

## **Purchase Manual**

1. **Federation:** Means the Milkfed& its field Offices/Units.
2. The words used in singular number also include their plural.
3. **COMPETENT AUTHORITY :**

Means the BOD /Managing Director, Milkfed (Pb.)/BOD/General Manager of Milk Unions / Milkfed Units.

### **4. PURCHASE COMMITTEE**

Where it is not possible to obtain competitive tenders /quotations or to lay down comprehensive & complete specifications or material is required in emergency, purchase may be made by the following purchase committee approved by the competent authority from time to time.

- A. For Purchases upto Rs.1,00,000/-
  - (i) Representative from Purchase Section.
  - (ii) Representative from Accounts Section.
  - (iii) Representative from the End User department.

However representative of each section will not be below the rank of Dy Manager or Officiating Incharge of the Section.

- B. For Purchases exceeding Rs. 1,00,000/- and upto Rs.5,00,000/--

Purchase Committee shall comprise of the following :-

- (i) MD of the Federation or his Nominee/G.M. of the Plant/Union
- (ii) Nominee of RCS
- (iii) Manager/Dy Manager (Purchase)
- (iv) Manager/Dy Manager (Accts.)
- (v) Manager /Dy.Manager of End User Department.

However quorum of the committee shall be minimum of three members and out of three RCS nominee or MD of the Federation or his Nominee / G. M. of the Plant/Union shall one of them.

- C. For Purchases exceeding Rs.5,00,000

Purchase Committee shall comprise of the following:-

- (i) Chairman of respective BOD (Chairman of the Committee)
- (ii) One Director of the respective BOD.
- (iii) Other members will remain the same as at (b) above.

However quorum of the committee shall be minimum of four members but chairman/RCS nominee shall be one of them.

**5. RISK PURCHASE:**

Means purchase made at the risk, cost and responsibility of the defaulting supplier.

**6. PENALTY:**

Means deductions imposed on the suppliers bill on account of delayed supplies or defective quality of material received.

**7. INTEREST:**

Means the interest at the bank rate prevailing at that time.

**8. UNION:**

Means the District Cooperative Milk Producer's Union Limited.

**9. UNIT:**

Means Plants owned by Milkfed (Pb.)

**10. SEALED COVER:**

Means properly closed cover / envelop.

### **OBJECTIVES OF PURCHASE POLICY:**

The Milkfed (Pb.) purchase policy is to ensure that:

- (a) The material / equipment / ingredients are of right quality and quantity to meet the requirements of different Milk Unions/Milkfed Units.
- (b) A steady flow of material is maintained to match the production schedules of different Milk Unions.
- (c) Suppliers of material are evaluated and enlisted on the basis of their ability to meet Milkfed requirements.
- (d) Purchased material shall be competitive in Price and delivery in time. As far as possible purchased material should help sustainable development.
- (e) In order to avoid blockage of funds and higher inventory carrying cost.
- (f) To endeavor to avoid multiplication, waste/obsolescence and undesirable stocks procuring.

## **PURCHASE POLICY:**

### **1. CENTRALISED PURCHASES**

- 1.1 A uniform policy for the Centralized purchases of various items/material commonly required in day to day working at Plants and other Units of Federation to carry out their commercial activities and also the Plant and Machinery/spare parts etc. considered economical and purchased in large quantities have been found prudent to effect economy and ensure quality in the purchasing process viz economy in advertisement, evaluations of suppliers and moreover, introduction of uniform procedures for purchases throughout the Milkfed, as quantity of material is substantial, it attracts reputed suppliers to compete and also provides Milkfed a better bargaining power.
- 1.2 Centralization of purchase of items which are commonly used by all the affiliated Milk Plants/Unions such as packaging material. Machinery & other stores material etc. at Milkfed (Pb) Head Office level as authorised by the concerned BOD of the milk Union. The list of such items is given in Annexure-1. However, any addition/deletion in the list shall be done by mutual consent of the Milkfed (Pb) and affiliated Milk Unions/Plants from time to time.
- 1.3 Once the modalities of purchase are finalized, the purchase of rate contract Items may be made against delivery schedules which shall be provided by the Milkfed/Milk Unions/plants on the basis of indents received from different Milk Unions/Plants to the extent of their actual requirement.
- 1.4 Rates, terms and conditions of the rate contracts/orders entered into / placed by the Milkfed (Pb) shall normally be binding on affiliated Milk Unions/Milkfed/Milk Unions/Plants/Units until and unless explicit prior approval of Managing Director, Milkfed (Pb) is obtained for any deviation from the agreement of Milkfed after giving complete justification.
- 1.5 The items of small value like consumable, spare parts, chemicals, fuel etc. etc. shall be purchased at the Plant/Union level.

