation, or omission is one that (a) if accepted, would (i) affect in any substantial way the scope, quality or performance of the works specified in the contract; or (ii) limit in any substantial way, inconsistent with the RFP, company's rights or the vendor's obligations under the proposed contract. The purpose of this exercise is to reject bids which are not substantially responsive to major commercial and technical requirements.

All bids must be checked for **substantial responsiveness to the commercial terms** and conditions of the RFP. Examples of nonconformity to commercial terms and conditions, which are justifiable grounds for rejection of a bid are:

- Failure to sign the Bid Form and Price Schedules by the authorized person or persons.
- Failure to submit a bid security as specified in the RFP.
- Failure to satisfy the bid validity period (e.g., the bid validity period is shorter than specified in the RFP).
- Inability to meet the critical delivery schedule or work schedule clearly specified in the RFP, where such schedule is a crucial condition with which vendors must comply.
- Failure to comply with minimum cash flow (Financial Resources), personnel, and equipment requirements as specified in the RFP.
- Conditional bids, i.e., conditions in a bid which limit the vendor's responsibility to accept an award.
- Failure to submit major supporting documents required by the RFP.

All bids must be checked for **substantial responsiveness to the technical requirements** of the RFP. Examples of nonconformity to technical requirements, which are justifiable grounds for rejection of a bid are as follows:

- Failure to bid for the required scope of work (e.g., for the entire civil works or a complete package or a complete schedule) as instructed in the RFP and where failure to do so has been indicated as unacceptable.
- Failure to quote for a major item in the package.
- Failure to meet major technical requirements (e.g., offering completely different types of equipment or materials from the types specified, plant capacity well below the minimum specified, equipment not able to perform the basic functions for which it is intended, etc).
- Presentation of absolutely unrealistic and inadequate implementation plans and schedules regarding performance, technical or service factors.

- P19. Post bid-opening, PD and PEM shall receive un-priced bids from vendor (through c-folder). For commercial bid, CB shall prepare the commercial queries requiring clarification and post through c-folder to respective vendor.
- P20a. PD shall review the un-priced bid and prepare the schedule and resource deployment related queries, if any, and post through c-folder to respective vendor.
- P20b. DL shall evaluate the technical bid and prepare technical queries if any and post through c-folder to respective vendor.
- P21. CB shall collate commercial and technical queries in system C folder and shall send it to respective vendor for clarification.
- P22. On receipt of queries, vendor shall respond to the queries as per the timelines specified in RFP document.
- P23. Post receipt of vendor responses, if required, CB shall conduct meeting with shortlisted vendors to discuss on any open points. CB shall invite the members from other functions for the meeting as required.
- P24. Post meeting and discussions, CB shall ask vendors to submit their revised bids, if required.
- P25. Vendors shall submit their revised bids, based on requirement.
- P26. Revised bids shall be opened as per the pre-defined criteria.
- P27. PEM shall access the technical bids for technical evaluation.
- P28. DL shall evaluate the technical bids by incorporating the clarifications provided. Technical bid evaluation criteria should be finalized at the time of finalization of the RFP document and not later than the receipt of the technical bids. DL shall prepare the technical bid evaluation report (TBER) and submit it to CL in *template PROC.2.2h*.

For incorporating technical factors in overall bid evaluation three different scenarios are to be evaluated (based on availability of technical information and nature of category).

Scenario 1: Technical evaluation will be limited to Technical qualification of the bid for commercial analysis. In this case technical evaluation shall be used only for Go / No-Go decision and further evaluation of bids shall be based on commercial parameters only.

Scenario 2: Technical qualification and technical ranking of vendors based on the technical bid. The technical ranking arrived shall be incorporated for the overall evaluation of the bid.

Scenarios 3: Technically qualified bids shall be evaluated for cost implication. The technical evaluation takes account of performance, technical or service factors. CB shall examine plans and schedules of these factors to determine whether they are acceptable or not:-

- Time schedule
- Operating and maintenance costs
- Functional guarantee of the facilities

Based on performance parameters technical loading shall be calculated as shown in *Exhibit 4*. Technical loading will be captured in “technical loading” sheet of template *PROC.2.2.f2* commercial bid comparison.

TENDER EVALUATION FOR ASH HANDLING PLANT - Loading on Performance Parameters					
Details	Specifications	Supplier 1	Supplier 2	Supplier 3	Supplier 4
Auxiliary Power Consumption					
		INR			
Auxiliary Power Consumption in AHP	kW	21	20	24	22
Differential auxiliary power consumption	kW	1	Base	4	2
Evaluation factor for every kW increase in aux power	INR MN / kW	17			
Evaluation cost for differential auxiliary power consumption		17	Base	68	34
Evaluation cost for differential auxiliary power consumption for 2 units	INR Mn	34	0	136	68
Completion Schedule for AHP					
Completion Schedule for Unit 1	Months	24	25	26	21
Differential in Completion Schedule	Months	3	4	5	Base
Evaluation factor for Completion Schedule		25			
Evaluation cost for differential Completion Schedule	INR Mn/Month	75	100	125	Base
Completion Schedule for Unit 2	Months	28	28	29	23
Differential in Completion Schedule	Months	5	5	6	Base
Evaluation factor for Completion Schedule		25			
Evaluation cost for differential Completion Schedule	INR Mn/Month	125	125		Base
Evaluation cost for differential auxiliary power consumption for 2 units	INR Mn	200	225	275	0
Total Performance Loading		234.00	225.00	411.00	68.00

Exhibit 4: Illustrative performance loading

P29. CB shall prepare the price comparative in the *commercial bid comparison template PROC.2.2.f1 & PROC.2.2.f2*. The comparison should be done for both cost element level (as per cost structure sheet in RFP) as well as for the commercial terms and conditions.

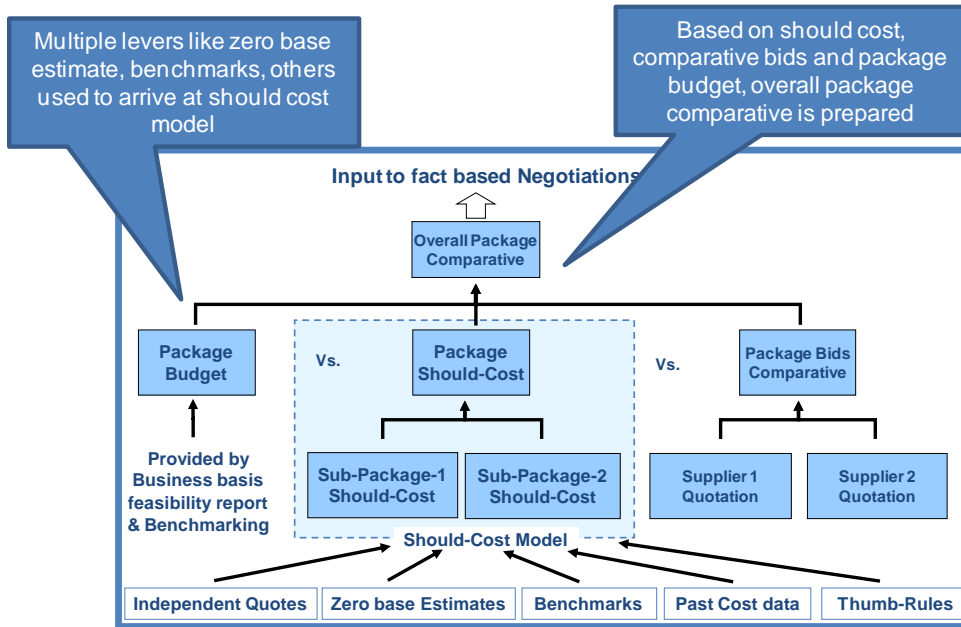


Exhibit 5: Commercial bid comparison

Commercial bid comparison shall consider all the factors for arriving at the landed price of the package. Refer to *Exhibit 6* for illustrative commercial bid evaluation. Commercial bid comparison will be carried out using *template PROC.2.2.f*.

TENDER EVALUATION FOR ASH HANDLING PLANT - COMMERCIAL (PRICE BID EVALUATION)							
			Supplier 1	Supplier 2	Supplier 3	Supplier 4	Supplier 5
SUPPLY							
Main Equipment 'Ex-Works Price (at Manufacturing Country)			2,895	1,500	2,000	1,550	1,600
FoB Price			2,895	1,500	2,000	1,550	1,600
CIF Price			2,895	1,500	2,000	1,550	1,600
Landed Cost at Site (Main Equipment) W/o Exemptions			4,315	2,205	2,938	2,278	2,352
Net Cost of Main Equipment		INR	4,293	2,171	2,912	2,246	2,321
MANDATORY SPARES							
Ex-Works price			585	510	639	715	657
Ex-Works Price after Discount			562	500	620	686	624
CIF Price			567	505	626	690	630
Landed Cost at Site (Mandatory Spares) W/o Exemptions			844	752	930	1,022	939
Net Cost of Mandatory Spares		INR	841	750	927	1,020	938
RECOMMENDED SPARES							
Ex-Works price			28	28	28	28	28
Discounts		%	1	-	-	-	-
Ex-Works Price after Discount			27	28	28	28	28
FoB Price			27	28	28	28	28
CIF Price			27	28	28	28	28
Landed Cost at Site (Recommended Spares) W/o Exemptions			67	67	82	104	107
Net Cost of Recommended Spares		INR	17	44	60	83	87
TOTAL SUPPLY COST		INR	5,150	2,965	3,899	3,349	3,346
SERVICES							
Total Engineering Cost		INR	54	54	54	54	54
Total Erection Testing and Commissioning Test		INR	33	33	33	33	33
Total Training Cost		INR	22	22	22	22	22
TOTAL SERVICES COST		INR	109	109	109	109	109
TOTAL SUPPLY AND SERVICES COSTS W/O PRICE ADJ & LOADINGS		INR	5,259	3,074	4,008	3,458	3,455

Net landed cost including supplies and service

Exhibit 6: Illustrative commercial comparison

Commercial loading and price adjustments: Bids with commercial deviations may be considered substantially responsive if their further consideration assigns a monetary cost to the bid for the purpose of bid comparison. For e.g:

- If a bid requires a payment term different from that specified in the RFP, the adjustment shall be based on the prospective benefit to the vendor. This situation assumes use of a discounted cash flow using the prevailing commercial interest rates for the currencies of the bid.
- If a bid provides for a delivery or completion that is beyond the date specified in the RFP but that is nonetheless technically acceptable, the time advantage given should be assessed based on a Specified in the RFP.

All such monetary adjustments will be made using commercial loading to the bid or making price adjustments. *Exhibit 7* illustrates the mechanism for such commercial loading and price adjustments.

TENDER EVALUATION FOR ASH HANDLING PLANT - COMMERCIAL (PRICE BID EVALUATION) Document No						
Description	Units	Supplier 1	Supplier 2	Supplier 3	Supplier 4	Supplier 5
TOTAL SUPPLY AND SERVICES COSTS W/O PRICE ADJ & LOADINGS	INR	5,259.12	3,074.31		3,457.69	3,455.03
LOADINGS/PRICE ADJUSTMENTS						
Withdrawal of Payment Term Deviations	addition	20.00				
Withdrawal of Commercial Deviations	addition	3.00				
Withdrawal of Technical Deviations	addition	3.00		23.00		21.00
Addition in Scope	addition			3.00		
Reduction in Scope	reduction		3.00		1.00	3.00
TOTAL SUPPLY AND SERVICES COSTS COMMERCIAL LOADING AND PRICE ADJUSTMENTS	INR	5,285.12	3,073.31	4,033.90	3,478.69	3,473.03
COMMERCIAL RANKING		5	1	4	3	2

Exhibit 7: Illustrative commercial loading and price adjustments

- D3. CB shall check for any deviations, in the terms and condition of the submitted bid, requiring legal vetting, CB shall send all such queries for vetting to Head Legal (HLL).
- P30. HLL shall examine all vetting requests received from CB and respond with legal opinion.
- D4. HLL shall communicate the acceptability of the legal deviations sought by the vendor.
- P31. For cases where deviations sought are not acceptable, CB shall reject the deviations sought and ask vendors to resubmit. In case vendors fail to resubmit their bids, their bids will not be evaluated any further.
- P32. HSP shall appoint a negotiation team comprising of personnel from sourcing & procurement and supported by engineering, quality and project management. The composition of the negotiation team will depend on the complexity of the category. Typically following roles are considered in shaping and conducting the negotiations.

Role	Typical position handling the role in negotiations	Definition
Team Leader	HSP, CL	Overall authority for shaping the negotiation strategy
Principal Negotiator	HSP, CL, CB, person having good negotiation skills	Leads discussion with vendors
External (Supply market) and Internal (Spend analysis & projections) information Analyst	CB, Sourcing analyst	Thorough understanding of supplier situation, supplier competition, market factor and industry Thorough understanding of user requirement, usage volumes, product cost, etc Exploring options to optimize specifications/ contractual terms in order to bring down the total cost of ownership
Commercial	CL, CB	Provide inputs on commercial negotiations Provide inputs on technical terms & conditions
Technical/ End user	User, DL	Provide inputs on technical negotiations Provide the perspective of someone who will utilize the finished product
Documentation Support	CB	Provide detailed documentation of all discussions, agreements and unresolved issues

Exhibit8: Typical negotiation roles

Constituent and size of the team will vary based on the criticality and complexity of the package. A team member may be responsible for multiple roles defined in Exhibit 8 above. Team members of the negotiation team shall provide inputs necessary for Team Leader / Principal Negotiator to shape and conduct negotiations; however, they may not be present in all the discussions with vendor.

