

HINDUSTAN PAPER CORPORATION LTD

CHQ :: KOLKATA

HPC Procurement Policy for all major items except Bamboo & Coal

Procurement policy for Bamboo and Coal has been featured separately under the heading of

“Bamboo Procurement Policy” and “Coal Procurement Policy”.

1.0 Annual Paper Production Target

HPC is having two Units:

- Nagaon Paper Mill (NPM), Jagiroad, Assam
- Cachar Paper Mill (CPM), Panchgram, Assam
- Annual Paper Production Target of each mill (NPM & CPM):: **1.00 lakhs MT**

2.0 Narration:

For manufacturing 1.00 Lakh ton of paper, HPC procures various inputs, major being bamboo, coal, lime, SSP, caustic, chlorine, salt cake, chemicals, packing materials and spares.

3.0 Brief of Annual Requirement: (Approx for 1 (one) Lakh MT production for each unit)

<u>Major Items</u>	<u>NPM</u>	<u>CPM</u>
Lime	60,000 MT	60,000 MT
SSP	30,000 MT	30,000 MT
Caustic	9000 MT	9000 MT
Chlorine	9000 MT	9000 MT
Salt cake	3600 MT	3600 MT

The above table given represents the tentative requirement, which varies mainly depending upon the quantum of production.

Cachar Paper Mill (CPM) is not in operation on account of non availability of coal due to blanket ban imposed by National Green Tribunal (NGT) on mining and transportation of coal from the state of Meghalaya w.e.f May 14th 2014, from where CPM used to source 100% of its coal requirement.

4.0 Procurement Procedure:

HPC follows a transparent procedure. The procurement is normally done bi-annually or annually by way of open tendering and e-tendering process, through an approved Service provider, M-junction.

At present, all tenders valuing Rs 5.0 Lakh and more are being procured through e-tendering and HPC is gradually moving towards floating all tenders having value Rs 2.0 Lakh and more.

HPC has Procurement Manual Guideline **PMG** (Effective Sept/2005- Under Revision). The purchase and procurement activities are carried out in compliance with PMG .

5.0 Mode & Type Of Tendering:

a) Limited Notice Inviting Bids(LNIB)- The tender is done when there are limited nos. of known and established suppliers, certified by the user dept.

b) Open Tender- Thorough press and website and online.

c) Global Tender- global tender are open tenders invited for purchase of materials from overseas sources.

d) Single tender for proprietary items/Spares- Single tender is issued for proprietary items/spares.

e) Short Tender- In case of extreme exigencies, short tenders are also floated through advertisement and online.

6.0 Salient features for e-tendering:

a. As per the requirement, NIB is floated online.

Tender notices are also published in newspaper preferably in Business Standard. Tenders floated from units are also published in North East based leading newspaper.

And also uploaded in HPC's website www.hinpaper.in

Interested bidders have to register first in M-junction.

The vendors have the flexibility to quote on date or before the due of opening.

b. **MSME (Micro Small and Medium Enterprises) :** Micro Small and Medium Enterprises (MSMEs) who are registered with Udyog Adhar Memorandum shall be entitled to enjoy all the benefits as per provision under Public Procurement Policy for MSMEs Order 2012. Documentary evidence on this line are to be furnished.

c. **Specification-** The standard specifications are mentioned in NIB.

d. **Earnest Money Deposit (END)-** EMD is normally 2% of estimated value.

However at times, EMD conditions are relaxed for wider participation.

If the outstanding of a vendor is overdue , at times , on request of vendor EMD are also adjusted out of their outstanding.

e. Bids are called online in two parts:

a) Techno- commercial bid b) Price Bid

f. On due date bids are opened online.

- If in the first invitation, no offers are received, the due date of opening is extended.
- If in the first invitation, single bid is received, then tender is cancelled as per CVC guidelines and re-tendering is done.
- Even after re-tendering only single offer is received, it can be processed.

g. Corrigendum Extension and Re-tendering are communicated through Service Provider and are also uploaded in HPC website.

h. After opening of the tender online, technical bids are evaluated.

In NIB, there is a provision for a bidder to quote for minimum offered quantity. If any bidder quotes less than the minimum offered quantity, is subject to cancellation, without assigning any reason. Their price bids are not opened.

i. Estimates : Prior to opening of price bid , a committee is constituted who makes a survey of the market and prepares a estimate price , as a base price, for the tendered commodity.

j. Only the price bids of qualified bidders are opened.