## **2. DIRECT PROCUREMENT OF GOODS BOTH CAPITAL & CONSUMABLE:**

- 2.1 The goods available on the rate contract of D.G.S it D, Director Supplies and disposal to the Puniab Govt. State/Central Govt. department/Undertakings/Cooperative institution etc. and National Dairy Development Board and Its subsidiary Units may be purchased without inviting tenders/quotations.
- 2.2 The goods from approved sources such as Weavco, PUNCOFED, PUNSUR, Khadl Board, Jails, Punjab State Small industrial and Export Corporation, Co-operative Stores, Super Bazar or any State/Central Govt. Agency/Cooperative Institutions etc. may be purchased without Inviting quotation.
- 2.3 Good(s) of proprietary nature may be purchased from the manufacturer/Distributor and after obtaining a certificate that the supplier is the manufacturer /Distributor in the country/Region and rates quoted/charged are at par with those approved by the D.G.S & D or the same rates are quoted to other Govt./Semi Govt. Department/ Co-operative institutions.
- 2.4 The parts for different type of machinery/ vehicles may normally be purchased directly from the original manufacturer or his authorized distributor with admissible discounts without resorting to Inviting quotations after obtaining certificate that rates charged quoted are the same as are charged/quoted to other Govt./Semi Govt./ Apex Bodies. In case there are more than one authorized dealer,,s or same manufacturer"s product in the same city, maximum discount he settled after contacting all such authorized dealers periodically.
- 2.5 Fuel items like HSD, Petrol, LDD, FIFO, FD, oils and lubricants and coal etc. may he purchased by the Plants/Milk Unions at their own to the extent of their actual requirement directly from the approved agencies like IOCL/BPCL/HPCL Coal India Limited, Sponsored Coat etc. without inviting tenders / quotations. Cement & Steel may be purchased from SAIL & Cement Corporation of India Ltd. respectively.

## **3. INVITIG OF TENDERS/QUOTATIONS:**

3.1 Tenders/quotations may be invited with the approval of the competent authority as under:

- (A) Good's costing Rs.1000/- and below at a time may be purchased without quotations provided one time requirement received from the Indentor is not of more than Rs.1000/-. However person purchasing goods will ensure reasonability of rates consistent with quality. The total requirement may be assessed for future use and there should not be the tendency to split the supply order.

- (B) (i) Good's costing between Rs.1000/- to Rs.5000/- may be purchased by calling Sealed quotations either by post or collecting sealed quotations personally by the Purchase/End User Department.
- (ii) Goods exceeding Rs.5000/- and upto 1.00 lac may be purchased by calling sealed quotations by post. However, in emergency, the quotations can be collected by Purchase Committee personally with prior approval of Competent Authority.
- (C) Goods exceeding rupees One Lac shall be purchased by inviting sealed tenders (SEE ANNEXUI-2) through an Advertisement in at least two leading Newspapers one in English & other in vernacular paper in addition depicting the Tender Notice on Milkfed Website. The copies of notice inviting tenders may also be simultaneously forwarded to the manufacturers/suppliers registered with the Federation/ Unions.

**NOTE: HOWEVER ABOVE FINANCIAL LIMITS FOR MAKING PURCHASES (A TO C) MAY BE REVISED/REVIEWED BY THE BOARD OF DIRECTORS, MILKFED PERIODICALLY WITH PRIOR APPROVAL OF RCS (Pb), CHD.**

- (D) The validity period of tenders/quotations shall invariably be indicated in the notice inviting tenders/quotations.
- (E) The conditions given under [B] & {C} may be relaxed by MD, Milkfed, Punjab in case of break down & consequential urgency of spares/services/inputs where production/operation/business are likely to suffer and in that case purchase may be effected by the Purchase Committee.
- (F) Tenders/quotations be invited by giving detailed specifications of the Items and terms & conditions of purchase and particularly the following:
- (i) Description of material.
  - (ii) Complete Specifications.
  - (iii) Qty. required.
  - (iv) Packing required.
  - (v) Time of supply.
  - (vi) Earnest money required with the tender / offer.
  - (vii) Security, if any, to be deducted out of supply bills.
  - (viii) When EMD/Security is to be refunded.
  - (ix) Jurisdiction for Dispute Settlement.
  - (x) Payment term.

However points at Sr.No (iii) and (v) above shall not be applicable in the case of centrally purchased items by Milkfed Head Office on annual rate contract basis.

(G) EARNEST MONEY: Please refer clause 13.2 (a) & (b).

#### **4. MINIMUM NUMBER OF TENDERS/QUOTATIONS**

- 4.1 RELAXATION OF TENDER CONDITIONS: Generally There must be at least three tenders/quotations for making decision for any purchase exceeding Rs.1000/-. However this requirement may be relaxed by the competent authority under special circumstances depending upon the urgency/nature/availability of the item.
- 4.2 REINVITING OF TENDERS :In case competent authority feels that response of Tender is inadequate or rates are not reasonable i.e. either too high or too low and not workable, and that re-inviting tenders shall be in the interest of Milkfed/Milk Unions. Tenders may be re-invited through Press.