P33. Based on the vendor bids, internal estimates, supply market analysis and risk assessment, CB shall prepare a fact based negotiation (FBN) pack as per *template PROC.2.2g*. CB shall take the support of the negotiation team members as required. The elements of FBN pack are:-

- Comparison of vendor bids with budget and internal estimate
- Key messages during negotiation
- Limits of FBN (LSS¹& MSS²)
- BATNA³ (Best alternative to negotiated agreement):
- Negotiation meeting plan

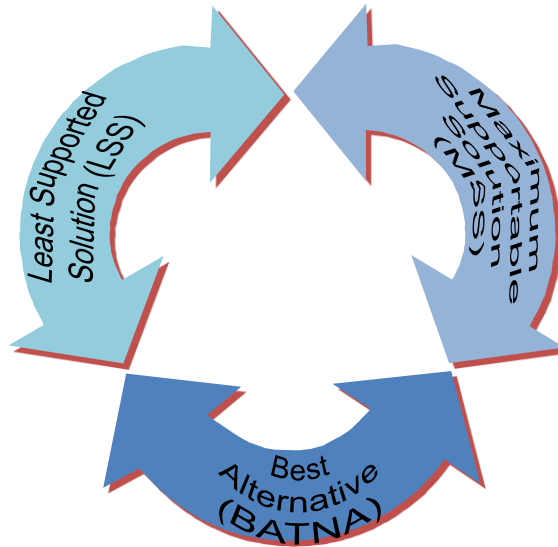
¹ **Least supported solution (LSS)** – This is the least acceptable vendor bid the organization would agree upon without sacrificing business interests

² **Most supported solution (MSS)** – This is the best possible vendor bid, the organization would look for as an outcome of the negotiation process

³ **BATNA:** Best alternative to a negotiated agreement (BATNA) is the course of action that will be taken by a buyer if the current negotiations fail and an agreement cannot be reached. A buyer should generally not accept a worse resolution than its BATNA.

Defines NEEDS

- Barring the emergence of a better option, settling for anything less than this is not a viable business option
- This is the minimum we can agree to without sacrificing our business interests
- At a minimum, LAS must be attained to successfully conclude negotiations



Defines WANTS

- The altogether best proposal based on overall benefits and viability
- We will never get more than we ask for
- Be ambitious, but have a defensible rationale
- MSS is independent of what the vendor will accept
- MSS is an opening, not a closing proposal

Defines SWITCHING STRATEGY

- Course of action we will pursue if the vendors are not willing to agree to our MSS
- What will we do if we cannot get a mutually acceptable agreement
- Are walking away, going to another supplier, exploring other levers BATNAs?

Exhibit 9a: The concept of "BATNA" – Best alternative to negotiable agreement

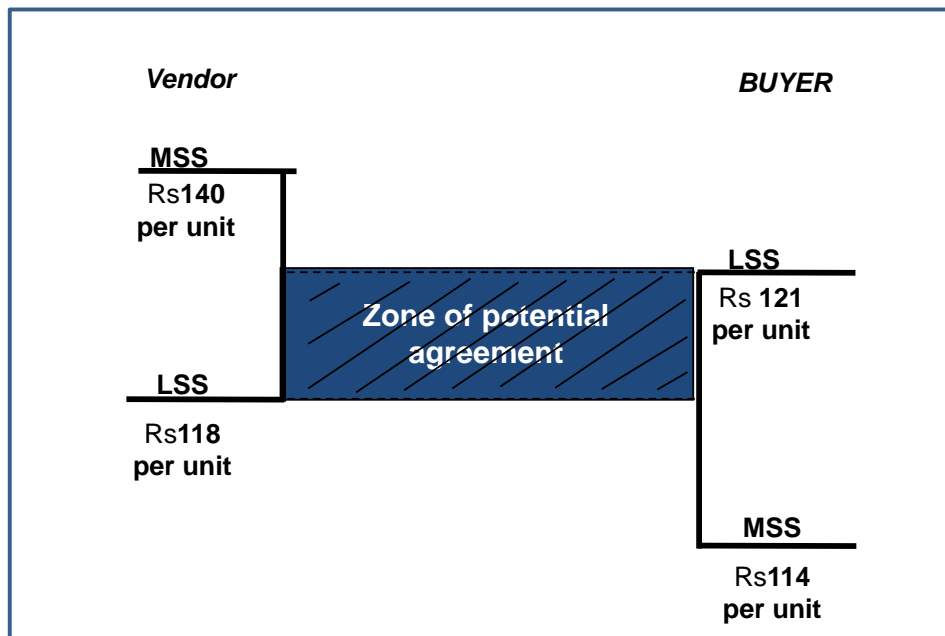


Exhibit 9b: Illustrative LSS & MSS

Exhibit 9c and 9d illustrates the sample limits of FBN (LSS, MSS) and BATNA for package and service respectively.

Major negotiation points are listed down and their criteria / focus is decided for FBN

Least acceptable solution and most supportive solutions are identified for each point

Relative importance to organization and supplier on all the negotiation point are re-recorded

Fact based negotiation Pack for CHP

Note: Points mentioned below are illustrative. The document should be built from major points identified in Commercial & Technical Evaluation, Deviations List, Should Cost Model and other documents.

No.	Topic/Negotiation Point	Criteria / Focus Point	LAS (Least Acceptable Solution)	MSS (Most supportive solution)	BATNA	Relative Importance to organization (Scale of 1 (Very Low Importance) to 5 (Very High Importance))	Relative Importance to vendor (Scale of 1 (Very Low Importance) to 5 (Very High Importance))	Proposal of the vendor
1	Price Discount on Lumpsum Contract Value	Price	Rs.400 Cr. (As per Lowest un negotiated L1 Price of TRF)	250 Cr. (shall be as per Should Cost Price).	Other Offers of M/s. Techpro & Other suitable offers	(5) Very High	(5) Very High	
2	Payment Terms	Contracts Management	No Change in Advance Terms with BGs, No Change in Retention Amount	No changes to Terms and Conditions	1. Offer shall be attractive even after commercial loading 2. Other offers with payment terms as per enquiry or close to enquiry terms	(4) High	(4) High	
2	Delivery Schedule	Contracts Management	24 Months for the 1st Unit and 28 Months for the second Unit(As per Bar Chart - Over all project Schedule)	24 Months for the 1st Unit and 28 Months for the second Unit(One Month Advance - Over all project Schedule))	Discuss other options: - Agree to his schedule provided at reduced prices - enhance scope for the same price	(5) Very High	(3) Medium	
3	Pricing Conditions	Between the Lines Conditions Contracts Management	Pricing with Conditions	No Pricing Conditions	Evaluate next best offer	(5) Very High	(3) Medium	
4	Firm Price or Index Linked	Contracts Management. Implementation Schedule/Delivery Schedule	All linked to index Firm + Index (Range / Review period) (Commodities could be index linked. Should not impact the delivery schedule)	Firm	Evaluate next best offer	(5) Very High	(4) High	
5	Performance Guarantee	Contracts Management	Reduced PBG (Both time as well as money)	As per Bid Specifications	Discuss other options: - Reduce the Commissioning Time - Reduce the Over all value of package - Evaluate Next Best Offer	(5) Very High	(4) High	
6	Warranty (Period)	Contracts Management	Maximum upper limits can be fixed based on the milestone achievements	As per Bid Specifications	Discuss other options: - Separate quote for the extended warranty - Evaluate next best offer	(5) Very High	(4) High	
7	Free Issue Items	Contract Management	Build the price in the order and free issue of material by deduction of amount based on formulae	As per Bid Specifications	Discuss other options: - Reduce the Contract Value by certain %	(3) Medium	(3) Medium	

Exhibit 9c: Illustrative limits of FBN for a package

Fact based negotiation pack for LTSA

Note Points mentioned below are illustrative. The document should be built from major points identified in Commercial & Technical Evaluation, Deviations List, Should Cost Model and other documents.

No.	Topic/Negotiation Point	Description / Remarks	LAS	MSS	BATNA	Relative Importance to organization	Relative Importance to vendor	Proposal of the vendor
1	Contract Value - Spares	Upfront discount difficult but could be linked to some international index						
2	Contract Value - Services	Usually linked with Internation Labour and other indexes. Very difficult to bring down the cost. Stress on increasing (maximizing) the scope within the same price including training of Company's personal.						
3	Responsibility	There should be clear demarcation of responsibilities between the Companies and OEM. In this section, identify all areas where responsibility should be discussed in depth with Vendor. Desired output would be to minimize the use of Company personnel in the activities to be done by Vendor as part of the LTSA						
4	Scope	Should be clearly defined along with detailed schedule						
5	Technology Upgradation	OEM would typically not tell you about what machine he is giving you at present (it might happen he is delivering old machine where as new upgrades are already happened in design). The Company should go in depth and try have technology upgrades for extension of life of equipment / extension of running hours within the same costs. Typically, Vendor takes 24 months for delivering such an equipment, however it has promised Company a delivery time of 12 months only. This could imply that Vendor is supplying an equipment which is already in stock (manufactured for some other customer who is not taking delivery).						
6	Persons involved from the OEM side	Clear cut roles and qualification to be defined for all personnel to be involved from OEM's side.						
7	List of Spares	Should be clearly defined at an item level (and not in sets)						
8	Warranty	Ensure that the warranty of spares should start from date of commissioning.						
9	Time required for each maintenance activity	The Company should be clear about the time for which its plant/ part of the plant will be out of service. Request OEM to specify this very clearly.						
10	Facilities required by the OEM's persons at site	The Company should negotiate very hard as the OEM would want a 5 star facility/ services for its personnel during stay at site.						
11	Payment terms	Company can ask for detailed payment work sheet linked to work schedule and for modification as per cash flow. In this way, the company can try to avoid upfront payments (i.e. payment much before the actual services/ maintenance schedule).						
12	Cover Vendor for damage Vendors to machine/ Company's person while changing/ upgrading the parts	Should pursue for maximum cover Vendor. Usually the OEM would cover only 20% to 30% of actual cost						
13	Delivery responsibility	Discuss Delivery at port Vs. Delivery at site. Push for Delivery at Site.						
14	Training	Take details on training program. Also ensure that a few Company employees are trained in such a manner that they can impart training themselves if required.						

Exhibit9d: Illustrative limits of FBN for Services

While preparing the FBN pack CB shall also analyze following points:

Analysis of prices: The analysis of prices for components of the BoQ and for unit rates of a bid is carried out for the following purposes:

- (i) To examine whether the unit rates of the bid are balanced. A bid is considered unbalanced if the unit rates are substantially higher or lower, in relation to the estimate and the rates quoted by other vendors, for items of work to be performed early in the contract or for underestimated quantities for certain items of work.
- (ii) To verify whether the bid price is reasonable. An unreasonably low bid price may reflect the vendor's misunderstanding of the specifications and, accordingly, this vendor may incur substantial financial losses and fail to complete the work satisfactorily if awarded the contract. To determine the reasonableness of a bid price, it is necessary to consider all circumstances affecting the bid. A bid should not be rejected solely because the bid price exceeds or is lower by a certain percentage of the estimate.
- (iii) To examine the completeness of unit rates. Where RFP require the vendor to provide drawings and/ or the breakdown of the price of any bid item in support of its unit rate or price for that item, any components that are missing from the drawings and/ or the breakdown of the price of a bid item shall be loaded during evaluation for the price of the missing component.

Unbalanced Bids: Unbalanced Bids can usually be classified into the following two main categories.

- (i) **Higher Unit Prices for Earlier Works:** Under this category, a vendor may purposely quote relatively high unit prices for those work elements to be performed early in the contract period so as to increase the up-front payments. The same situation can arise in some supply, delivery and installation contracts. This result in a higher cost for the owner and more importantly, the incentives for the contractor to complete the works are considerably reduced since the payments the contractor will receive during later phases of the contract may consequently be smaller than the actual costs.
- (ii) **Higher Unit Rates for Underestimated Items:** In this category, a vendor who has reason to believe that the quantities given in the BoQ for one or more work items are underestimated will quote unduly high prices for those items. In most contracts for procurement of works, both the contractor and the owner are protected from such technical errors by incorporating the provision that a new unit price will be negotiated if the actual quantity of work executed under the item exceeds or falls short of the quantity set out in the BoQ by more a specified quantity. If such provision is not included in the RFP, then at the time of contract negotiations, agreement should be reached to include the above provision as part of the Contract, rather than rejecting the bid.

P34. Based on the TBER and FBN pack, negotiation team shall develop a common understanding of the vendor bids. CB shall update the FBN pack based on the review by the negotiation team. The team shall meet to brainstorm on possible negotiation outcomes and strategy for each outcome, negotiation levers and counter levers. Negotiation team shall also finalize the negotiation strategy.

P35. CL shall conduct fact based negotiations with shortlisted vendors as per the timelines published in RFP or mutually agreed upon. Vendors shall be asked to submit their final price based on the negotiation outcome.

P36. CB shall receive the revised bids from vendor.

P37. Vendor bids will be evaluated as per the award criteria defined in P12. Overall scores will be compiled and vendor(s) will be selected for business award.

