

## U.P Store-Purchase Rules

### Sources:-

1. **Financial Hand Book -** Vol V- Part- I; Chapter-XII, Para-255-260 क  
Vol V- Part- I; Appendix XVIII and XIX
2. **Budget Manual-** Para 12 and 174
3. **Latest G.O's**
  - ❖ **Procurement of Goods manual** G.O- 5/2016/253 Date 01-04-2016
  - ❖ **E-Tender**
    - 3/2017/1067; Dtd-12-05-17
    - 6/2018/256; Dtd-24-04-18
  - ❖ **Gem Portal**
    - 11/2017/523; Dtd-23-08-2017
    - 12/2017/540; Dtd-25-08-2017
    - 19/2017/836; Dtd-28-11-2017
    - 21/2017/704; Dtd-30-11-2017
    - 13/2018/230; Dtd-27-04-2018

## UTTAR PRADESH PROCUREMENT MANUAL ( Procurement of Goods) IN A NUTSHELL

This manual contains rules made for procurement of goods in Government departments. These rules supersede the U.P Stores Purchase Rules contained in Appendix- IX of Industries Department Manual which are also reproduced in Appendix- XVIII of Financial Handbook Volume- V Part-I.

These rules shall come into force-on 1st April, 2016.

**Applicability-** These rules are applicable to the procurement of goods by the procuring entities of all Government departments, their attached and subordinate offices.

Provided that the provisions of this manual, in so far as they are inconsistent with the procedure specified in respect of the schemes/ projects funded by the Central Government, International Financial Agencies or schemes/ project covered under International Agreements, shall not apply to procurement of goods for such schemes/ projects.

### General Principles:-

- (1) Best Value for money.
  - (a) Purchasing at the right price.
  - (b) Purchasing at the right time.
  - (c) Purchasing at the right quality.
  - (d) Purchasing at the right quantity.
  - (e) Purchasing from the right source.
- (2) Transparency, Competition, Fairness and Elimination of Arbitrariness.

- (3) Efficiency, Economy and Accountability .
- (4) Financial Arrangments.

**METHODS OF PROCUREMENT:-**

Subject to the provisions of these rules, a procuring entity, may procure the goods by means of any of the following methods:-

- (1) Advertised Tender Enquiry (Open Competitive Bidding)
- (2) Limited Tender (Limited Competitive Bidding )
- (3) Two- Stage Bidding
- (4) Single Source Procurement
- (5) Electronic Reverse Auctions
- (6) E- procurement
- (7) Request for Quotations
- (8) Spot Purchase
- (9) Running contract/ Rate Contract
- (10) Any other method of procurement notified by Goverment.

**PRICE FOR TENDR FORMS:-** Price of the tender document should take care of the preparation and delivering cost only.

(A) Ordinary tenders involving supply of goods:-

| Estimated value of goods for which tenders are invited          | Cost of Tender forms   |   |
|---|--|---|
|   | Original copy each (Rs)  | Duplicate copy each (Rs)  |
| Above Rs 1.00 lac (Rs.ONE lac) and upto Rs.10 lac (Rs. TEN lac) | 0.2% Of the cost of tender rounded to the nearest multiple of 100, subject to a minimum of Rs 400& maximum of Rs 1500 plus local taxes as applicable | 50% of the cost of the original copy rounded to the nearest multiple of 100 plus local taxes as applicable  |
| Above Rs 10 lac (Rs TEN lac)                                    | 0.15% Of the cost of the tender rounded to the nearest multiple of 100, subject to a maximum of Rs. 25000 plus local taxes as applicable             | 50% Of the cost of the original copy, rounded to the nearest multiple of 100 plus local taxes as applicable |

(B) Special tenders with drawing ,etc, involving erection of plant and machinery.

| Estimated value of goods for which tenders are invited | Cost of tender forms   |   |
|--|--|---|
|  | Original copy each (Rs)  | Duplicate copy each (Rs)  |
| Up to Rs 10 lac (Rs TEN lac )                          | 0.25% Of the cost of tender rounded to the nearest multiple of 100 + local taxes as applicable   | 50% of the cost of the original copy rounded to the nearest multiple of 100 + local taxes as applicable |
| Above Rs 10 lac (Rs TEN lac)                           | 0.20% Of the cost of the tender rounded to the nearest multiple of 100, subject to a maximum of rupees 35000 + local taxes as applicable | 50% Of the cost of the original copy rounded to the nearest multiple of 100 + local taxes as applicable |

General conditions of the contract for plant machinery and manufactured equipment should be usually supplied with the special tender form and extra copy at Rs. 200/copy. The cost of the tender forms may be accepted in cash or DD only. Postal orders, postal stamps or bank cheques should not be accepted.