#### **5. RECEIPT OF TENDERS**

All tenders/quotations received by post or delivered by the tenderers/parties by hand, may be entered in the Central Diary of Milkfed/Milk Plant. The recipient after affixing stamp and Indicating Diary Number will then send the tenders to the concerned Department where tenders shall be entered in the tender Register maintained for the purpose and shall be opened on the fixed date and time. Tenders received alter due date and time may not be considered at all and may be returned to the respective tenderers as it is / unopened under registered cover. However, tenders posted well before due date, but received alter the due date & time because of postal delay or break down of communications but before opening of the tenders, shall be termed as delayed tenders, however shall also be treated at par with in time tenders. Tender received open i.e. by FAX , Email, MODEM, any other electronic media etc. will not he considered.

#### **6. OPENING OF TENDER:**

- 6.1 The tenders so received in time shall be opened by the purchase committee formed by the competent authority in the presence of parties whosoever are present. This committee will sign each page of the tender opened and attest the cutting,,s, overwriting. additions etc. If any therein. The tender may be opened on the date and time fixed in the tender/quotation. All the officers of the tenders opening committee will affix their signatures in the tender register, where all tenders/quotations received from Diary Section has been entered. The signatures of the tenderers or their representative present at the opening of the tender, shall also be obtained on the register.

- 6.2 The rates of valid tenders, which is accompanied with requisite amount of EMD may be read out before the tenderers or their representatives and those of invalid tenders i.e. which are without EMD, may not be considered / read out.
- 6.3 The envelopes in which the tenders/quotations are received should be kept along with the tender.

## **7. PROCESSING OF TENDERS:**

- 7.1 The Purchase/Concerned Department shall then prepare the comparative statement and mark the lowest rates with red ink. The comparative statement should be prepared on free delivery at Plant Prices basis and inclusive of all taxes and duties in case of bulk purchases.
- 7.2 Normally the lowest tenderer should be invariably considered, if the, tenderer has technically accepted the specifications, the term of payment and delivery period and the specifications quoted by the tenderer are as per tender documents.
- 7.3
  - (i) For recommending the tender other than the lowest, the reason for not accepting the lowest tender be mentioned with complete justification. After processing the tenders by the concerned department, the order/rate Contract be given/awarded to the approved tenderer after getting approval of the competent authority
  - (ii) Such orders / rate contracts shall be signed either by the competent authority himself or any other officer authorized by the competent authority, to do so, on this behalf.
  - (iii) All orders / rate contracts shall be addressed to the approved tenderers/suppliers and copies of the same shall be sent to Milk Unions / Milkfed Units / Department concerned and Accounts Department.
- 7.4 Annual Plate contract should preferably be awarded to two or more parties depending on the total consumption of the item, to meet any eventuality in case of failure to deliver goods by the single rate contract party.
- 7.5 In case, the lowest rates are reasonable and also according to the laid down specifications and terms and conditions, the annual contract be awarded/





recommended in favour of that party. For more suppliers confirmation may be sought from second, third and fourth lowest tenderers (depending upon the number of suppliers to be kept on approved panel) for bringing their rates as well as terms and conditions at par with the lowest tenderer. In case they agree to it, Regular parallel rate contract's be awarded otherwise remaining lowest parties be asked to reduce their rate to match the lowest one. till 2-3 rate contract suppliers are kept on approved penal depending upon the nature of item's. In case no other tenderer, match the lowest rates, even then more parties be kept on regular rata contract to meet any sort of eventuality, may be a regular or Risk Purchase parties depending upon critical nature of item and urgency of item or any other such exigency as considered appropriate by the competent authority.

7.6 In case of vital Items, like Film, Tin Containers etc. when the lowest tendered rates quoted by some new manufacturer/supplier whose performance is not certified or party is not approved by ISO/BIS/Ag-Mark authorities etc. the factory premises of such suppliers may be inspected by sub-committee comprising technical experts of Production/Quality/Engineering Departments from Milkfed / Milk Unions with Purchase or Accounts Representative. On the recommendations of this sub-committee regular/trial order be placed with the party and later-on Trial Order may be converted into a regular order, after getting satisfactory performance/quality report from the consignee union(s).

7.7 Placement of Order(s)/ Schedule(s) : Following procedure/criteria shall be adopted for placement of order/schedules to different rate contract suppliers by the consignee Milk Unions / Plants:-

1. Where two suppliers are approved after rate matching:

- (i) Ist lowest quotee : 60% of total volume
- (ii) 2nd lowest quotee : 40% of total volume

2. Where three suppliers are approved after rate matching:

- (i) Minimum 40% to the lowest quotee.
- (ii) 30% each (Maximum) to the 2nd and 3rd lowest quote

In case of any deviation, consignee(s) should seek permission from Managing Director, Milkfed to alter above criteria of ratio by providing detailed / complete justification.