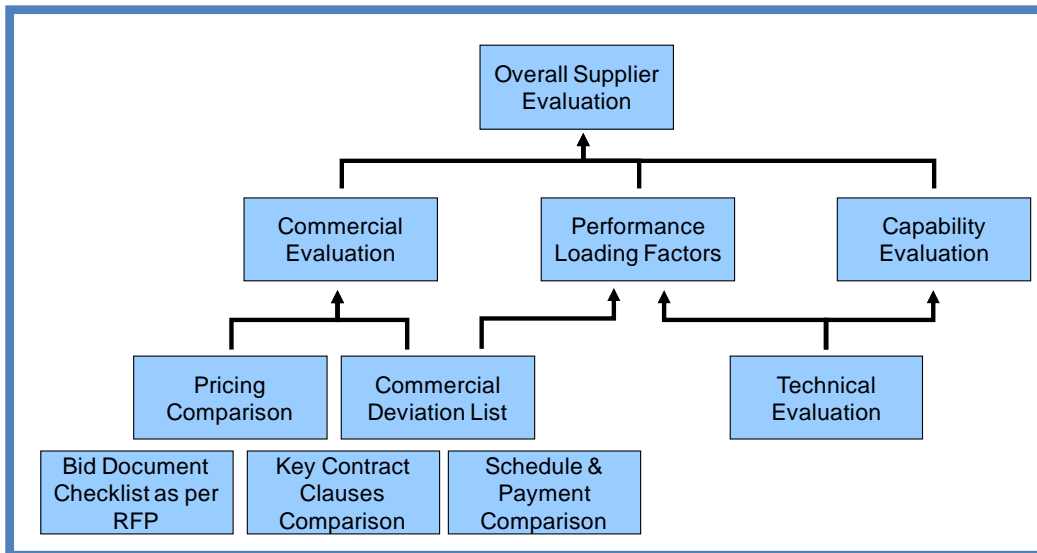


Exhibit10: Vendor bid evaluation

Capability evaluation

For capability evaluation CL shall leverage the RFI evaluation outcome or use the information gathered during the RFI stage for assessing capability ranking.

CL shall select the overall evaluation criteria as per the following guidelines:

Supply / Service	Technical Evaluation	Commercial Evaluation	Capability Evaluation
Engineered packages – EPC package	<i>Mandatory</i> - Qualification <i>Desired</i> - Loading <i>Recommended</i> - Ranking	Standard evaluation with price adjustments	Recommended
Engineered packages – Equipment package	<i>Mandatory</i> - Qualification & Loading <i>Recommended</i> - Ranking	Standard evaluation with price adjustments	Recommended
Packages based on BoQ – Civil package	<i>Mandatory</i> - Qualification	Standard evaluation with price adjustments	Recommended
Bulk material	<i>Optional</i> - Qualification	Standard evaluation with price adjustments	Optional
Services	<i>Mandatory</i> - Qualification <i>Desired</i> - Loading <i>Recommended</i> - Ranking	Standard evaluation with price adjustments	Recommended

In case **Technical loading** is done, the loading cost needs to be added to the commercial bid comparison as illustrated in *Exhibit 11*.

For overall evaluation weightages shall be assigned to technical, commercial and capability parameters. In case CL chooses not to use a particular parameter, a weightage of zero can be assigned to that parameter. Overall bid evaluation based on weightages is shown in *Exhibit 12*.

TENDER EVALUATION FOR ASH HANDLING PLANT - COMMERCIAL (PRICE BID EVALUATION)							
			Supplier 1	Supplier 2	Supplier 3	Supplier 4	Supplier 5
SUPPLY							
Main Equipment 'Ex-Works Price (at Manufacturing Country)			2,895	1,500	2,000	1,550	1,600
FoB Price			2,895	1,500	2,000	1,550	1,600
CIF Price			2,895	1,500	2,000	1,550	1,600
Landed Cost at Site (Main Equipment) W/o Exemptions			4,315	2,205	2,938	2,278	2,352
Net Cost of Main Equipment		INR	4,293	2,171	2,912	2,246	2,321
MANDATORY SPARES							
Ex-Works price			585	510	639	715	657
Ex-Works Price after Discount			562	500	620	686	624
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Landed Cost at Site (Mandatory Spares) W/o Exemptions			844	752	930	1,022	939
Net Cost of Mandatory Spares		INR	841	750	927	1,020	938
RECOMMENDED SPARES							
Ex-Works price			28	28	28	28	28
Discounts	%		1	-	-	-	-
Ex-Works Price after Discount			27	28	28	28	28
FoB Price			27	28	28	28	28
CIF Price			27	28	28	28	28
Landed Cost at Site (Recommended Spares) W/o Exemptions			67	67	82	104	107
Net Cost of Recommended Spares		INR	17	44	60	83	87
TOTAL SUPPLY COST		INR	5,150	2,965	3,899	3,349	3,346
SERVICES							
Total Engineering Cost		INR	54	54	54	54	54
Total Erection Testing and Commissioning Test		INR	33	33	33	33	33
Total Training Cost		INR	22	22	22	22	22
TOTAL SERVICES COST		INR	109	109	109	109	109
TOTAL SUPPLY AND SERVICES COSTS W/O PRICE ADJ & LOADINGS		INR	5,259	3,074	4,008	3,458	3,455
LOADINGS / PRICE ADJUSTMENTS							
Addition in Scope							
Withdrawal of Payment Term Deviations	addition		20				
Withdrawal of Commercial Deviations	addition		3				
Withdrawal of Technical Deviations	addition		3	2	23	22	21
Addition in Scope	addition				3		
Reduction in Scope	reduction			3		1	3
TOTAL SUPPLY AND SERVICES COSTS W/O PERFORMANCE LOADING		INR	5,285	3,073	4,034	3,479	3,473
Performance Loading	addition		234	225	411	68	
Performance Loading	addition						
TOTAL LOADING		INR	234	225	411	68	-
TOTAL SUPPLY AND SERVICES COST WITH LOADING		INR	5,519	3,298	4,445	3,547	3,473

Commercial impact of performance loading added to commercial bid

Exhibit 11: Illustrative overall bid comparison including price adjustment and technical loading

The overall bid evaluation in such scenario will be carried out using the *template PROC.2.2i*.

Commercial ,technical and capability evaluation scores are listed

% relative commercial score is computed by assigning 0% to the minimum score and % relative technical score by assigning 100% to the maximum score

Overall Bid Evaluation														
		Unit	Weightage	Supplier 1	Supplier 2	Supplier 3	Supplier 4	Supplier 5	Supplier 6	Supplier 7	Supplier 8	Supplier 9	Supplier 10	
OUTPUT VALUE	Commercial Evaluation	Cost	INR Cr./ Annum	137.88	138.98	145.60	134.50	133.54	165.45	142.29	153.32	164.35	130.15	
	Technical Evaluation	Score	Nos	9.30	4.60	9.00	9.00	9.50	9.00	3.80	9.00	9.00	9.00	
	Capability Evaluation	Score	Nos	9.40	9.60	9.80	9.00	9.40	5.10	-	5.60	-	7.30	
% RELATIVE SCORE	Relative % Commercial	w.r.t. Supplier with Min Quote	%	12%	13%	18%	9%	0%	34%	15%	24%	33%	5%	
	Relative % Technical	w.r.t. Supplier with Max Score	%	98%	48%	95%	95%	100%	95%	40%	95%	95%	95%	
	w.r.t. Supplier with Max Score	%	96%	98%	100%	92%	96%	52%	0%	57%	0%	74%	
WEIGHTED SCORE	Weighted Score	Nos	60	53	53	49	55	60	40	51	46	40	57
	Technical Evaluation	Weighted Score	Nos	20	20	10	19	19	20	19	8	19	19	19
	Capability Evaluation	Weighted Score	Nos	20	19	20	20	18	19	10	-	11	-	15
	Over All Weighted Score	Total		100	92	82	88	92	99	69	59	76	59	91
RANK	Commercial Evaluation	Ranking w.r.t weightage	Nos	4	5	7	3	1	10	6	8	9	2	
	Technical Evaluation	Ranking w.r.t weightage	Nos	2	9	3	3	1	3	10	3	3	3	
	Capability Evaluation	Ranking w.r.t weightage	Nos	3	2	1	5	3	8	9	7	9	6	
	OVERALL RANKING	Total		3	6	5	2	1	8	10	7	9	4	

Overall weighted scores are calculated basis weights distribution

Overall ranking is computed basis combination of commercial, technical and capability evaluation

Exhibit 12: Illustrative overall bid evaluation for contract award based on technical ranking of bids and capability of vendor

In addition CL shall also check if there are any substantial changes in the prequalification parameters at the time of final bid award, which can potentially jeopardize the vendor's capability to execute the contract, if awarded. To check this, qualified vendors shall be subjected to post-qualification for important parameters. CL shall seek fresh information on parameters where there is a potential of information changing materially from the time of RFI stage:

- (i) Current contract commitments
- (ii) Cash flow capacity
- (iii) Equipment to be allocated
- (iv) Personnel to be fielded

This fresh information shall be used to reassess the qualification of vendors in changed scenario (if any). In case, L1 vendor (based on RFP evaluation criteria) fails in the post-

qualification assessment, next qualified vendor should be evaluated for contract award in similar fashion.

P38. CB shall prepare the NFA for approval as per template PROC.2.2j. NFA shall have following elements:

- Scope
- Vendors approached
- Vendor qualification assessment
- Budget
- Internal estimate
- Vendor bid evaluation as per defined criteria
- Award decision and justification note

Information relating to the examination, clarification and evaluation of bids and recommendations concerning awards shall not be disclosed to vendors or other persons not officially concerned with this process until the successful vendor is notified of the award of contract.

P39. Obtain approval on NFA as per DoA. Post NFA approval contract formulation shall be carried out as per *process PROC.2.4*.

PROC.2.2: Strategic sourcing (Packages) - SIPOC

Trigger – PR, Annual procurement plan, Project procurement plan, Long term procurement plan
Frequency – As required

Supplier	Input	Output	Customer
PD	Contract List, LLI, PR, Site requirements	Procurement requirements	CL
PEM	Technical requirements		
QM	Quality Requirements		
HSM	Safety Requirements		
CL	Long term procurement plan		
CL	Annual procurement plan		
CL, PEM, QM, PD	Procurement requirements	Vendor selection approach	CL, PEM, QM, PD, PPM
CL, PEM, QM, PD	Vendor selection approach	Vendor evaluation criteria	CL, PEM, QM, PD, PPM
CL, PEM, QM, PD	Vendor evaluation criteria	Identification of Vendor	CL
		RFI document	CL
HSP, HE, PD, QM	Vendor past performance	Shortlisted Vendor for RFP	CL, PPM, HSP, PD
CL	Vendor Onboarding		
CL	Type of bidding	RFP distribution	Vendor, EE
	Category strategy		
Vendor	Pre bid queries	Technical bid clarification. Commercial bid clarification	CL, EE, vendor
EE	Pre bid queries		
Vendor	Bid clarification, revised BOQ	Technical & commercial bid	CL, HSP
EE		Internal Estimate	
Vendor	Technical bid	TBER	PEM, DL
Vendor	Commercial bid	Commercial comparison	CL
CL	Supply market analysis	Fact based negotiation pack	CL, PPM, HSP
	Risk assessment		
	Demand forecasting		
	Procurement plan		
	Category strategy		
PEM, DL	TBER		
HES, EE	Internal estimate		

Supplier	Input		Output	Customer
Vendor, CL	Open points to be addressed		Minutes of meeting, revised bid	CL
HSP, HE, PD, QM, PPM	Award criteria		Vendor selection	HSP
HSP	Selected vendor		N FA	HSP, Top management
HSP	NFA		Approved NFA	CL, HSP

PROC.2.2: Strategic sourcing (Packages)- RASCI

Activity	Responsible	Accountable	Support	Consult	Inform
P1. Collate procurement requirements	CL	CL	QM, PEM, CM, PPM, PD		
P2. Select suitable bidding procedure	CL	HSP	PPM		
P3. Prepare vendor selection approach	CL,	HSP		PPM, PD, PEM, QM	
D1. Is there a need for new vendors?	CL	CL		HSP	
P4. Prepare vendor evaluation criteria	CL	CL	PEM, QM	PPM, PD	HSP, PD, PPM
P5. Evaluate vendor based on Vendor Evaluation Criteria	CL	CL	CB, PPM	PEM, QM	HSP
P6. Shortlist Vendor for sending RFP	CL	HSP	CB, PPM	QM, PEM, HSE, PC, CM	
P7. Prepare RFP document covering technical and commercial requirements	CL	HSP	CB, PEM, QM		PPM
P8. Distribute RFP to all selected vendors and estimation team	CB	CL			Vendor, HSP, PPM
P9a. Review RFP and send pre bid queries	CB	CL			
P9b. Review RFP and send pre bid queries	EE	HES		CL, CB	
P10. Receive technical queries and commercial queries	CB/ PD/ DL/ QM	CL/ PD/ PEM/ QM	PPM		
P11. Prepare and send clarifications for commercial queries	CB	CL	PPM		
P12a. Prepare and send schedule and resource clarifications	PD	PD	CM		
P12b. Prepare and send technical clarifications	DL	PEM		HE, CL	PEM
P12c. Prepare and send quality related clarifications	QM	QM		HQ	
P13. Collate technical & commercial clarification for all Estimation team	CB	CL	PD, PPM, PEM, QM		HES
D2. Is it required to conduct pre-bid meeting with vendors	CB	CL			