Rates are normally called of FOR (Delivered basis).

However, at times, when vendors are limited and are not willing to quote on FOR basis , Ex – Mill NIB are also floated .in such cases , material is lifted by our authorized transporter .

k. In NIB, there is also a provision for splitting of orders among the bidders, as per the apportionment Clause

- Distribution of quantity, among the bidders is done as per the apportionment Clause, subject to acceptance of L-1 rate.
- L-1 bidder is given the first opportunity to supply.
- If L-1 bidder has offered the minimum offered quantity, then the bidder is given the first opportunity to accept additional quantity as per the apportionment clause of NIB.

l. **Security Deposit (SD)**- Normally 5% of the contract value is taken as Security Deposit.

EMD of the successful bidder(s) is converted as Security Deposit.

The difference between EMD and SD can be deposited by way of RTGS/Cheque/Bank Guarantee (BG)

In order to give comfort to vendors, SD can also be built up by way of deduction from the running bill.

If the outstanding of a vendor is overdue, SD can also be adjusted out of the same.

m. **Penalty Deduction-** Penalty clauses are mentioned in NIB. Deductions are made in accordance with the same .

n. **Credit Period-** Credit period are normally ranges between 15/30/90 days depending upon the commodity. However, it also changed on need basis in exigencies but it is equal to all vendors.

In cases where material is transported by rail viz. SSP, lime, salt, salt cake and freight element is very high, Freight is paid in advance subject to confirmation to placement of indent by vendor.

Due to Working Capital constraint, the Corporation has not been able to adhere to the payment schedule prescribed in NIB.

o. **Payment mode:**

a) RTGS

b) Letter of Credit (LC) are established for full or partial value of the material subject to availability of ILC limit with usance period of 90/180 days for supplies prior made prior to 90 days.

c) Bill discounting

p. **Assignment Order-**

Scenario nos. 1.

After floating of tender, in the event of exigencies, pending finalization of tender, assignment orders are placed on the bidders, who have already participated in the tender, subject to their agreeing to accepting of L-1 rate after finalization of tender.

Scenario nos. 2.

Assignment orders are also placed to new vendors in the following scenario:

a) the source is new

b) Existing bidders are not supplying.

c) There is a delay in supplying of materials.

Assignment Orders are placed on the same rate, terms and conditions or lower than the existing L-1 rate.

q. **Trial Order-** If the source is completely new, product specification are different than the existing one, with the value addition, trial order are placed for a limited quantity. The payment term subject to successful trial. Once the source and the quality of the product is established regular tendering is done.

r. **Developmental Order-**

HPC has a policy to encourage and develop new vendors to increase competition. To achieve this objective, in NIB, 10 % quantity is reserved for the new vendors who, though have participated in NIB ,

however are not meeting the PQC. Said 10 % of the quantity is equally distributed among such new vendors subject to acceptance of L- 1 rates and other standard terms & conditions.

s. **Spot Purchase**- In the event of exigencies, spot purchase are done at unit level by a committee.

Assignment order, trial order, spot purchase constitute a very small percentage of the total procurement.

t. **Repeat Order**- There is a provision for repeat order. Quantity of an order may be increased against a purchase order /contract, provided that:

- a) Period not exceeding 1 (one) year from the date of original order.
- b) There has been no downward trend in price, confirmed by a committee.
- c) There is no change in rates, terms and conditions of the original order.
- d) Quantity not exceeding original order quantity

u. **Delivery of Materials**

Vendors has to deliver the materials to stores directly or through approved transporters on freight to pay/paid basis as the terms stipulated / specified in the purchase order.

Information of receiving and acceptance of the materials is given by stores to Purchase by sending a copy of Goods Receipt Voucher (GRV) which is uploaded in ERP.

v. **Sampling**

Joint Samples are drawn and tested in HPC lab and based on the test results payment are released on due dates.

In some of the commodities third party joint sampling is done.

w. **Release of Payments**

Payments are relapsed after receipt and acceptance of material at site and completion of all procedural formalities and clearance payments are released to vendors.

Due to Working Capital constraint, the Corporation has not been able to adhere to the payment schedule prescribed in NIB.