## **8. EMERGENCY PURCHASES:**

In case of critical and essential Items where the management feel that there is no sufficient time available to invite tenders/quotations and the non-availability of that item is likely to create crises leading to production and consequential financial losses, same may be purchased by concerned Purchase Committee. The committee may purchase the material from the market after collecting at least three quotations.

## **9. LATE AND DELAYED RECEIPT OF TENDER:**

- 9.1. **LATE TENDERS:-** Tenders received late shall not be entertained. No effort may be made to accept/entertain a late tender on the ground of lower rates or any other reason whatsoever. Late received offers be returned as it is/unopened to the respective parties under registered cover.
- 9.2. **DELAYED TENDERS :**The tenders posted well before the due date but received late but before opening of other tenders shall be termed as delayed Tender and treated at par with other tenders.
- 9.3 In case it is felt that tender have delayed due to festival rush, strikes, riots, floods, any natural calamity etc. then date of receipt and opening of tender may be extended accordingly with the approval of competent authority.

## **10. REVISED TENDER:**

Revised tenders may not be considered, but it is felt that the rates quoted in time are on higher side or otherwise not acceptable, fresh tenders may be invited. For this purpose the procedure laid down for the receipt and opening of tenders may be adhered to.

## **11. TENDER DOCUMENTS:**

- 11.1 Tender documents (in case of limited tenders / press tenders) containing specifications, terms & conditions may be sent to the concerned / enlisted parties free of cost under U.P.C. cover.
- 11.2 Tender forms can also be sold on cost basis, to be fixed by the competent authority, in case of Press Tenders, if considered appropriate.

## **12. NOTICE PERIOD:**

Normally, a minimum period of 20-30 days commencing from the date of publication of notice inviting tenders/quotations in the Newspapers may be allowed to the tenderers to quote rates.

### **13. EARNEST HONEY:**

- 13.1 In case of Press tenders, the earnest money may be about ONE percent of the value of the goods tendered for. However in respect of items purchased through Annual Rate Contract, the amount of earnest money may be fixed, keeping in view the past consumption of that item which should not be less than 1 % in any case. The earnest money may be decided only on lump sum basis and be accepted in the form of bank draft.
- 13.2 (a) In case of tenders/quotations for items exceeding Rs,1,00,000.00 earnest money may be 1% subject to minimum of Rs.2000/-. However this can be relaxed if considered appropriate by the competent authority depending upon the nature/availability/monopoly items.
- (b) No EMD shall be taken from Govt./ Semi Govt./Cooperative Institution / Societies.
- (c) In case of item's valuing less than Rs. 1.00.000.00 no earnest money may be asked for.
- 13.3 No exemption may be granted to any tenderer from the submission of earnest money as mentioned in the tender document/quotation letter. However the competent authority is empowered to waive-off this condition in case of suppliers/manufacturers of Monopoly Items.
- 13.4 The earnest money of un-succesful tenderers may be returned to them within 15 days after expiry of validity period of their offer/Tender .
- 13.5 No interest shall be allowed on earnest money deposit.
- 13.6 Tenderer whose earnest money is already lying with Milkfed/Milk Unions against previous rate contracts due to any other reason will not be exempted for deposit of earnest money. Such parties should deposit FRESH EARNEST MONEY

### **14. SECURITY MONEY:**

The earnest money of the successful tenderers may be convened into security. The security money shall stand forfeited if the goods are not supplied in accordance with

the prescribed schedule, specifications and terms & conditions of the contract. The security money may be refunded only after the successful execution of the contract to the entire satisfaction of the Federation/Unions on receipt of No Demands from the respective Unions.

#### **15. POST TENDER NEGOTIATIONS:**

15.1 Post Tender negotiations may be conducted only with the lowest L-1 and that too under special circumstances after obtaining approval of the competent authority giving full justification, when rates are found substantially on the higher side as compared to the purchase rates of previous year / market rates.

15.2 Post Tender Negotiations of rate/other terms and conditions shall be conducted by the committee including an officer each from the Purchase/Tender Inviting Department/Accounts Departments and from Consuming Department as approved by the competent authority.

#### **16. VALIDITY OF CONTRACT:**

The contract entered into with Supplier shall remain valid for a period ranging from 3 months to 1 year. But the contract can be terminated earlier with 15 days notice in case of any breach of contractual obligation and / or malafide / undesirable activity on the part of the supplier.

16.1 **INSPECTION:** The inspection of material will be carried out at the receiving Milk Plant/Unit premises. However inspection of the material may be carried out at the supplier's premises in the following cases:

(a) Where the goods are to be sent to other place than the plant, as in the case of corrugated boxes for packing of Ghee / WMP / Cheese / Butter tins etc.