Activity	Responsible	Accountable	Support	Consult	Inform
P14. Conduct pre-bid meeting with vendor and HES and communicate MoM	CB	CL	PD, PPM, PEM, QM		Vendor, HSP
P15. Send clarification to all and ask for bid submission	CB	CL			
P16. Prepare technical and commercial bid & submit	CB	CL			
P17. Prepare internal estimate	EE	HES	CL		HSP
P18. Open bid as per set criteria	CB	CL			HSP
P19.. Prepare commercial queries (to be clarified from Vendor)	CB	CL	PPM		
P20a. Prepare and send resource & schedule queries	CM	PD			
P20b. Prepare and send technical queries	DL	PEM			
P21. Collate technical & commercial queries and send it to vendor to get clarifications.	CB	CL	PEM, QM, DL, PD		
P22. Receipt queries and sent clarifications	CB	CL			
P23. Receipt of clarification. If required, conduct meeting to discuss open points.	CB	CL			
P24. Ask vendor to submit revised bid	CB	CL			Vendor
P25. Submit revised bid	CB	CL			
P26. Open bid as per set criteria	CB	CL			HSP
P27. Access technical bid	EE	PEM			
P28. Evaluate technical bid and prepare technical bid evaluation report (TBER)	DL	HE	PEM	CL	CL, PPM
P29. Prepare commercial comparative from priced bid	CB	CL			HSP
D3. Is there any legal deviation?	CB	CL	PPM		HSP
P30. Vetting of deviation	HLL	HLL			
D4. Is the deviation acceptable?	HLL	HLL			
P31. Reject deviations and communicate vendor to resubmit the bid	CB	CL			HSP, PPM
P32. Appoint negotiation team	HSP	HSP	HE, PD, HES, QM		

Activity	Responsible	Accountable	Support	Consult	Inform
P33. Prepare fact based negotiation pack (FBN)	CB	CL	PPM, PEM, QM, HSP		
P34. Develop common understanding of vendor bid and update FBN pack	CB	CL		HE, PD, HES, QM	
P35. Negotiate with Vendor. Present FBN case and ask vendor to revise price	CL	CL	HSP, CB		
P36. Receipt of revised price	CB	CL			HSP
P37. Bid evaluation based on defined award criteria and select vendor	CL	HSP	PPM, CB		
P38. Prepare of NFA with all supporting and put for approval.	CL	HSP	PPM, CB		
P39. Receipt of approval on NFA	CL	HSP	CB		PPM, PD, PEM

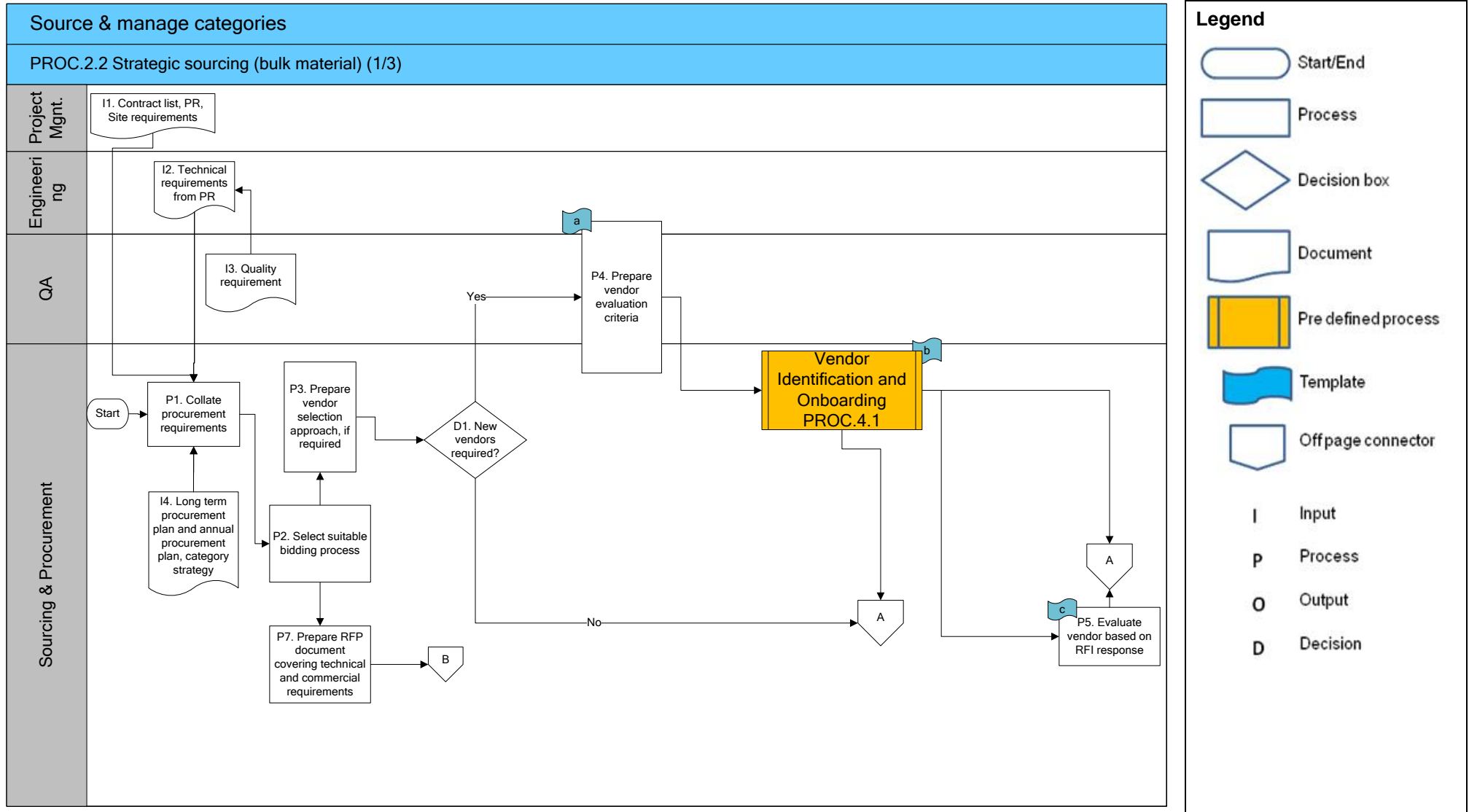
PROC.2.2: Strategic sourcing (Packages) - KPI

KPI	Objective	Formula	UoM
Percentage reduction in price over last purchase (established baseline)	Enable tracking of price escalation/ reduction based on the market conditions	Difference between negotiated price and last purchase price / last purchase price (Baseline)	%age
Percentage reduction over pre negotiation price	To measure effectiveness of the negotiation process	Difference between negotiated price and least pre negotiated bid / last purchase price	%age
Percentage reduction over budget	To measure savings over budget	Difference between negotiated price and least pre negotiated bid / last purchase price	%age
Agreed date of delivery – scheduled date of delivery	To measure delivery performance against schedule		No. of days
Date of PO placement from date of receipt of requisition	To measure performance against agreed SLAs		No. of days
Lead time between PR approval and creation of PO as per project time	To measure efficiency of converting PR to PO	Difference between PO approval date and PR creation date	Days

PROC.2.2: Strategic sourcing (Packages)-Templates

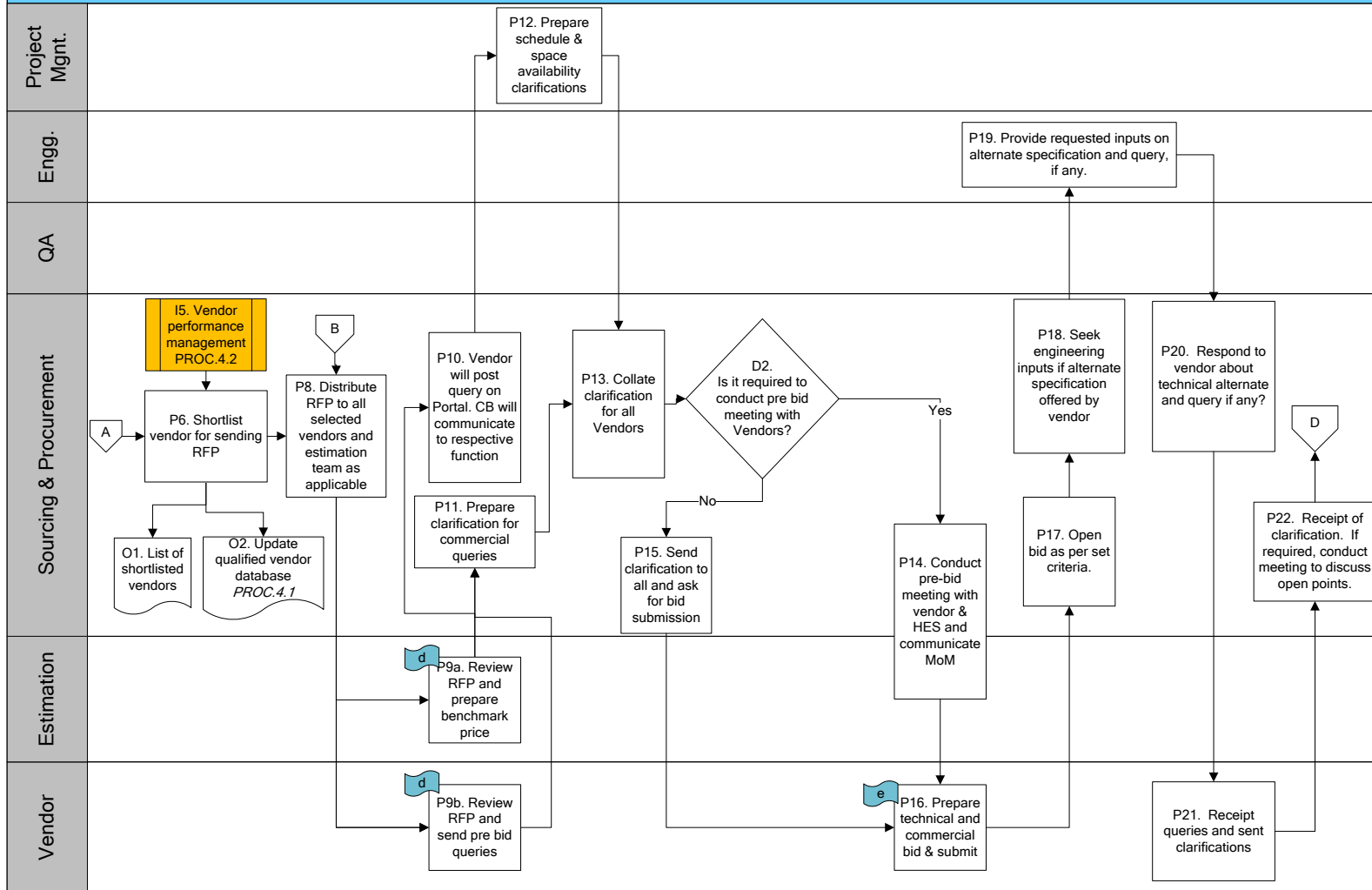
Number	Name	Template
PROC.2.2a	Vendor evaluation criteria	 PROC.2.2a Vendor evaluation criteria.xls
PROC.2.2b	RFI questionnaire as per Form 1 & 2 of PROC.4.1	
PROC.2.2c	RFI evaluation	Same as template PROC.2.2a
PROC.2.2d	Pre-bid query document	 PROC.2.2d Pre Bid Query template.xlsx
PROC.2.2e	Bid query response	 PROC.2.2e Bid query response.xlsx
PROC.2.2f	Commercial bid evaluation	 PROC.2.2 f2 commercial bid compa  PROC.2.2f Price comparative.xlsx
PROC.2.2g	Fact based negotiation pack	 PROC.2.2g Fact based negotiation pa
PROC.2.2h	Technical bid evaluation report	 PROC.2.2h Technical bid evaluation report.
PROC.2.2i	Award decision	 PROC 2 2i overall bid evaluation ranking.xls
PROC.2.2j	Note for approval	 PROC.2.2j - Note for approval.doc