**Earnest money deposit:-**

In order to safeguard against a bidders withdrawing/ altering its bid during the bid validity period in the case of tender enquiry, Earnest Money deposit (EMD) is to be obtained from the bidders.

The amount of EMD should we decided on the basis of estimated value of the goods to be purchased ,which is as under :-

|  |  |
|--|--|
| Estimated value of goods up to Rs. 1.00 Lac ( Rupee ONE Lac)     | earnest money Rs 1500 (Rs One Thousand Five Hundred) |
| for each additional Rs. 1.00 Lac ( Rs ONE Lac) or a part thereof | a further amount of Rs 1000 (Rs One Thousand)        |

Earnest money deposit ( Bid security) will not be taken in case of procurement by Spot purchase, Request for Quotation, Limited Tender and Single Source Procurement.

Earnest money may be accepted in the form of Account Payee Demand draft or Fixed Deposit Receipt pledged in favour of Head of Department/ Head of office/Other officer authorised by the Government or Bankers Cheque or a Bank Guarantee from any of the scheduled commercial banks.

The tenderers should be especially instructed in the advertisement not to enclose in the envelope any Earnest money in cash.

EMD of a tenderer will be forfeited, if the tenderer withdraws or amends his tender or impairs or derogates from the tender in any respect after expiry of the deadline for the receipt of tender but within the period of validity of his tender. Further, if the successful

tenderer fails to furnish the required performance security within the specified period, his EMD will be forfeited.

EMD furnished by all unsuccessful tenderers should be returned to them without any interest whatsoever, at the earliest after expiry of the final tender validity period but not later than 30 days after conclusion of the contract.

EMD of the successful tenderer should be returned, without any interest whatsoever after receipt of performance security from him as called for in the contract.

#### **Performance security (Security deposit) :-**

To ensure due performance of the contract, performance security is to be obtained from the successful bidder who is awarded the contract. It is to be obtained from every successful bidder irrespective of his registration status, etc for a contract value above Rs. 1.00 (one) lac.

Performance security may be furnished in the form of fixed deposit receipt or bank guarantee from scheduled commercial bank.

The performance security should be equivalent to 5% of the value of the contract rounded to the nearest multiple of hundred.

Performance security is to be furnished by a specified date (generally within 15 days from the date of notification of the award/letter of acceptance) and it should remain valid for a period of 30 days beyond the date of completion of all contractual obligations of the supplier, including warranty obligations.

No security should be demanded or taken from any Government corporations, which supply goods This provision will apply in the matter of purchase of goods from Government of India undertaking as well.

Performance security is to be forfeited and credited to Government Account in the event of a breach of contract by the supplier, in terms of the relevant contract.

#### **LIQUIDATED DAMAGES:-**

There should be a suitable provision in the terms and condition of the contract for claiming liquidated damages of appropriate amount from the supplier to take care of delays in supplies and performance, for which the supplier is responsible.

Depending on the nature and value of the goods to be ordered and the urgency of the requirement, a specific percentage of the delivered price of the delayed goods for each week or part thereof delay, is to be incorporated in the contract term. Generally the percentage is 0.5% per week or part thereof. There should also be an appropriate maximum limit of such deduction, to be shown as a specific percentage of the contract value of delayed supplies/ services and incorporated in the contract terms. This percentage is generally 10%.