(b) Where the heavy amount is involved and the supplier/manufacturer is insisting on part or full payment in advance.

(c) Any other situation / circumstances where the competent authority is satisfied that spot inspection and / or prior inspection before despatch of goods is necessary.

16.2 Where the Inspection of goods/machinery is to be carried out at the premises of the supplier/manufacturer, a technically qualified and experienced officer is to be deputed by the management.

16.3 COMMITTEE FOR WEIGHMENT / MEASUREMENT: Where material is received in bulk, committee comprising following may be constituted to ensure correct weighment / measurement of the incoming materials:

1. Quality Control Officer or his representative.
2. Store Officer or his representative.
3. Security Officer / Incharge or his representative.

16.4 Inspection by Milkfed/Milk Unions shall not absolve the supplier of the responsibility to provide acceptable product nor shall it preclude subsequent rejection by the Milkfed / Milk Unions during use of the material or warranty period.

### **17. PAYMENT:**

The payments are made in accordance with the term and conditions stipulated in the supply order/rate contract. The normal payment terms may however be:

- (a) 100% payment within 15 days from the date of safe receipt and inspection of material at destination.
- (b) In those cases, where the payment against despatch of documents through bank / delivery is to be made, 90 % payment can be released against proof of despatch of material by the supplier and balance 10 percent payment after receipt and inspection of the material at destination.

However in emergent circumstances or for monopoly items i.e. machines/goods to be imported etc. upto 100% payment can be made against proof of despatch documents.

- (c) 100 % payment against actual delivery can also be made under exceptional circumstances depending upon the reputation of the supplier/availability of item in the market/nature of item with due approval of competent authority.

### **18. ADVANCE PAYMENT:**

- (a) Normally advance payments against order for the supply of machinery / equipments may be discouraged as far as possible. However In case it has to be given advance payment to the extent of upto 40 percent may be made only under the circumstances where supplier/manufacturer does not agree to undertake supply without advance payment. This advance payment may however be made against counter cheque or confirmed bank guarantee of the amount equivalent to the advance plus 20 percent

interest for agreed delivery period and valid for a period equal to the delivery period agreed in the purchase order/contract.

- (b) 100 % advance payment may be made only under exceptional circumstances after ensuring that advance payment is fully secured.

## **19. REPEAT ORDERS**

Repeat order's may ordinarily be avoided. However following conditions may be satisfied when any repeat order is placed.

- (a) Generally repeat order's shall not be placed after six months of the date of issue of the original supply order. But this condition can be relaxed by the competent authority if considered appropriate and in case upward market trend is noticed & previous rates are lower.
- (b) Value of repeat order(s) may not exceed the value of the original order.
- (c) Repeat order(s) may not be placed when there is a general down-ward trend in rates in the market, since the original order was placed.

## **20. NO DUES CERTIFICATE AND RELEASE OF SECURITY / EARNEST MONEY**

- 20.1 Where the contract has been duly executed and there is no dispute with the supplier with respect to delivery of goods, No Dues certificate may be sent to purchase section by concerned section i.e stores, accounts, consuming/indenting section within 30 days from the date of completion of the supply/expiry of the contract.

The security of the suppliers may be released on receipt of the No Dues Certificate from the concerned offices within 15 days. In case no reply is received within 30 days from the expiry of rate contract from the concerned Milk Unions/Plants/Sections, it may be presumed that nothing is outstanding against the supplier. The security of the suppliers may be released without any further reference to the concerned Section. The responsibility for any subsequent loss will lie with the defaulting officers/officials.

- 20.2 In case of milkfed Annual rate Contract, all Milk Unions/Plants shall send No Objection Certificate's in respect of such supplier and rate contract's within ONE MONTH of the expiry of the respective rate contract. In case no replay is received, it will be presumed that nothing is due from the respective rate contract supplier and their EMD/Security shall be released at the risk, cost and

responsibility of the milk unions/plants for which they will be responsible for any loss, detected at a later stage.

## **21. WARRANTY/GUARANTEE:**

Normally the Machines/goods should be covered by a warranty/Guarantee clause and the same should be stipulated in the supply order/rate contract where-ever necessary.

However, if during normal use and as specified by the supplier defects appear during the currency of the warranty/guarantee period, the consignee/User department may immediately report the defect to the supplier with a request to remove the same promptly. If within 30 days, the defects are not removed / rectified by the supplier, a show cause Notice may be issued to the supplier to rectify the defects within a specified period failing which it may be got done at the risk and cost of the supplier and legal proceedings may be initiated against the supplier.

## **22. INSTALLATION:**

Where the installation of machinery/equipment is included in the contract/supply order, the concerned department/Union may take immediate steps for getting the machinery/Equipments installed/commissioned to their entire satisfaction. They may ensure that the period of warranty/guarantee does not expire on account of delay in installation/commissioning of the machinery/equipments.