PROC.2.2: Strategic sourcing (Bulk material) - Process map



Source and manage categories

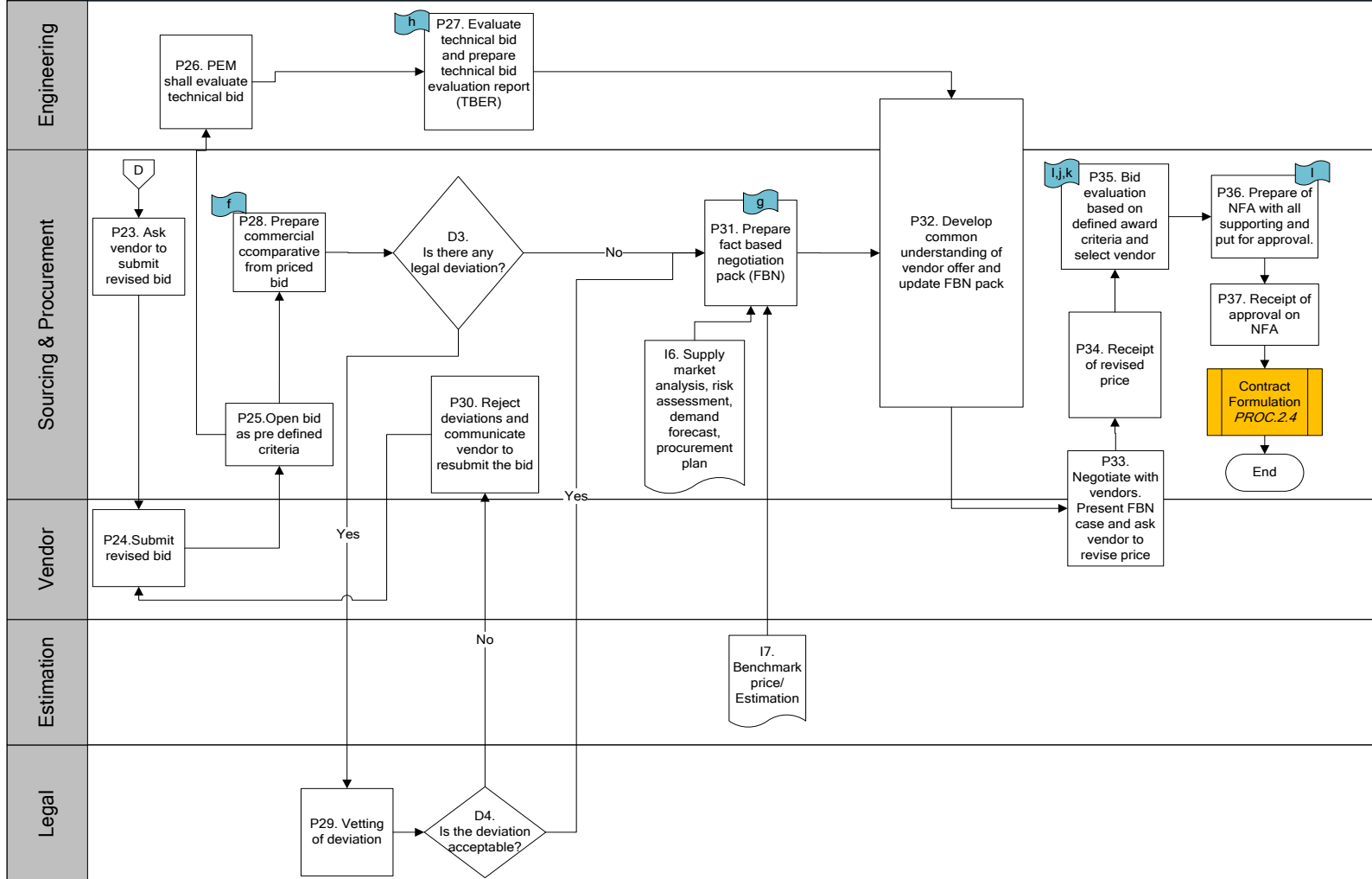
PROC.2.2 Strategic sourcing (bulk material) (2/3)



Legend

- Start/End
- Process
- Decision box
- Document
- Pre defined process
- Template
- Off page connector
- I Input
- P Process
- O Output
- D Decision

Source and manage categories
PROC.2.2 Strategic sourcing (bulk material) (3/3)



Legend

- Start/End
- Process
- Decision box
- Document
- Pre defined process
- Template
- Off page connector

I Input
P Process
O Output
D Decision

PROC.2.2: Strategic sourcing (Bulk material) - Process notes

The process for strategic sourcing of bulk material is similar to strategic sourcing for packages except for the limited applicability of pre-bid and post-bid evaluation. The process notes for strategic sourcing for bulk materials should be read in conjunction with process notes for strategic sourcing for packages.

P1. CL shall initiate the sourcing process based on following inputs:

- Contract list, LLI, PR and site requirements from PD
- Long term procurement plan or annual procurement plan

PPM shall also collate technical requirements from PEM/ DL. Quality and safety requirements also shall be communicated to PPM by PEM after collation of information from respective functions. PPM shall forward all collated documents to CL for initiating sourcing...

P2. Depending on the nature of the category CL in consultation with HSP shall decide on

a) Bidding process to be followed:

- Open bidding: Bidding is open to all interested vendors. Invitation for open bidding is through public notification. Invite can be open to all international vendors or restricted to domestic vendors.
- Limited bidding: Bidding is limited to a limited set of vendors which shall be identified by CL. Similar to open bidding the set of invited vendors can be international or limited to domestic players.

b) Mode of bidding:

- E-Tendering / E-Auction – *refer appendix-II for guidelines*
- Paper based bidding

c) Bidding procedure :

- Single-stage: One-envelope bidding procedure
- Single-stage: Two-envelope

P3. Based on the bidding procedure to be followed, CL along with QM and DL shall evaluate vendor selection approach. Vendor selection approach will depend on the category characteristics. The guidelines for vendor selection approach are given below in *Exhibit1: Vendor selection approach*.

D1. Vendor selection approach will also identify if there is a need to look for new vendors or continue with existing vendors. The decision will be taken based on time availability, adequacy of existing vendors and past efforts in identifying new vendors.

P4. CL, in consultation with DL and QM, shall prepare the vendor evaluation criteria.

Please refer process steps of Proc 4.1 Vendor Identification and Onboarding process, for procedure to be followed for onboarding new vendors.

P5. For all the responses received by cut-off date, , CL shall evaluate the vendors based on Vendor Evaluation Criteria *evaluation template PROC.2.2c*. Illustrative vendor evaluation is depicted in *Exhibit 3*.

P6. CL shall shortlist the vendors for sending RFP, based on the vendor evaluation scores and past performance of vendor (in case of existing vendor). Past performance of the vendors shall be based on the vendor scorecard as defined in the *process manage vendor performance PROC.4.2*. In case vendor scorecard is not maintained for the vendor a written feedback from concerned QM and PD should be taken.

As part of the qualification each vendor shall be qualified for a maximum contract value (bidding capacity). A vendor shall be allowed to bid for any RFP within its bidding capacity. However, it may only be awarded a maximum number of contracts for which it meets the aggregated requirements of such contract combination (award capacity).

The list of pre-qualified vendors (*refer PROC.4.1*) should be updated with the details of any new vendor who has been qualified in previous step. CL shall initiate the process for updation and should follow the procedure defined in *PROC.4.1*.

P7. Based on the procurement requirements collated in P1; Category Buyer (CB) shall prepare the RFP document covering commercial and technical requirements. The process of RFP preparation and vendor identification & short listing (Process activity P2 through P10) may be performed simultaneously. For different type of contracting options refer Appendix – I.

P8. Depending on the type of bidding procedure selected, CB shall distribute the RFP document to the selected vendors. A copy of the RFP shall be given to the Head Estimation (HES) for preparing internal estimate.

P9a. Vendors shall review the RFP document and send pre bid queries to the contact person designated in the RFP document. The queries should be sent in the formats given in the RFP document and should be separate for commercial queries and technical queries.

P9b. HES shall review the RFP document and send pre bid queries to the contact person designated in the RFP document. The queries should be sent in the formats given in the RFP document and should be separate for commercial queries and technical queries.

P10. Vendor shall post all the queries in IT platform (c-folder). CB shall segregate technical & commercial queries and forward the technical queries (pertaining to schedule and space availability at site) to PD. CB shall receive the commercial queries.

P11. CB with the support from CL shall prepare the clarifications for the commercial queries and submit to vendor (through c-folder).

P12. PD in consultation with CM shall prepare the clarifications related to schedule and space availability and submit to vendor (through c-folder).

P13. CB shall collate the responses for technical and commercial queries and send to Estimation team, if required.

D2. CL shall evaluate the need for a pre-bid meeting based on the queries and communication requirements.

- P14. In case there is a need for pre-bid meeting, CB shall organize the same and communicate meeting schedule to all the vendors who have been issued RFP. Post pre-bid meeting, minutes of the meeting (MoM) shall be communicated to all the vendors.
- P15. In case the pre-bid meeting is not required; all clarifications on vendor queries will be compiled and communicated to all the vendors.
- P16. Vendors shall prepare and submit technical and commercial bids as instructed in the RFP document. The instruction should include:
- Timelines for submission
 - Formats for submitting technical and commercial response
 - Compliance documents
 - Required supporting documents
- P17. Bids will be opened as per the pre-decided criteria depending on the bid type and bid procedure selected in process step P12. At the time of opening of the bids a preliminary examination of bids should be carried out by CB. The purpose of preliminary examination is to confirm whether the bids received were complete as required by the RFP before conducting further detailed evaluation. If a bid contains inadmissible reservations or is not substantially responsive to the RFP or does not conform to the RFP procedure sufficiently, it shall be rejected. A preliminary examination shall then be made to evaluate each responsive bid and to enable bids to be compared.
- P18. In case vendor has offered alternate specifications or alternate standards (for eg. In case of imports), PEM shall check for acceptability of alternate specifications.
- P19. PEM shall provide the required technical inputs (through c-folder) to vendor.
- P20. CB shall collate commercial queries in a system C folder and shall send it to respective vendor for clarification (through c-folder).
- P21. On receipt of queries, vendor shall respond to the queries as per the timelines specified in RFP document.
- P22. CB shall conduct meeting with shortlisted vendors to discuss on any open techno-commercial points with respect to scope, commercial terms & conditions and specifications. CB may invite the members from other functions for the meeting as required.
- P23. Post meeting and discussions, CB shall ask vendors to submit their revised bids.
- P24. Vendors shall submit their revised bids.
- P25. Revised bids shall be opened as per the pre-defined criteria.
- P26. PEM shall access technical bids for technical evaluation, if vendors have quoted alternate specifications.

P27. DL shall evaluate the technical bids by incorporating the clarifications provided. Technical bid evaluation criteria should be finalized at the time of finalization of the RFP document and not later than the receipt of the technical bids. DL shall prepare the technical bid evaluation report (TBER) and submit it to CL in *template PROC.2.2h*.

P28. CB shall prepare the price comparative in the *commercial bid comparison template PROC.2.2f1 & PROC.2.2f2*. The comparison should be done for both cost element level (as per cost structure sheet in RFP) as well as for the commercial terms and conditions; refer *exhibit 5*.

Commercial bid comparison shall consider all the factors for arriving at the landed price of the package. Refer to Exhibit 6 for illustrative commercial bid evaluation. Commercial bid comparison will be carried out using *template PROC.2.2f*.

D3. CB shall check for any deviations, in the terms and condition of the submitted bid, requiring legal vetting, CB shall send all such queries for vetting to Head Legal (HLL).

P29. HLL shall examine all vetting requests received from CB and respond with legal opinion.

D4. HLL shall communicate the acceptability of the legal deviations sought by the vendor.

P30. For cases where deviations sought are not acceptable, CB shall reject the deviations sought and ask vendors to resubmit. In case vendors fail to resubmit their bids, their bids will not be evaluated any further.

P31. Based on the vendor bids, internal estimates, supply market analysis and risk assessment, CB shall prepare a fact based negotiation (FBN) pack as per *template PROC.2.2g*. CB shall take the support of the negotiation team members as required. The elements of FBN pack are:-

- Comparison of vendor bids with budget and internal estimate
- Key messages during negotiation
- Limits of FBN (LSS & MSS)
- BATNA (Best alternative to negotiated agreement)
- Negotiation meeting plan

P32. Based on the TBER and commercial comparatives, CB shall update the FBN pack.

P33. CL with support from CB shall conduct fact based negotiations with shortlisted vendors as per the timelines published in RFP or mutually agreed upon. Vendors shall be asked to submit their final price based on the negotiation outcome.

P34. CB shall receive the revised bids from vendor.

P35. Vendor bids will be evaluated as per the award criteria defined in P12. Overall scores will be compiled and vendor(s) will be selected for business award.

P36. CB shall prepare the NFA for approval as per *template PROC.2.2j*. NFA shall have following elements:

- Scope
- Vendors approached
- Vendor qualification assessment
- Budget
- Internal estimate
- Vendor bid evaluation as per defined criteria
- Award decision and justification note

Information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to vendors or other persons not officially concerned with this process until the successful vendor is notified of the award of contract.

P37. Obtain approval on NFA as per DoA. Post NFA approval contract formulation shall be carried out as per *process PROC.2.4*.