#### **TOKEN LIQUIDATED DAMAGES:-**

There may be situations when charging full liquidated damages may not be justified as the reason for delay in delivery by the supplier may be largely due to circumstances well beyond his control but nevertheless this may not be considered adequate to waive off liquidated damages altogether or there may be such deficiencies. In service for which quantification may not be feasible and no other remedy may be available in such cases at the sole discretion of the purchaser token liquidated damages up to 10% of the normal liquidated damages may be imposed in consultation with finance wing of the department. Stipulations to this effect prescribing the kind of deficiencies and scale of Token Liquidated Damages chargeable should be clearly brought out in the tender documents. This safeguard should be consistent with the provisions of performance security.

#### **Evaluation of tenders-**

Determination of Responsiveness:- The bid evaluation committee's determination of the responsiveness of a bid should be based on the contents of the bid itself. A responsive

bid is one that meets the requirements of the bidding documents without material deviation, reservation or omission where:

- a) 'deviation' is a departure from the requirements specified in the bidding documents.
- b) 'Reservation' is the setting of limiting condition or withholding from complete acceptance of the requirement specified in the bidding documents; and
- c) 'omission' is the failure to submit part or all of the information or documentation required in the bidding documents

**Lack of competition :-**

Sometimes the purchase organisation may not receive sufficient number of tenders. A situation may also arise where, after analysing the tenders the purchase organisation ends up with one responsive tenderer.

In such situations, the purchase organisation is first to check whether, while floating/ issuing the tender enquiry all necessary requirements like standard tender enquiry conditions, industry friendly specification, wide publicity, sufficient time for formulation of tenders, qualification criteria etc were fulfilled. If not, the tender is to be re-issued/ re-floated after rectifying the deficiencies.

1- However, if after scrutiny it is found that all such aspects were fully taken care of, the contract for a tender value does not exceed Rs. 50 lac and:

- (a) the price quoted by the bidder is assessed to be reasonable;
- (b) the bid is unconditional and complete in all respects;
- (c) there are no obvious indicators of cartelisation amongst bidders,

the bid evaluation committee shall prepare a justification note for the approval of the next higher authority of the procuring entity, who shall decide as to whether to sanction the single bid or re- invite bids after recording reasons..

2) In case of contract for estimated value exceeding Rs. 50 (Fifty) lac but not exceeding Rs.5 (Five) crore, the tender should be refloated and if the purchase organisation again ends up with only one responsive tender, the contract may be placed on that tenderer, after ensuring the aforesaid procedure.

3) Lastly for the contracts of estimated value exceeding Rs.5 (FIVE) crore the tender should be retendered second time and if it also results in only one responsive tender, contract may be finalised on the same basis as above.

Provided that in case the procuring entity is the administrative department of Government, approval of the next higher authority will not be required.

**Reference: G.O. 05/ 2016/ 253/ 18-02-2016-3 (एस.पी) 2010, Dated: 01-04-16**

**Extracts: - Uttar Pradesh Procurement Manual  
( Procurement of Goods)**

**Basic facts about Procurement Manual:-**

**G.O - 05/2016/253/18-2-2016-3(एस.पी.)/2010**

**Dtd- 01.04-2016**

**Department:- Micro, small and medium Industries.**

**Enclosure:- UP Procurement Manual ( Procurement of Goods)**

**Chapters :-**

- 1** Extent of Applications.
- 2** Definition and General Explanations
- 3** General Principles of Procurement
- 4** General Principles of Entering into contract
- 5** Specifications and Allied Technical Particulars
- 6** Sources of supply and registration of suppliers.
- 7** Forecast, Indents and financial Arrangement.
- 8** Methods of Procurement
- 9** Earnest money deposit and performance security
- 10** Delivery Period, Transportation and Transit Insurance, cancellation of contract.
- 11** Elements of price and terms of payment.
- 12** Quality control and inspection of ordered goods.
- 13** Advertised tender enquiry (open competitive bidding).
- 14** Evaluation of tenders, formulation of purchase proposal and placement of contract.
- 15** E- Procurement.
- 16** Runing contract and rate contract.
- 17** Grievance redressal during Procurement process.
- 18** Code of Integrity for Procurement entites.
- 19** Losses and settlement of Disputes
- 20** Documentary record of procurement process and closing of cases
- 21** Inventory management
- 22** Irregularities/ observed in public Procurement.
- 23** Miscellaneous
- 24** Timeline for Procurement of goods

**Appendix -01 Frequently asked Questions.**

**Important concepts:-**

**Tolerance clause-** To take care of any change in the requirement during the period starting from issue of tender enquiry till placement of the contract a plus /minus tolerance clause is incorporated in the tender document, reserving purchaser's right to increase or decrease the quantity of the required goods up to that limit without any change in the terms and conditions and prices quoted by the tenderers. While awarding the contract, the quantity ordered may be increased or decreased, if necessary, within the prescribed plus/ minus tolerance limit.