## **23. (A) ENLISTMENT OF SUPPLIERS/MANUFACTURERS:**

- (i) From time to time publication may be given in the leading Newspapers for the enlistment of New suppliers/Manufacturers and a classified itemwise register may be maintained in the purchase section/Department. Notice Inviting Tender may be issued to those parties as and when any item is required.
- (ii) The approved supplier under annual rate contract may be considered for this purpose.
- (iii) However as action against 23(i) is likely to take time this condition may not be considered mandatory till such register is maintained.
- (iv) Enlisted/Regular/known suppliers as per 23(i) may also be made nominal members of the Milkfed/Milk Unions.

## **(B) DEVELOPMENT AND RATING OF VENDORS:**

The system shall be developed after thorough study of “Procedure For Development & Rating of Vendors” laid down by BIS, keeping in view feasibility of its application as it involves careful examination and thinking to finalize this procedure and to introduce the same. However in the meantime format for Tenderers assessment may be attached with the tender/ N.I.T documents(i.e ANNEXURE – 2) to get information about the reputes of the suppliers.

#### **24. DEMURRAGE:**

The Demurrage, if any, paid by reason of delay on the part of the supplier in forwarding the documents etc.shall be borne by the supplier .In such case demurrage may be recovered from earnest money/security deposit/pending payments if any of the supplier.

However, if the demurrage is due to delay in getting the documents retired, releasing goods from Transport company/Railway station, it may be borne by the milkfed units/Milk Unions i.e consignee(s) Plants/Unions.Demurrage may be treated as expenditure only after ensuring that it was beyond control and un-avoidable.

#### **25. INSURANCE:**

When the goods be purchased on ex-works basis transit risk insurance may be arranged by the consignee(s) at their own expense. This procedure is limited only to loss/damage of goods in transit.

#### **26. PENAL ACTION:**

Inspite of Risk Purchase Clause in respective rate contract, when recovery of risk purchase amount is not possible at the cost of the defaulting supplier/manufacturer for any reason, penal action may be taken by the Managing Director of the Federation/Union(s) by way of black listing the supplier/manufacturer for minimum three years in conducting business with the Federation/Union, besides forfeiting the security money. However blacklisting can be reconsidered on merits/changed circumstances on the request of the supplier after the expiry of above period. Copy of the letter black listing any supplier/manufacturer may be circulated to all the Unions and concerned offices.

#### **27. CONTRACT:**

The order for the purchase of goods will be placed in the set standard FORMAT(SEE ANNEXURE – 3) which can be revised from time to time by Managing Director, Milkfed(Pb) and will be final and binding contract between the parties. Any default on the part of the



supplier/manufacturee in the execution of the contract will be dealt with in the manner mentioned hereinafter, which shall also form part of the supply order/contract.

## **28. RISK PURCHASE:**

In the event of supplier/manufacturee failed to supply the goods, the risk purchase will be made from the open market at the cost of the supplier/manufacturee. The procedure for risk purchase shall be as under:

- (a) The supplier must have been given order for a specified quantity indicating the delivery period against the actual rate contract.
- (b) The supplier must have started execution of the running rate contracts/ quantity volume contract as the case may be. In case execution of rate contract has not been started security be forfeited after giving due notice.
- (c) The supplier must be given a reasonable time as demanded by him in his tender or as per Negotiation for making the delivery of goods.
- (d) It may be ensured before affecting the risk purchase of ordered / indented quantity only that the suppliers have violated the contract/ orders in giving us supplies within stipulated delivery period.
- (e) The Registered Notice should be given to the defaulting supplier well before going for risk purchase and rate contract entered into with the defaulting supplier shall be terminated after effecting risk purchase.
- (f) For effecting risk purchase following procedure shall adopted:
  - (i) Risk Purchase be made only for the ordered / indented quantity placed / given to the defaulting party after inviting / collecting fresh offers at the lowest rate or alternatively from the next lowest tenderer of the original tender as the case may be.
- (g) The rates as well as the total amount recoverable from the defaulting supplier/ manufacturee must be conveyed by registered post to the defaulting supplier.
- (h) The excess amount spent in risk purchase may be worked out early and all pending payments of the defaulting supplier equivalent to the amount of recovery may be withheld till further orders.



## **29. PENALTY ON DELAYED SUPPLY:**

In the event of delay on the part of the supplier in delivering the goods, penalty of 0.5 percent per week or a part thereof on the cost of the material supplied late may be levied subject to maximum 5 percent. This amount may be deducted from the balance payment of the supplier or from the security of the supplier, as the case may be.