PROC.2.2: Strategic sourcing (Bulk material)- SIPOC

Trigger – PR, Annual procurement plan, Project procurement plan, Long term procurement plan
Frequency – as required

Supplier	Input		Output	Customer
PD	Contract List, PR, Site requirements		Collated procurement requirements	HSP
HE	Technical requirements			
QM	Quality Requirements			
CL	Long term procurement plan			
CL	Annual procurement plan			
HSP, HE, PD, QM	Vendor selection criteria		Vendor selection approach	HSP
HSP, HE, PD, QM	Vendor selection approach		Vendor evaluation criteria	HSP
HSP, CL	Vendor evaluation criteria		Identification of Vendor	CL
			RFI document	CL
HSP, HE, PD, QM	Vendor past performance		Shortlisted Vendor for RFP	CL
CL	Vendor Onboarding			CL
CL	Type of bidding		RFP distribution	Vendor
	Category strategy			
Vendor	Pre bid queries		Commercial queries, its clarification	CL, Vendor
Vendor	Clarification of queries		Commercial bid	CL
Vendor	Commercial bid with price		Price comparative	CL
CL	Supply market analysis		Fact based negotiation pack	CL
	Risk assessment			
	Demand forecasting			
	Procurement plan			
	Category strategy			
Vendor	Open points to be addressed		Minutes of meeting, revised bid	CL
HSP, HE, PD, QM	Award criteria		Selection of vendor, Note for approval (NFA)	HSP
CL	NFA for recommended Vendor		Approved NFA	CL

PROC.2.2: Strategic sourcing (Bulk material)- RASCI

Activity	Responsible	Accountable	Support	Consult	Inform
P1. Collate procurement requirements	CL	CL	QM, PEM, CM, PPM, PD		
P2. Select suitable bidding procedure	CL	HSP	PPM		
P3. Prepare vendor selection approach	CL,	HSP		PPM, PD, PEM, QM	
D1. Is there a need for new vendors?	CL	CL		HSP	
P4. Prepare vendor evaluation criteria	CL	CL	PEM, QM	PPM, PD	HSP, PD, PPM
P5. Evaluate vendor based on vendor evaluation criteria	CL	CL	CB, PPM	PEM, QM	HSP
P6. Shortlist Vendor for sending RFP	CL	HSP	CB, PPM	QM, PEM, HSE, PC, CM	
P7. Prepare RFP document covering technical and commercial requirements	CL	HSP	CB, PEM, QM		PPM
P8. Distribute RFP to all selected vendors and estimation team	CB	CL			Vendor, HSP
P9a. Review RFP and send pre bid queries	CB	CL		CL, CB	
P9b. Review RFP and send pre bid queries	EE	HES		CL, CB	
P10 Receive schedule and site space related query and commercial queries	CB/ PD	CL/ PD	PPM		
P11. Prepare and send clarifications for commercial queries	CB	CL	PPM		
P12a. Prepare and send technical clarifications	PD	PD	CM		
P13. Collate technical & commercial clarification for Estimation team	CB	CL	PD, PPM, PEM, QM		HES
P14. Conduct pre-bid meeting with vendor and HES and communicate MoM	CB	CL	PD, PPM, PEM, QM		Vendor, HSP
P15. Send clarification to all and ask for bid submission	CB	CL			
P16. Prepare technical and commercial bid & submit	CB	CL			
P17. Open bid as per set	CB	CL			HSP









Activity	Responsible	Accountable	Support	Consult	Inform
criteria					
P18. Check if alternate specification offered by vendor	DL	PEM			
P19. Provide requested inputs on alternate specification and query, if any.	DL	PEM			
P20. Respond to vendor about technical alternate and query if any?	CB	CL	PEM, QM, DL, PD		
P21. Receipt queries and sent clarifications	CB	CL			
P22. Receipt of clarification. If required, conduct meeting to discuss open points.	CB	CL			
P23. Ask vendor to submit revised bid	CB	CL			Vendor
P24. Submit revised bid	CB	CL			
P25. Open bid as per set criteria	CL	HSP			HSP
P26. Access technical bid	DL	PEM			
P27. Evaluate technical bid and prepare technical bid evaluation report (TBER)	DL	HE	PEM	CL	CL, PPM
P28. Prepare commercial comparative from priced bid	CB	CL			HSP
D3. Is there any legal deviation?	CB	CL			HSP
P29. Vetting of deviation	HLL	HLL			
D4. Is the deviation acceptable?	HLL	HLL			
P30. Reject deviations and communicate vendor to resubmit the bid	CB	CL			HSP
P31. Prepare fact based negotiation pack (FBN)	CB	CL	PPM, PEM, QM, HSP		
P32. Develop common understanding of vendor bid and update FBN pack	CB	CL		HE, PD, HES, QM	
P33. Negotiate with Vendor. Present FBN case and ask vendor to revise price	CL	CL	HSP, CB		
P34. Receipt of revised price	CB	CL			HSP
P35. Bid evaluation based on defined award criteria and select vendor	CL	HSP	PPM, CB		
P36. Prepare of NFA with all	CL	HSP	PPM, CB		

Activity	Responsible	Accountable	Support	Consult	Inform
supporting and put for approval.					
P37. Receipt of approval on NFA	CL	HSP	CB		PPM, PD, PEM

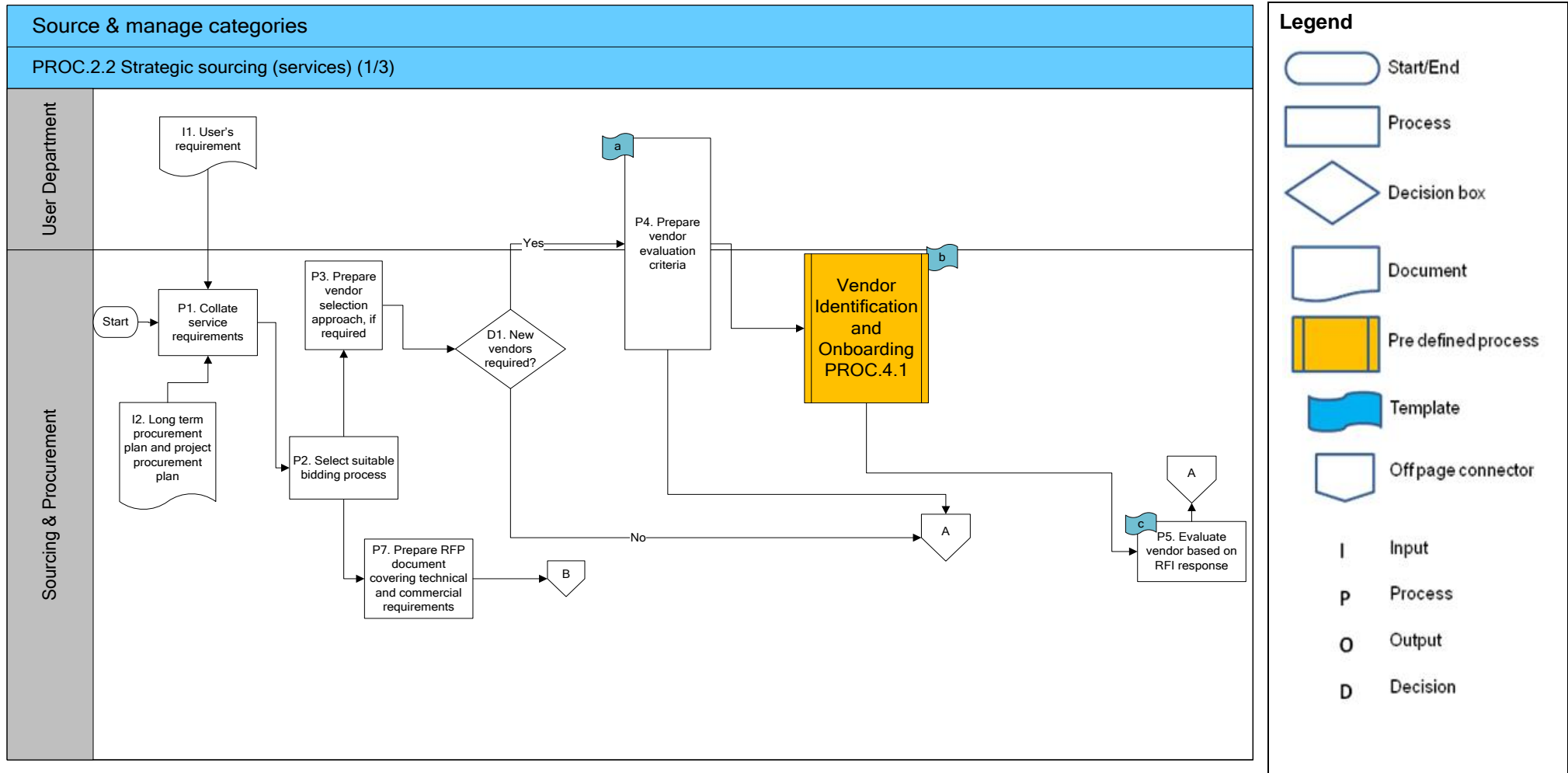
PROC.2.2: Strategic sourcing (Bulk material)- KPI

KPI	Objective	Formula	UoM
Percentage reduction in price over last purchase	Enable tracking of price escalation/ reduction based on the market conditions	Difference between negotiated price and last purchase price / last purchase price	%age
Percentage reduction over pre negotiation price	To measure effectiveness of the negotiation process	Difference between negotiated price and least pre negotiated bid	%age
Percentage reduction over budget	To measure savings over budget	Difference between negotiated price and budget	
Agreed date of delivery – scheduled date of delivery	To measure delivery performance against schedule		No. of days
Date of PO placement from date of receipt of requisition	To measure performance against agreed SLAs		No. of days

PROC.2.2: Strategic sourcing (Bulk material)- Templates

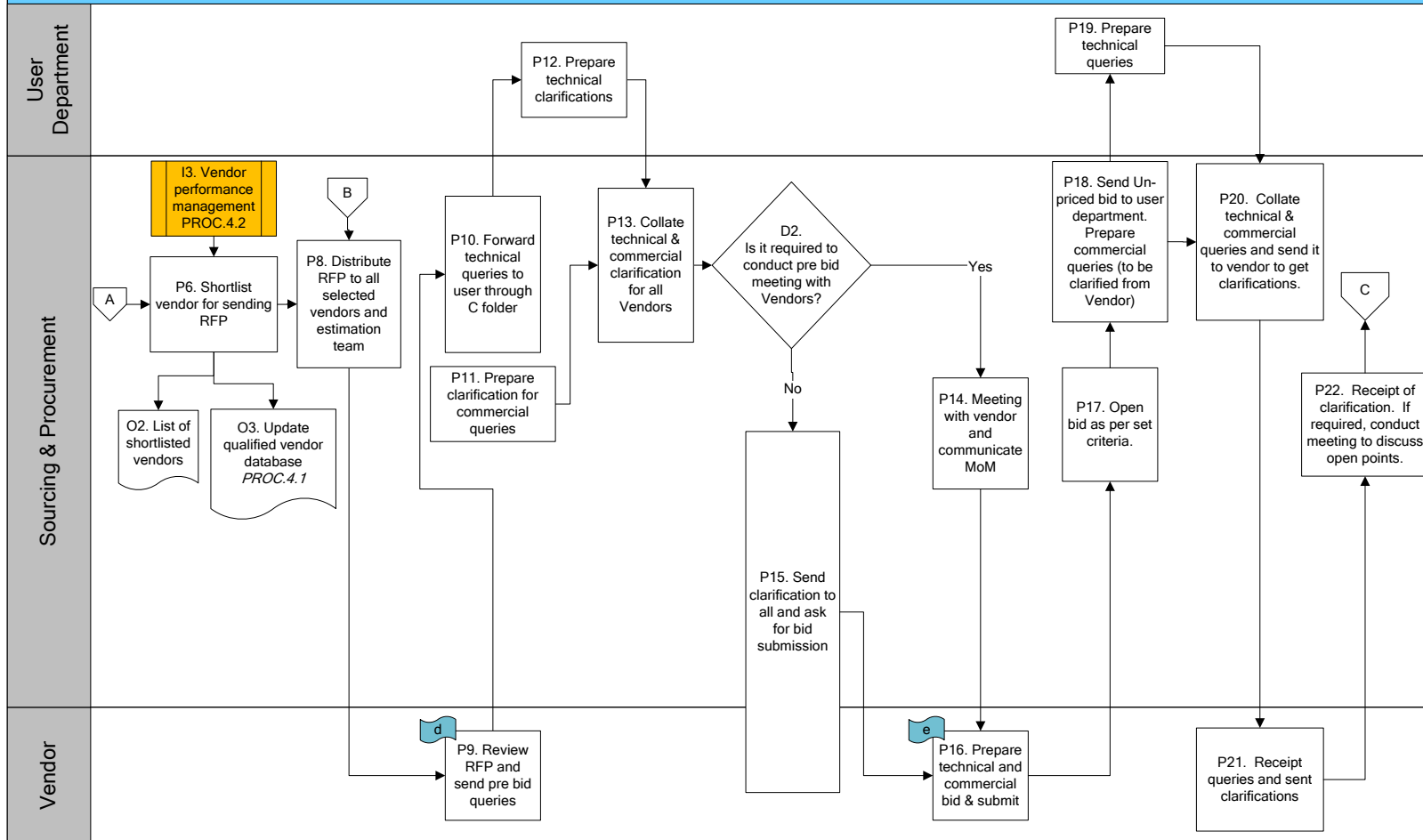
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PROC.2.2a	Vendor evaluation criteria	 PROC.2.2a Vendor evaluation criteria.xls
PROC.2.2b	RFI questionnaire as per Form 1 & 2 of PROC.4.1	
PROC.2.2c	RFI evaluation	Same as template PROC.2.2a
PROC.2.2d	Pre-bid query document	 PROC.2.2d Pre Bid Query template.xlsx
PROC.2.2e	Bid query response	 PROC.2.2e Bid query response.xlsx
PROC.2.2f	Commercial bid evaluation	 PROC.2.2f Price comparative.xlsx
PROC.2.2g	Fact based negotiation pack	 PROC.2.2g Fact based negotiation pa
PROC.2.2h	Technical bid evaluation report	 PROC.2.2h Technical bid evaluation report.
PROC.2.2i	Award decision	 PROC.2.2i Overall bid evaluation.xls
PROC.2.2j	Note for approval	 PROC.2.2j - Note for approval.doc

