

**PROCUREMENT MEET: INDIA  
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Presentation by:

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**RAILWAY BOARD**

# Outline of talk

- Introduction on Indian Railways.
- Procurement Volume in Railways.
- Procurement procedure in Railways.
- E-procurement in Railways.
- Expectation from Industries.
- Procurement Policy for SMEs

# Introduction to Indian Railways

- No. of railway stations: 7,083
- No. of railway bridges: 1,31,205
- No. of railway locomotives: 9000
- No. of railway passenger coaches: 51,030
- No. of freight cars: 2,19,931
- Route Kilometers: 63,974

- No. of trains run everyday: 19,000  
(including passengers' trains : 12,000)
- No. of passengers carried yearly : 7.2 billion  
(20m daily)
- Volume of freight traffic: 2.65 million tonnes  
daily
- No. of employees: 1.36 million
- Annual revenue (2011-12): Rs.1,06,000 crores

# Principles of Public Buying (As per GFR-2005)

1. Efficiency, Economy, Transparency, Fairness & Equitability and Competition in Procurement.
2. Clear and complete specifications in the tenders free of any ambiguity, deficiency
3. Correct Quantity Estimations
4. Well publicised tendering and bidding procedures.
5. Well recorded deliberations in decision making- No arbitrariness

# CANNONS OF PUBLIC BUYING

## FIVE WATCH WORDS

1. TRANSPARENCY

2. FAIRNESS

3. VALUE FOR MONEY

4. QUALITY

5. TIME

# RECENT INITIATIVES TO PROMOTE TRANSPARENCY AND OPENNESS

1. RIGHT TO INFORMATION ACT 2005
2. INTEGRITY PACT (A VOLUNTARY AGREEMENT BETWEEN PURCHASER AND BIDDER)
3. Draft Public Procurement Bill 2011

# INDIAN RAILWAYS

## PROCUREMENT VOLUME

(INCLUDING FUEL)

- *IR – Rs. 31,000 Crores*
- *Indigenous Component – 97%*

# INDIAN RAILWAYS

## Guide Lines for Procurement

- Being a Govt. organisation & using public fund
- Principles of Public Buying (As per GFR-2005)
  - To procure materials of the specified quality within the specified time at the most competitive prices in a fair, just & transparent manner.

# POINTS TO PONDER

- Who procures ?
- How do we procure ?
- What do we procure ?
- From whom do we procure?

# Who procures ?

1. Railway Board- Loco, wagon, coach/ EMU, wheel/axle, POL, steel etc.
2. COS at Zonal HQrs./Production Units
3. Sr. DMMs/Depots for small value items
4. Centralised Procuring Agencies like COFMOW, DLW, CLW, ICF etc.
5. DGS&D

# How do we procure ?

## Mode of tendering

- Open tender: Tender Value >Rs.10 Lakhs
- Limited tender: Tender Value < Rs.10 Lakhs
- Bulletin Tender: Tender value <Rs.10 Lakhs
- Single Tender: For PAC items
- Spl. Limited tender: For safety items and other sophisticated items, even with Tender value > Rs.10 Lakhs or in emergent situations.

# What do we procure ?

- Items: From pins/Nuts & Bolts to Locomotive
- IR buys 2,70,000 stock items and distributes through 259 stocking depots.
- Items classified as per their end use i.e. diesel loco, wagons etc.

# From whom do we procure ?

1. Approved vendors of RDSO, DLW, CLW, ICF etc.
2. Registered suppliers of Zonal Railways
3. Other Suppliers having credential to supply a particular item

# E-procurement in Railways

## Mile-stones in E-Procurement

- N.Rly. started E-procurement in July'05 as a Pilot project in A.S.P. (Application Service Provider) model through **nreps** site.
- Based on N.Rly. experience, CRIS has hosted E-procurement site i.e. [www.ireps.com](http://www.ireps.com) from September, 2008
- Bulk of the procurement is through this system

# Expectation from Industries

- All industries interested in business with Railways should register themselves online at [www.ireps.com](http://www.ireps.com) site. The only requirement is a Class-III digital signature certificate in the name of the Company.
- Firms should have a transparent system of dealing with Railways.
- Should avoid cartel formation, which harms the industries more than the Railways

# RAILWAY PROCUREMENT SYSTEM

- For critical/safety items, system of pre-approved vendors by RDSO/CLW/ DLW/ ICF etc.
- Safety/reliability in railway operations cannot be compromised by experimentation in the hope that a new supplier will eventually succeed.

# PART-I, PART-II APPROVAL

- Railways cannot take the risk of pre-mature failure of an item in terms of quality.
- Part-I approved source is eligible for bulk quantity order.
- Part-II approved source is eligible for limited quantity i.e. upto 25% normally.
- Part-II categorisation is considered necessary so as to watch the performance of new vendor to assess
  - Ability to supply timely
  - Quality product
  - On sustained basis

# CVC GUIDELINES

- CVC acknowledges buying from approved vendors
- There should be publicity through web and all the forms etc. for registration/approval should be available on the web.

# VENDOR APPROVAL PROCESS (IR)

- ❑ In Indian Railways, every vendors is free to approach designated agency for approval.
- ❑ Approval is considered after a transparent process of evaluation and due diligence.
- ❑ RDSO maintains the list of approved vendors on its website which is modified twice in a year.
- ❑ RDSO maintains on-line status of a firm's vendor approval status.
- ❑ The vendor approval process is laid down on RDSO website.
- ❑ If No. of approved vendors for an item is less than 3, RDSO proactively seeks approval of more vendors by putting such items on its website and through expression of interest in newspapers.

# Procurement policy for purchase from MSEs

- Every Ministry shall try to achieve overall procurement of minimum 20% of total annual purchases of products produced and services rendered by micro and small enterprises over a period of 3 years.
- From 1.04.2015, overall procurement goal of minimum 20% shall be mandatory.
- 358 items reserved for exclusive purchase from micro and small enterprises shall be continued to be purchased from them.

# Procurement policy for purchase from MSEs (continued....)

- In order to avail preferential treatment, the MSEs must be registered in any of the following:
  - » District Industries Centres
  - » Khadi and Village Industries Commission
  - » Khadi and Industries Board
  - » Coir Board
  - » National Small Industries Corporation
  - » Directorate of Handicraft and Handloom
  - » Any other body specified by Ministry of MSME

# Procurement policy for purchase from MSEs (contd..)

- Tender sets shall be provided free of cost to MSEs registered with above agencies for the item tendered.
- Exempted from payment of EMD
- In tenders, participating MSEs quoting a price within price band of  $L1+15\%$  shall be allowed to supply a portion of the requirement by bringing down their price to L1 price

***THANK YOU***