- (i) No recovery of Penalty will be made if the delayed supplies are accepted by extending delivery period either by consignee plant or by MILKFED. Consignee Plant will allow extension upto two weeks on the request of the supplier by recording that reasons of delay were genuine and there was no loss to the Plant.
- (ii) Where delay is of more than two weeks, the matter for extension of delivery period will be referred by the consignee plant to the committee / authority, recommending / approving said purchase with a certificate that there are genuine reasons for delay on the part of the supplier and no loss will result, in case extension in delivery period is allowed. The case will be decided on merits.

## **30. PROCEDURE TO WORK OUT PENALTY FOR DELAY IN SUPPLIES:**

In case supplies are not made by the supplier/manufacturer within the prescribed period of delivery, the belated supplies may be accepted subject to levy of penalty as mentioned at Sr. 29 above in working out the period of delay, the following points must be kept in view:

- (a) The word "delivery period" shall include extended delivery period and the usual postal time for receipt of letter by supplier and proposed transit time likely to be taken for delivery of goods by the supplier at destinations i.e. upto 8-10 days.
- (b) The delivery period shall be computed from the date of amendment in the supply order only when it is so stipulated therein, otherwise the delivery period mentioned in the supply order shall be adhered to.
- (c) In case of the phased delivery, the period of delay shall be worked out in respect of each consignment which is supplied after the expiry of the due date.
- (d) For working out the quantum of penalty, the value of goods shall include taxes and statutory levies.
- (e) If on the first call for inspection of goods (at works of supplier) is found to be fake or found to be sub-standard on inspection and hence rejected but

subsequent call is made after the expiry of the delivery period, and the goods are found acceptable on inspection, the consignment will be treated as belated supply.

### **31. JURISDICTION FOR DISPUTE SETTLEMENT:**

31.1 Any dispute arising out of the contract/ supplies at Union/Plants level will be referable to the Managing Director of the Milkfed Punjab Chandigarh for arbitration, whose decision shall be final and binding.

31.2 In case of any dispute or controversy arising out of contract/Supplies at Milkfed (H.O) level, the same shall be referred to the Arbitration of the Redistrar, Co-Operative Societies, Punjab, or his nominee. The decision of R.C.S. Punjab or his nominee shall be firm and binding on both the parties. The provision of the Arbitration and Conciliation Act 1996/ The Punjab cooperative Societies Act 1961 and as amended upto date (as the case may be/ which ever applicable) shall also apply to arbitration proceedings which shall be held at Chandigarh only.

### **32. VARIATION IN STATUTORY LEVIES SUCH AS SALES TAX EXCISE DUTY, CUSTOM DUTY:**

If during the currency of the delivery/contracted period stipulated in the supply order, there is a variation in the statutory levies e.g. Sales Tax. Excise duty, custom Duty or a fresh levy imposed on finished products, this may be allowed on the production of documentary proof in its support, by the supplier/ manufacturer even in the absence of such term in the order/ rate contract being statutory levies. This can also be considered in case where rates are inclusive of such taxes and levies provided initial offer contains the breakup of levies/ taxes.

### **33. EXTENSION OF DELIVERY PERIOD:**

The competent authority may extend the delivery period for any number of days by an order in writing on the request of the supplier /manufacturer in case of force majeure circumstances.

### **34. REJECTION/ REPLACEMENT:**

a) Rejected material other than packaging material should be returned to the party within one month at the risk and cost of the party/supplier.

As regards rejected packing material which is already printed for Plant should be returned after defacing/deshaping so that it may not be re-used by any individual or any establishment unauthorisedly.

- b) In case it is required to use packing material/ ingredients with slight/ minor deviations from laid down specifications due to production constraints, same may be used with suitable deductions after approval of Managing Director/ General Manager of the Union/ Units without affecting the quality/ performance of the finished products/ functions.
- c) However use of such sub-standard material, should be properly documented and traceable as per ISO-9002 requirements so that in case of complaints of finished product from the market, appropriate action can be taken at the Plant level.

### **35. PLACEMENT OF TRIAL ORDER OF VITAL PACKAGING MATERIAL-VENDOR DEVELOPMENT THEREOF.**

With a view to encourage vendor development and to have more competitive offers, following system may be adopted for placement of the trial orders to those manufacturers of vital packaging material who could not participate in the annual tenders on the one pretext or the other:

- (i) Trial order for the vital packaging material like Milk/Ghee film, ghee / WMP & Butter/ Cheese container sand kraft paper nags may be placed with the new manufacturers of the packaging material whosoever approaches for the purpose.
- (ii) Quantity of trial order may be kept as minimum possible as decided by the MILKFED depending upon the nature of item.
- (iii) Before placing order, factory premises of the manufacturer may be got inspected by the committee and on the basis of their recommendations i.e. in case the Party is considered fit for placement of trial order keeping in view hygienic condition the facilities available with them etc., trial order be given.
- (iv) 2 % earnest money of the total value of the order or Rs.5,00/-in lumpsum whichever is higher may be obtained before placing the order.
- (v) Trial order be given at the lowest rates approved by MILKFED for supplies by the rate contract suppliers.
- (vi) Placement of trial order shall subject to the condition that even after successful completion of the trial order, MILKFED shall not be under any obligation to consider placement of further order on them.