PROC.2.2: Strategic sourcing (Services) - Process map



Source and manage categories

PROC.2.2 Strategic sourcing (services) (2/3)



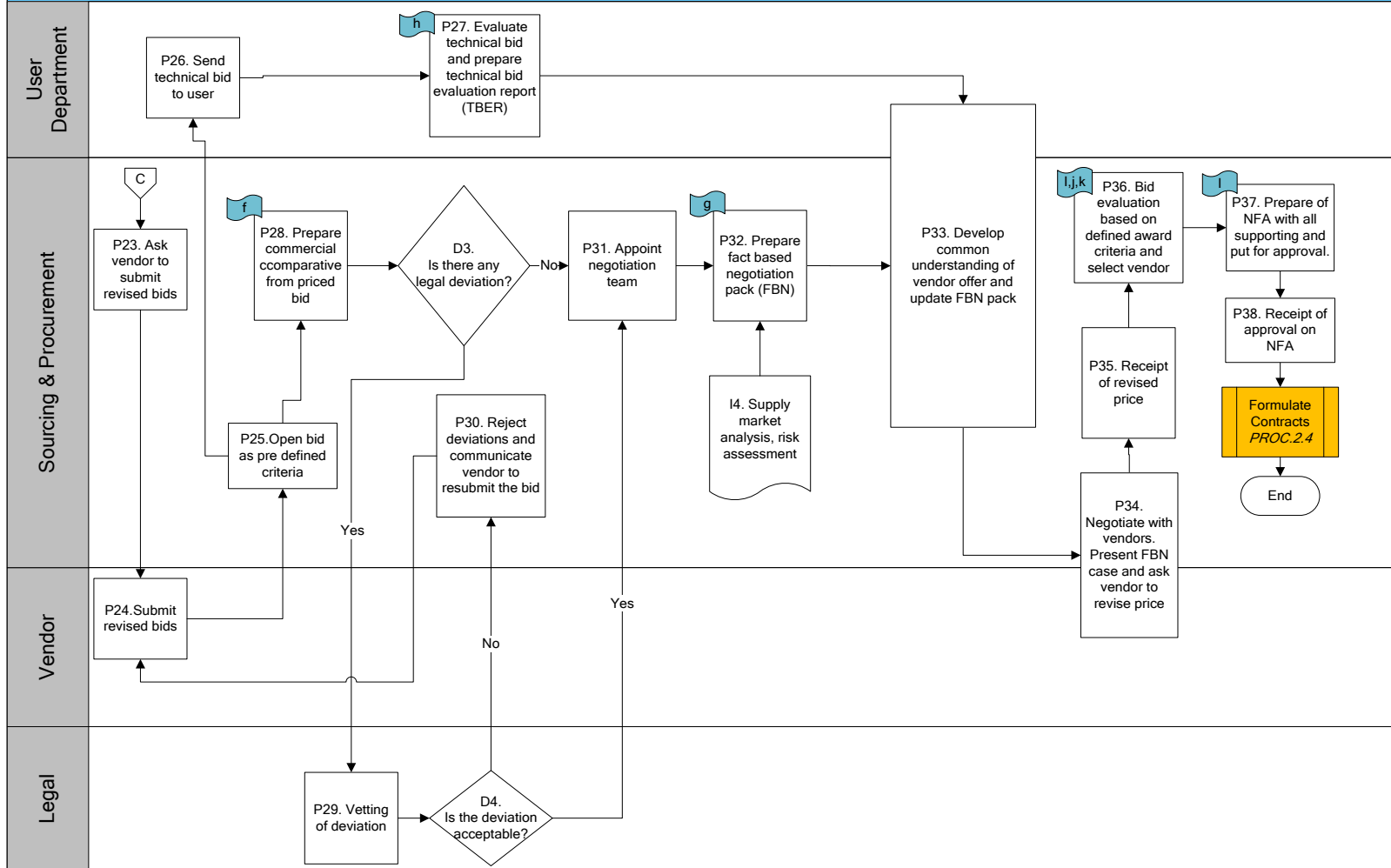
Legend

- Start/End
- Process
- Decision box
- Document
- Pre defined process
- Template
- Off page connector

I Input
 P Process
 O Output
 D Decision

Source and manage categories

PROC.2.2 Strategic sourcing (services) (3/3)



Legend

- Start/End
- Process
- Decision box
- Document
- Pre defined process
- Template
- Off page connector

- I Input
- P Process
- O Output
- D Decision

PROC.2.2: Strategic sourcing (Services)- Process notes

The process for strategic sourcing of services is primarily similar to strategic sourcing for packages except change in the involvement of user department (instead of Engineering) for pre-bid technical queries and technical bid evaluation. The process notes for strategic sourcing for services should be read in conjunction with process notes for strategic sourcing for packages.

P1. Category lead (CL) shall initiate the sourcing process based on following inputs:

- Service requirements from user department
- Services identified in Long term procurement plan or Project procurement plan

P2. Depending on the nature of the service CL in consultation with HSP shall decide on

a) Bidding process to be followed:

- Open bidding: Bidding is open to all interested vendors. Invitation for open bidding is through public notification. Invite can be open to all international vendors or restricted to domestic vendors
- Limited bidding: Bidding is limited to a limited set of vendors which shall be identified by CL. Similar to open bidding the set of invited vendors can be international or limited to domestic players

b) Mode of bidding:

- E-Tendering– *refer appendix-I for guidelines*
- Paper based bidding

c) Bidding procedure:

- Single-stage: One-envelope bidding procedure
- Single-stage: Two-envelope
- Two-stage

P3. Based on the bidding procedure to be followed, CL along with user shall evaluate vendor selection approach. Vendor selection approach will depend on the category characteristics. The guidelines for vendor selection approach are given in *Exhibit1: Vendor selection approach*.

D1. Vendor selection approach will also identify if there is a need to look for new vendors or continue with existing vendors. The decision will be taken based on time availability, adequacy of existing vendors and past efforts in identifying new vendors.

P4. CL, in consultation with user, shall prepare the vendor evaluation criteria.

Please refer process steps of Proc 4.1 Vendor identification and onboarding process, for procedure to be followed for onboarding new vendors.

P5. For all the responses received by cut-off date, as per RFI timelines, CL shall evaluate the vendors based on Vendor evaluation criteria in *RFI evaluation template PROC.2.2c*. Illustrative vendor evaluation is depicted in *Exhibit 3*.

P6. CL shall shortlist the vendors for sending RFP, based on the vendor evaluation scores and past performance of vendor (in case of existing vendor). Past performance of the

vendors shall be based on the vendor scorecard as defined in the *process manage vendor performance PROC.4.2*. In case vendor scorecard is not maintained for the vendor a written feedback from concerned QM and PD should be taken.

As part of the qualification each vendor shall be qualified for a maximum contract value (bidding capacity). A vendor shall be allowed to bid for any RFP within its bidding capacity. However, it may only be awarded a maximum number of contracts for which it meets the aggregated requirements of such contract combination (award capacity).

The list of pre-qualified vendors (*refer PROC.4.1*) should be updated with the details of any new vendor who has been qualified in previous step. CL shall initiate the process for updation and should follow the procedure defined in *PROC.4.1*.

- P7. Based on the procurement requirements collated in P1; Category Buyer (CB) shall prepare the RFP document covering commercial and technical requirements. The process of RFP preparation and vendor identification & short listing (Process activity P2 through P10) may be performed simultaneously. For different type of contracting options refer Appendix – II.
- P8. Depending on the type of bidding procedure selected, CB shall distribute the RFP document to the selected vendors.
- P9. Vendors shall review the RFP document and send pre bid queries to the contact person designated in the RFP document. The queries should be sent in the formats given in the RFP document and should be separate for commercial queries and technical queries.
- P10. Vendor shall post all the queries in IT platform (c-folder). CB shall segregate technical & commercial queries and forward the technical queries to the user CB shall receive commercial.
- P11. CB with the support from CL shall prepare the clarifications for the commercial queries and submit to vendor (through c-folder)
- P12. User shall prepare the technical clarifications sought by vendor and send to vendor (through c-folder).
- P13. CB shall collate the responses for technical and commercial queries.
- D2. CL shall evaluate the need for a pre-bid meeting based on the queries and communication requirements.
- P14. In case there is a need for pre-bid meeting, CB shall organize the same and communicate meeting schedule to all the vendors who have been issued RFP. Post pre-bid meeting, minutes of the meeting (MoM) shall be communicated to all the vendors.
- P15. In case the pre-bid meeting is not required; all clarifications on vendor queries will be compiled and communicated to all the vendors.

P16. Vendors shall prepare and submit technical and commercial bids as instructed in the RFP document. The instruction should include:

- Timelines for submission
- Formats for submitting technical and commercial response
- Compliance documents
- Required supporting documents

P17. CL shall open the Bids as per the pre-decided criteria depending on the bid type and bid procedure selected in process step P12.

P18. User shall receive the Un-priced bids from vendor for evaluation.

P19. User shall provide the required technical queries to vendor (through c-folder).

P20. CB shall collate commercial queries in system through C folder and shall send it to respective vendor for clarification (through c-folder).

P21. On receipt of queries, vendor shall respond to the queries as per the timelines specified in RFP document.

P22. CB shall conduct meeting with shortlisted vendors to discuss on any open points. CB may invite the members from other functions for the meeting as required.

P23. Post meeting and discussions, CB shall ask vendors to submit their revised bids.

P24. Vendors shall submit their revised bids.

P25. Revised bids shall be opened as per the pre-defined criteria.

P26. User shall receive the technical bid for technical evaluation.

P27. User shall evaluate the technical bids by incorporating the clarifications provided. Technical bid evaluation criteria should be finalized at the time of finalization of the RFP document and not later than the receipt of the technical bids. User shall prepare the technical bid evaluation report (TBER) and submit it to CL in *template PROC.2.2.h*.

P28. CB shall prepare the price comparative in the *commercial bid comparison template PROC.2.2.f1 & PROC.2.2.f2*. The comparison should be done for both cost element level (as per cost structure sheet in RFP) as well as for the commercial terms and conditions; refer *exhibit 5*.

Commercial bid comparison shall consider all the factors for arriving at the landed price of the package. Refer to Exhibit 6 for illustrative commercial bid evaluation.

D3. CB shall check for any deviations, in the terms and condition of the submitted bid, requiring legal vetting, CB shall send all such queries for vetting to Head Legal (HLL).

P29. HLL shall examine all vetting requests received from CB and respond with legal opinion.

- D4. HLL shall communicate the acceptability of the legal deviations sought by the vendor.
- P30. For cases where deviations sought are not acceptable, CB shall reject the deviations sought and ask vendors to resubmit. In case vendors fail to resubmit their bids, their bids will not be evaluated any further.
- P31. HSP shall appoint a negotiation team. The composition of the negotiation team will depend on the complexity of the services.
- P32. Based on the vendor bids, internal estimates, supply market analysis and risk assessment, CB shall prepare a fact based negotiation (FBN) pack as per *template PROC.2.2.g*. CB shall take the support of the negotiation team members as required. The elements of FBN pack are:-
- Comparison of vendor bids with budget and internal estimate
 - Key messages during negotiation
 - Limits of FBN (LSS & MSS)
 - BATNA (Best alternative to negotiated agreement)
 - Negotiation meeting plan
- P33. Based on the TBER and commercial comparatives, CB shall update the FBN pack.
- P34. CL with support from CB shall conduct fact based negotiations with shortlisted vendors as per the timelines published in RFP or mutually agreed upon. Vendors shall be asked to submit their final price based on the negotiation outcome.
- P35. CB shall receive the revised bids from vendor.
- P36. Vendor bids will be evaluated as per the award criteria defined in P12. Overall scores will be compiled and vendor(s) will be selected for business award.
- P37. CB shall prepare the NFA for approval as per *template PROC.2.2.j*. NFA shall have following elements:
- Scope
 - Vendors approached
 - Vendor qualification assessment
 - Budget
 - Vendor bid evaluation as per defined criteria
 - Award decision and justification note
- Information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to vendors or other persons not officially concerned with this process until the successful vendor is notified of the award of contract.
- P38. Obtain approval on NFA as per DoA. Post NFA approval contract formulation shall be carried out as per *process PROC.2.4*.

