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भारत प्रतिभूति मुद्रण तथा मुद्रा निर्माण निगम लिमिटेड  
Security Printing and Minting Corporation of India Limited

भारत सरकार के पूर्ण स्वामित्वाधीन

Wholly owned by Government of India

No. SPMCIL/VIG/3/09/04/4212

Dated: 14.01.2010

**CIRCULAR**

**Sub:** Tendering process – negotiations with L-1.

A copy of CVC circular No. 4/3/07 dated 03-03-2007 regarding Tendering process – negotiations with L-1, is re-circulated here with to all for information & strict compliance. Under no circumstances, except those indicated in Circular dated 03.03.2007, negotiations should take place with L-1. If price of L-1 bidder is found to be unreasonably high, re-tendering should be done.

2. To ensure that work in the Corporation continues smoothly in such a condition when re-tendering take place, many suggestions have been made by CVC in the said circular. In any case, whenever tenders are called, there should always be enough time to have time for re-tendering so that delays do not take place in procurement. The said circular also provides that in case of emergency, negotiation with L-1 for the supply of a bare minimum quantity may be done & re-tendering has to be done for the balance quantity.

3. During the visit of CVO to various units, it has been noticed that negotiations with L-1 for reducing prices in situations which are not covered under CVC circular mentioned above are still continuing at some units. This is clearly against the guidelines given by CVC. All concerned are advised to note that the negotiations with L-1 should ordinarily never take place for reducing price except in exceptional

situations of procurement of proprietary items, items with limited sources of supply and items where there is suspicion of cartel formation. To ensure that this is complied with, the justification & need for negotiations should be duly recorded and approval of accepting authority/CMD which ever should be lower is taken before holding such negotiations.

4. It shall be mandatory to stipulate in every tender that no negotiations shall be done in any case, unless permissible under CVC guidelines.

5. If these guidelines continue to be flouted in future it will prima-facie indicate a clear violation of guidelines and may invite a vigilance angle.

6. This issues with the approval of CMD.

  
**(Ajay Nath)** 14.01.2010  
**CVO**

**Encl:** As above.

**All GMs/HOD's**  
(Mints/Presses/Paper Mill),  
SPMCIL.

**CC:**

1. ES to CMD
2. Director (T) / Director (F) / Director (HR)/CVO
3. GM (IA)/Sr. DGM (S&C)/All DGM's.
4. All Vigilance Staff, (Corporate office/Units)
5. Notice Board.

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No.005/CRD/012  
Government of India  
Central Vigilance Commission

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Satarkta Bhawan, Block 'A',  
GPO Complex, INA,  
New Delhi- 110 023  
Dated the 3<sup>rd</sup> March, 2007

**Circular No. 4/3/07**

**Sub:- Tendering process - negotiations with L-1.**


Reference is invited to the Commission's circulars of even number, dated 25.10.2005 and 3.10.2006, on the above cited subject. In supersession of the instructions contained therein, the following consolidated instructions are issued with immediate effect:-

- (i) As post tender negotiations could often be a source of corruption, it is directed that there should be no post-tender negotiations with L-1, except in certain exceptional situations. Such exceptional situations would include, procurement of proprietary items, items with limited sources of supply and items where there is suspicion of a cartel formation. The justification and details of such negotiations should be duly recorded and documented without any loss of time.
- (ii) In cases where a decision is taken to go for re-tendering due to the unreasonableness of the quoted rates, but the requirements are urgent and a re-tender for the entire requirement would delay the availability of the item, thus jeopardizing the essential operations, maintenance and safety, negotiations would be permitted with L-1 bidder(s) for the supply of a bare minimum quantity. The balance quantity should, however, be procured expeditiously through a re-tender, following the normal tendering process.
- (iii) Negotiations should not be allowed to be misused as a tool for bargaining with L-1 with dubious intentions or lead to delays in decision-making. Convincing reasons must be recorded by the authority recommending negotiations. Competent authority should exercise due diligence while accepting a tender or ordering negotiations or calling for a re-tender and a definite timeframe should be indicated so that the time taken for according requisite approvals for the entire process of award of tenders does not exceed one month from the date of submission of recommendations. In cases where the proposal is to be approved at higher levels, a maximum of 15 days should be assigned for clearance at each level. In no case should the overall timeframe exceed the validity period of the tender and it should be ensured that tenders are invariably finalised within their validity period.



- (iv) As regards the splitting of quantities, some organisations have expressed apprehension that pre-disclosing the distribution of quantities in the bid document may not be feasible, as the capacity of the L-1 firm may not be known in advance. It may be stated that if, after due processing, it is discovered that the quantity to be ordered is far more than what L-1 alone is capable of supplying and there was no prior decision to split the quantities, then the quantity being finally ordered should be distributed among the other bidders in a manner that is fair, transparent and equitable. It is essentially in cases where the organisations decide in advance to have more than one source of supply (due to critical or vital nature of the item) that the Commission insists on pre-disclosing the ratio of splitting the supply in the tender itself. This must be followed scrupulously.
- (v) Counter-offers to L-1, in order to arrive at an acceptable price, shall amount to negotiations. However, any counter-offer thereafter to L-2, L-3, etc., (at the rates accepted by L-1) in case of splitting of quantities, as pre-disclosed in the tender, shall not be deemed to be a negotiation.

- 2. It is reiterated that in case L-1 backs-out, there should be a re-tender.
- 3. These instructions issue with the approval of the Commission and may please be noted for immediate compliance.



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(Vineet Mathur)  
Deputy Secretary

**All Chief Vigilance Officers**