- (vii) Regular order shall be given only to those parties who will participate in our regular tender.
- (viii) EMD of the Party be released after completion of the trial order irrespective of the fact that quality of the material supplied conforms to our specification or not i.e. once order is executed, release of EMD may be considered.
- (ix) in case of un- succesful execution of “First Trial Order”, party may be given one more/final oppportunity only if requested by the party, to prove their capability, in case material supplied found to contain manufacturing defect only and raw material used found to be of strictly laid down standard/specifications and that too on the recommendation of the Consignee Milk Union that the party is capable of improving further.
- (x) Rejected stocks of Trial orders will have to be destroyed by the party in the presence of representative of concerned Milk Union or shall be returned after defacing/deshaping.

### **36. PURCHASE OF CATTLE FEED INGREDIENTS:**

- 36.1 Purchase of Cattle Feed Ingredients shall be made at Cattle Feed Plant, level through registered manufacturer/suppliers only.
- 36.2 (a) For the propose. General Manager of the Plants shall register manufacturers/suppliers for the supply of different types of Cattle Feed ingredient after getting standard terms and conditions (SEE ANNEXURE-4) accepted and after getting deposit of security amount as decided by Managing Director Milkfed (Pb) from time to time.
  - (b) The procedure for registration of manufacturers/suppliers for Cattle Feed Ingredients shall be as under:
    - (i) Press advertisement (in at least two Newspaper for wide publicity) shall be given by both the Cattle Feed Plants at Bhattian near khanna and Ghainake Banger jointly once in a year for inviting more manufacturers/suppliers to get themselves registered for the purpose.
    - (ii) The tenure of the registration shall be for a period of three years, Thereafter renewal of registration of all the registered manufacturers/suppliers shall be done after every three years irrespective of date of

registration of any particular manufacturer / supplier by the General Manager of both the Cattle Feed Plants.

(iii) List of manufacture/ suppliers thus registered/ renewal shall also be made available to Milkfed(Head Office) by the General Manager of the Cattle Feed Plants.

- 36.3 Registered manufacturers/ suppliers shall send their tender offers on letter head pad which shall be opened at the specified time at respective Cattle Feed Plants as decided by the Federation from time to time. These tenders shall be opened by the committee authorized by Managing Director, Milkfed(Pb) from time to time and committee shall decide purchase of cattle Feed Ingredients on the spot keeping in view market trend and requirement of Cattle

Feed Ingredients as well as indents and least cost formula of Cattle Feed. However ex-Post facto approval of Managing Director, Milkfed (Pb) shall be obtained in due course of time.

- 36.4 The items listed below for Cattle Feed plant's shall be arranged either through Milkfed (Head Office) on the requirement of Cattle Feed Plants or by General Manager of both Cattle Feed plants, after obtaining prior approval of the Managing Director, Milkfed (Pb) Chandigarh:

1. Hessian/HDPE Bags.
2. Calcium Carbonate(Calcite Powder)
3. Molasses
4. Vitamin AD3.
5. Labour Rate Contract
6. Disposal of Old Bardana.
7. Any other item(s) as required by the both the Cattle Feed Plants from time to time.

- 36.5 For the purchase of other items like Fumigation covers, chemicals, machinery spares i.e. pellet milldies/ press rolls etc. etc. exceeding financial competency of the respective General Manager of the Plant, tender shall be invited by the respective Cattle Feed Plant at their own and shall be opened by the same officer committee approval by the Managing Director, Milkfed(Pb), Chandigarh for the purchase of Cattle Feed Ingredients. However the financial approval of all such purchases shall be sought from the Managing Director, Milkfed (Pb) before placing orders.

### **37. PURCHASE OF PLANT & MACHINERY:**

All capital nature plant and machinery shall be arranged by the respective Milk Unions after seeking approval of their BOD. However, Technical approval before purchase will be obtained from MD, Milkfed, punjab, Chandigarh, by giving complete justification.

### **38. THE FREEDOM OF INFORMATION ACT 2002:**

The freedom of information Act. 2002” of Govt. Of India will also be part & parcel of this Purchase Manual and the law/instructions contained therein will be followed in letter & spirit”.

### **39. PURCHASE OF OLD /USED GLASS BOTTLES**

“Milk Unions shall be empowered to purchase old/used glass bottles (carry-away) SEM from the secondary market after following purchase procedure as applicable to the purchase of new glass bottles.

However, in no case transit breakage beyond 2 % shall be allowed to the suppliers at per the standard norms being following up for new glass bottles.

40. These rules will supersede all previous instruction where ever applicable issued by the Board of directors/ Managing Director Milkfed (Pb) in respect of matters connected with purchases.