PROC.2.2: Strategic sourcing (Services)- SIPOC

Trigger – PR, Annual procurement plan, Project procurement plan, Long term procurement plan

Frequency – as required

Supplier	Input	Output	Customer
User Department	Service requirements	Collated procurement requirements	HSP
CL	Long term procurement plan		
CL	Project procurement plan		
HSP, User Department	Vendor selection criteria	Vendor selection approach	HSP
HSP, User Department	Vendor selection approach	Vendor evaluation criteria	HSP
HSP, CL	Vendor evaluation criteria	Identification of Vendor	CL
		RFI document	CL
HSP, HE, PD, QM, HSP, User Department	Vendor past performance	Shortlisted Vendor for RFP	CL
CL	Vendor Onboarding		CL
CL	Type of bidding	RFP distribution	Vendor
Vendor	Pre bid queries	Technical & commercial queries, its clarification from concern department and communication to Vendor	CL, Vendor
Vendor	Clarification of queries/ revised BOQ	Technical & commercial bid	CL
Vendor	Technical bid	Technically evaluation of bid and TBER	PEM
Vendor	Commercial bid with price	Price comparative	CL
CL	Price comparative, benchmark price	Fact based negotiation pack	CL
Vendor	Open points to be addressed	Minutes of meeting, revised bid	CL
HSP, HE, PD, QM, User Department	Award criteria	Selection of vendor, Note for approval (NFA)	HSP
CL	NFA for recommended Vendor	Approved NFA	CL

PROC.2.2: Strategic sourcing (Services)- RASCI

Activity	Responsible	Accountable	Support	Consult	Inform
P1. Collate service requirements	CL	CL	User, PPM		
P2. Select suitable bidding procedure	CL	HSP	PPM		
P3. Prepare vendor selection approach	CL	CL		PPM, User HSP	
D1. Is there a need for new vendors?	CL	CL		HSP	
P4. Prepare vendor evaluation criteria	CL	CL	User	PPM	HSP, PPM
P5. Evaluate vendor based on vendor evaluation criteria	CL	CL	CB, PPM	User	HSP
P6. Shortlist Vendor for sending RFP	CL	HSP	CB, PPM	User	
P7. Prepare RFP document covering technical and commercial requirements	CL	HSP	CB, User		PPM
P8. Distribute RFP to all selected vendors	CB	CL			Vendor, HSP
P9. Review RFP and send pre bid queries	CB	CL			
P10. Receive technical queries and commercial queries	CB / User	CL / User	PPM		
P11. Prepare and send clarifications for commercial queries	CB	CL	PPM		
P12. Prepare and send technical clarifications	User	User	CL, CB		
P13. Collate technical & commercial clarification for all Vendors	CB	CL	PPM, User		Vendor, HSP
D2. Is it required to conduct pre bid meeting with Vendors?	CB	CL	PPM, User		Vendor
P14. Conduct pre-bid meeting with vendor and communicate MoM	CB	CL	PPM, User		Vendor, HSP
P15. Send clarification to all and ask for bid submission	CB	CL			
P16. Prepare technical and commercial bid & submit	CB	CL	CL		
P17. Open bid as per set criteria	CB	CL			HSP










Activity	Responsible	Accountable	Support	Consult	Inform
P18. Prepare commercial queries (to be clarified from Vendor)	CB	CL			
P19. Prepare and send technical queries	User	User			
P20. Collate commercial queries and send it to vendor to get clarifications.	CB	CL	PPM, User		
P21. Receipt queries and sent clarifications	CB	CL			
P22. Receipt of clarification. If required, conduct meeting to discuss open points.	CB	CL			
P23. Ask vendor to submit revised bid	CB	CL			Vendor
P24. Submit revised bid	CB	CL	CB		
P25. Open bid as per set criteria	CB	CL			HSP
P26. Access technical bid	User	User			
P27. Evaluate technical bid and prepare technical bid evaluation report (TBER)	User	User	CB, CL		CL, PPM
P28. Prepare commercial comparative from priced bid	CB	CL			HSP
D3. Is there any legal deviation?	CB	CL			HSP
P29. Vetting of deviation	HLL	HLL			
D4. Is the deviation acceptable?	HLL	HLL			
P30. Reject deviations and communicate vendor to resubmit the bid	CB	CL			HSP
P31. Appoint negotiation team	HSP	HSP	PPM, CL, User		
P32. Prepare fact based negotiation pack (FBN)	CB	CL	PPM, User, HSP		
P33. Develop common understanding of vendor bid and update FBN pack	CB	CL		PPM, User	
P34. Negotiate with Vendor. Present FBN case and ask vendor to revise price	CL	CL	HSP, CB		
P35. Receipt of revised price	CB	CL			HSP
P36. Bid evaluation based on defined award criteria and select vendor	CL	HSP	PPM, CB		
P37. Prepare of NFA with all supporting and put for	CL	HSP	PPM, CB		

Activity	Responsible	Accountable	Support	Consult	Inform
approval.					
P38. Receipt of approval on NFA	CL	HSP	CB		PPM, User

PROC.2.2: Strategic sourcing (Services)- KPI

KPI	Objective	Formula	UoM
Percentage reduction in price over last contracted price	Enable tracking of price escalation/ reduction based on the market conditions	Difference between negotiated price and last contracted price	%age
Percentage reduction over pre negotiation price	To measure effectiveness of the negotiation process	Difference between negotiated price and least pre negotiated bid	%age
Percentage reduction over budget	To measure savings over budget	Difference between negotiated price and budget	

PROC.2.2: Strategic sourcing (Services)- Templates

Number	Name	Template
PROC.2.2a	Vendor evaluation criteria	 PROC.2.2a Vendor evaluation criteria.xls
PROC.2.2b	RFI questionnaire as per Form 1 & 2 of PROC.4.1	
PROC.2.2c	RFI evaluation	Same as template PROC.2.2a
PROC.2.2d	Pre-bid query document	 PROC.2.2d Pre Bid Query template.xlsx
PROC.2.2e	Bid query response	 PROC.2.2e Bid query response.xlsx
PROC.2.2f	Commercial bid evaluation	 PROC.2.2f Price comparative.xlsx
PROC.2.2g	Fact based negotiation pack	 PROC.2.2g Fact based negotiation pa
PROC.2.2h	Technical bid evaluation report	 PROC.2.2h Technical bid evaluation report.
PROC.2.2i	Award decision	 PROC.2.2i Overall bid evaluation with lo:  overall bid evaluation with ranking
PROC.2.2j	Note for approval	 PROC.2.2j - Note for approval.doc

Appendix – I

Framework for evaluating categories for Reverse Auction

Strategic Sourcing Tool	Reverse Auction	RFP process and Reverse Auction	RFP with collaboration
<i>Competitiveness</i>	Extremely Competitive	Competitive	Not very competitive
<i>Cost of switching</i>	Negligible	Low / medium	Very high
<i>Decision Criterion</i>	Price per unit	Value and price	Value only
<i>Lead time</i>	From stock / short	Medium	High
<i>Product Characteristic</i>	Generic	Custom	Complex
<i>Product Type</i>	Commodity	Buyer Design	Design Collaboration
<i>Qualification criterion</i>	Low	Medium	High
<i>Relationship</i>	Transactional	Limited	Strategic
<i>Suppliers</i>	Large Pool	Many	Single or Few
<i>Switching Risk</i>	Low	Medium	Very High

Appendix – II Guidelines for selection of contract type

Contract Type ->	Labour Contract	Piece Rate Work (PRW)	Item Rate Contract (IRC)	Cost Plus Contract	Lump Sum Contract	Lumpsum Turnkey (LSTK)	Comments
Basis of Payment	Per Worker Deployed	Per Piece / Item Produced	Per Piece / Item Produced	Actual Cost Incurred + Agreed Overheads & Margin (%)	Completion of Job	Commissioned, Operational Product	
Payment schedule	RA Bill	Quantity delivered	Quantity delivered	Milestone based / RA bill	Milestone based / RA bill	Milestone based / RA bill	
Decision Criteria: Scope / Responsibility							
Arrangement of Facilities & Equipment	Typically arranged by MC	Typically arranged by MC	Typically arranged by SC	Arranged by SC	Arranged by SC	Arranged by SC	
Design Scope for Sub-contractor	Design not in scope of SC	Design not in scope of SC	Design not in scope of SC	Optional, only with additional measures (see note 1)	Optional	Design in scope of SC (See note 2)	LSTK & Lump sum contracts would incentivize the contractor to do most cost effective design
Purchase Scope for Sub-contractor	Design not in scope of SC	Design not in scope of SC	Design not in scope of SC	Optional, only with additional measures (see note 1)	Optional	Design in scope of SC	LSTK & Lump sum contracts would incentivize the contractor to do most cost effective purchase
Decision Criteria: Oversight required / Main Contractor's capability							
Need for Work Measurement & Quantity Verification	Not required	Yes (rigorous process required)	Yes (rigorous process required)	Yes (rigorous process required)	Not required	Not required	Required whenever payment is linked to quantum of work completed
Onus of supervision on Main Contractor	High onus on MC	Medium onus on MC	Medium onus on MC	High onus on MC	Low onus on MC	Low onus on MC	Onus on MC will be higher when either SC maturity is low or there is a tendency to stretch work, inflate quantities and also when ownership of schedule & cost is low for the SC.
In-house planning & execution capability / risk appetite is low for MC	Low suitability	Low suitability	Low suitability	Medium suitability	High suitability	High suitability	
Decision Criteria : Subcontractor capability & ownership of schedule, cost & quality							
Ownership of Cost Control by Sub-contractor	Low	Low	Low	High, but only with additional measures (see note 1)	High	High	In case of lump sum & turnkey contracts, SC will have incentive to minimize actual cost incurred & duration taken for completion for higher realization
Ownership of Schedule Control by Sub-contractor	Low	Low	Low	High, but only with additional measures (see note 1)	High	High	
Ownership of Quality Control	Low	Low	Low	High	High	High	In case of the PRW & IRC, tendency is to maximize output, even at the cost of quality; but can be controlled by specific measures such as linking payment to acceptable output & other quality control measures
Required maturity level / experience level of Sub-contractor	Low	Low	Medium	High	High	High	SC with high maturity level are scarce and come with a premium, hence in red
Decision Criteria : Nature of Job							
Suitability when scope / quantities are uncertain (e.g. u/g civil work)	High	High	High	High	Low	Low	
Suitability when standard items are to be worked upon (e.g. excavation work, concreting work)	High	High	High	Low	High	High	
Suitability when non-standard items are to be worked upon (e.g. overhauling contract) / High complexity of job	Low	Low	Low	High	High	High	
Suitability for common Civil Jobs	High	High	High	High	High	Low	
Suitability for complex mechanical jobs, E&I jobs, Structural jobs, package jobs	Low	Low	Medium	High	High	High	
Decision Criteria : Other factors							
Suitability when there is need to distribute contract risk imposed by owner on main contractor	Low	Low	Low	Low	High	High	Transferring of risk (back-to-Back)
Flexibility of redeployment to different work fronts	High	High	High	Low	Low	Low	Typically suitable for a big site with shifting front availability and work priorities

Cells marked green indicate **advantage** for main contractor in a given condition

Cells marked red indicate **disadvantage** for main contractor in a given condition

Appendix – III**Guidelines for rate contract**

Rate Contract – Agreement between the buyer and the supplier for fixing the price or pricing mechanism for specified period of time and / or specified quantities.

Characteristics of items for which rate contract can be executed

- Repeated purchases
- Standard in nature with minimal customization
- Required in Bulk

Key Benefits

- Reduced Cost - Effective way to avail discount based on volume
- Reduced Workload - Reduction in no. items for Tendering and Negotiations
- Reduced change orders
- Standardized pricing basis available for items groups in categories
- Prevents suppliers from quoting differential prices for minor variation in specifications.
- Same rates can be leveraged in negotiations of other contracts as well

Step 1: Identify the category for items where rate contracts can be used

Illustrative

Sr No	Category	Sub-Categories
1	Valves	<ul style="list-style-type: none"> ▪ Ball Valve ▪ Butterfly Valve ▪ On/Off Valve ▪ Gate, Globe, Check Valve ▪ Motor Operated
2	Cables	<ul style="list-style-type: none"> ▪ HT Cable ▪ LT Cable
3	Pipes	<ul style="list-style-type: none"> ▪ CS Welded ▪ CS Seamless ▪ IS Grades
4	Pipe Fittings	<ul style="list-style-type: none"> ▪ Expansion Joints ▪ Flanges ▪ Gaskets ▪ Strainers
5	Conductors	
6	Motors	

Step 2: Carry out RFI and RFP process for establishing the rate contract for category– (Strategic sourcing PROC.2.2). RFP should seek proposals for rate contracting

Step 3: Evaluate proposals & conduct negotiation using FBN pack (Strategic sourcing PROC.2.2). *Good Practice: Use of detailed Cost Sheets for negotiations of rates*

Key challenges and potential resolutions

Validity of Agreement	➔	The agreement can have one year validity with option for extension one month prior to expiry of agreement
Pricing Clause	➔	Option I – Agree on price of each item which shall remain firm throughout the agreement period Option II – Agree on discount applicable on List Price of items. Index the list price with relevant industry norm. Agree to formula for calculation of unit rate
Price Variation Clause	➔	<i>Typically used for categories where prices of raw material are volatile</i> <i>Relevant for Option II.</i> Index the price variation to relevant industry norm and agree to a formulae for arriving to unit rate. E.g. For Cables variation clause is as per raw material prices data & Price Variation Formula published by IEEMA vide circular no 36/DIV/CAB/05
Execution Method	➔	Purchaser shall release PO with cable sizes & quantity based on unit rate as agreed in Pricing Clause. The unit rates shall be firm & fixed till the delivery of all cables covered in the PO is completed
Volume Discount Clause	➔	The additional discount on account of volume if annual invoicing increases above certain value.

Key challenges and potential resolutions

Challenges	Potential Resolution
Lack of visibility in volume of items	Rate can be negotiated on unit rate without firm quantity commitment
Items having special Material of Construction, Tech Specs may not be included in rate contract	Items left out (if any) initially can be added subsequently in the contract
Fluctuation in metal price during contractual period	Indexing of metal price can be appropriately done