**Force Majeure :-** Force majeure means an event beyond the control of the supplier and not involving the supplier's fault or negligence and which is not foreseeable. Such events may include, but are not restricted to, acts of the purchaser either in its sovereign or contractual capacity, wars or revolution, hostility, acts of public enemy, civil commotion, sabotage, earthquake, fire, floods, explosions, epidemics, quarantine restrictions, strikes, lockouts and freight embargoes.

If there is delay in performance or other failures by the supplier to perform its obligations under its contract due to event of a force majeure, the suppliers shall not be held responsible for such delays/ failures.

**Buy back offer:-** When it is decided with the approval of the competent authority to replace some existing old goods with their newer or better versions/ substitutes the department may trade the existing old goods while purchasing the new ones. For this purpose, suitable clauses are to be incorporated in the tender enquiry document so that the interested tenderers formulate and submit their tenders accordingly.

(B) Special tenders with drawing ,etc, involving erection of plant and machinery.

| Estimated value of goods for which tenders are invited | Cost of tender forms   |   |
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|--|---|
| Estimated value of goods up to Rupee 1.00 lakh ( Rupee 1 lakh) | earnest money rupees 15000 ( rupee one thousand five hundred) |
| for each additional Rupee 1 lakh or a part there of            | for the amount of rupee 1000 ( Rs one thousand)               |

Earnest money deposited ( Bid security) will not be taken in case of procurement by spot purchase, Request for Quotation a Limited Tender.

Earnest money may be accepted in the form of account payee demand draught or fixed deposit received pledge in favour of head of department/head of office/Other officer authorised by the government or bankers cheque or bank guarantee from any of the scheduled commercial banks.



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- a) 'deviation' is a departure from the requirements specified in the bidding documents.
- b) 'Reservation' is the setting of limiting condition or withholding from complete acceptance of the requirement is specified in the bidding documents, and
- c) 'omission' is the failure to submit part or all of the information or documentation required in the bidding documents.

**Reasonableness of Price:-**

Before placing the contract on the lowest evaluated responsive tenderer (L-1) the Purchase organisation is to ensure that the price to be paid is reasonable. The broad

guidelines for judging the reasonableness of price are as under:-

- 1) Last purchase price of same( or, in its absence, similar) goods.
- 2) Current market price of sale( or, in its absence, similar) goods.
- 3) Price of raw materials, which go into the production of the goods
- 4) Receipt of competitive offers from different sources
- 5) Quantity involved
- 6) Terms of delivery
- 7) Period of delivery
- 8) Cost analysis (material cost, production cost, overheads, profit margin).

NOTE- Price paid in an emergency purchase or purchase price of goods offered by a tenderer through 'distress sale' are not accurate guidelines for future use.

**Price not Reasonable:-**

If L-1's price is not reasonable, then, in the first place, the purchase organisation is to review its own data and details to recheck whether the reasonable price so arrived is correct or not. If it is correct, the purchase organisation may, strictly as an exception, negotiate the price only with the lowest evaluated responsive tender(L-1) in an attempt to bring down the same .

If L-1 reduces the price to the desired (reasonable) level, contract may be placed on it but if it does not agree, then further action like retendering etc, may be decided by the purchase organisation depending on the merits of the case.

**Lack of competition :-**

Sometimes the purchase organisation may not receive sufficient number of tenders. A situation may also arise where, after analysing the tenders the purchase organisation ends up with one responsive tenderer. In such situations, the purchase organisation is first to check whether, while floating/ issuing the tender enquiry all necessary requirements like standard tender enquiry conditions, industry friendly specification, wide publicity, sufficient time for formulation of tenders, qualification criteria etc were fulfilled. If not, the tender is to be re-issued/ re-floated after rectifying the deficiencies.

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