



Welcome

to

**11th Business Partners' Meet-
2013**

20th & 21st July, 2013



VISION OF ONGC

To be **Global Leader** in Integrated Energy Business, through

- Sustainable Growth,
- Knowledge Excellence, and
- Exemplary Governance practices.



MISSION OF ONGC

WORLD CLASS

- Dedicated to excellence by leveraging competitive advantages in R&D and technology with involved people.
- Imbibe high standards of business ethics and organizational values.
- Abiding commitment to safety, health and environment to enrich quality of community life.
- Foster a culture of trust, openness and mutual concern to make working a stimulating and challenging experience for our people.
- Strive for customer delight through quality products and services.

INTEGRATED IN ENERGY BUSINESS

- Focus on domestic and international oil and gas exploration and production business opportunities.
- Provide value linkages in other sectors of energy business.
- Create growth opportunities and maximize shareholder value.

DOMINANT INDIAN LEADERSHIP

- Retain dominant position in Indian petroleum sector and enhance India's energy availability.



HIGHLIGHTS AND ACHIEVEMENTS OF ONGC

GLOBAL RANKING

- **ONGC has been ranked as the most transparent company in India by the Transparency International (civil society organization involved in fighting corruption). It has been ranked at 39th position among the world's 105 largest listed companies in 'transparency in corporate reporting'.**
- **ONGC ranked at 155th position in Forbes Global 2000 list of the world's biggest companies for 2013**

Objectives of Business Partners' Meets

Building Business Partnerships:

- To ensure **sustained relationship** with its Business partners' through understanding the difficulty of each other.
- Improving **Competitiveness**.
- Thrust on **Collaboration** rather than Confrontation.
- Reducing delays and eliminating disputes.
- Maximizing “**value in procurement**” and creating a “**Win-Win environment**”.
- Ensuring “**Best-in-Class Technology**”.
- Setting a high level of “**Code of Conduct**”.

Policy Formulation - The Dynamic Process

Procurement Policy and Procedures in ONGC are constantly reviewed to meet the following objectives:

- **Improve transparency, equity & fairness.**
- **Speeding up the Tendering process**
- **Timely execution of Contracts.**
- **Thrust on collaboration for transformation of Buyer-Seller relationship into Business Partnership.**

Policy Formulation - The Dynamic Process.....

- **Constantly Reviewed for Simplification and Elimination of difficulties, improve tender process and contract execution, based on**
 - ✓ **Directives from Govt. / Statutory agencies (including CVC) & Judiciary.**
 - ✓ **Feedback from Business Partners.**
 - ✓ **Internal feedback.**



ATR on 10th Business Partners' Meet- 2012

Sl.	Issues raised by Business Partners	No.
1	Number of issues raised.	22
2	Action Taken.	8
3	No Action required as Existing instructions are adequate.	14

Actions Taken on Major Issues

Issue No. 1

RIG MOBILISATION PERIOD FOR FOREIGN & INDIAN BIDDERS

LOCATION	CATEGORY OF BIDDER	PREVIOUS PROVISION	REVISED PROVISIONS
ONSHORE	FOREIGN	150	180
	INDIAN	210	
OFFSHORE	FOREIGN	120	180
	INDIAN	180	



Major issues - Action taken....

Issue No. 2

QUALIFYING CRITERIA FOR RIGS OPERATING IN ONGC

Balance period of primary term under the existing Contract as on date of publication of NIT should not be more than 365 days.

MODIFIED PROVISION - Balance period of primary term in respect of such Drilling Unit(s) should not exceed original validity period of bids PLUS mobilization period mentioned in tender. This period shall be reckoned from date of TBO.

Issue No. 3

VINTAGE FOR SUPPLY VESSELS

Bidders offering new vessels are at disadvantage competing with bidders bringing in old vessels that are retro fitted and are prone to failures. Impose age restrictions as the vessels sought by ONGC are of higher specs and are built recently i.e. after 1998.

Upper age limit of vessels has been revised as under:

- For 2012-13 → 27 years as on date of the TBO
- For 2013-14 → 24 years as on date of the TBO
- For 2014-15 → 21 years as on date of the TBO

Issue No. 4

THRESHOLD LIMIT FOR APPLICABILITY OF
FINANCIAL CRITERIA

Provisions on financial criteria are applicable for cases valuing 5 Cr. and above. In view of current rate of inflation, this limit should be reviewed.

MODIFIED PROVISION –

Threshold limit for applicability of financial criteria	
Previous Limit	Revised Limit
5 Crore	10 Crore

Issue No. 5

CRITERIA FOR ASCERTAINING ANNUAL TURNOVER

For ascertaining parameter of Turnover, average turnover of bidder for previous 2 financial years is considered. Methodology for calculating average turnover in cases where annual turnover is quoted for less than 12 months, is not defined.

Provisions incorporated that Average turnover for the previous 2 financial years shall be calculated by dividing the total turnover of previous 2 years by 2, irrespective of the fact that quoted turnover for one particular year is for a period of less than 12 months or complete 12 months.

Issue No. 6

APPLICABILITY OF LIQUIDATED DAMAGE ON TAXES/DUTIES

Contract conditions for services are silent about considering element of taxes and duties while calculating Liquidated Damages.

Provisions incorporated that LD will be calculated on the basis of annual contract value excluding duties and taxes, where such duties/taxes have been shown separately in the contract.

Issue No. 7

DIFFICULTY IN UPLOADING BIDS ON E-PORTAL

In some of tenders of Mumbai Region, bidders reported difficulties in uploading bids on e-procurement portal on TBO date mainly on account of slowing down of connectivity due to heavy load of online transactions of stock exchanges.

Time for submission and opening of bids modified for tenders pertaining to **Mumbai Region including Uran and Hazira:**

Activity	Previous	Modified
Bid Submission	1400 Hrs.	1600 Hrs.
Bid Opening	1500 Hrs.	1700 Hrs.



Major issues - Action taken....

Issue No. 8

TECHNICAL EVALUATION OF OSV TENDERS

Given the time required for technical evaluation of OSV tenders it is a challenge to maintain vessels for a longer time. Can ONGC accept “sister” vessels at the time of confirming vessels at price bid opening?

Many issues may come up like tech. suitability of sister vessel offered, the ensuing delay in the price bid opening pending confirmation of acceptance of sister vessel etc.

However, bidders are now allowed to quote 2 vessels against one bid bond on subject to availability basis and confirm availability of either or none, 1 day prior to opening of price bid.

No Action required
As Existing instructions are adequate



Action not required - Existing instructions adequate

Issue No- 1

Soil Data and other details not provided, bidder to carry out expensive and time consuming pre-bid engineering.

Efforts are made to provide all available data including soil. Sometimes, it is not possible for the following:

- (i) Challenging schedule due to commitment to Ministry.**
- (ii) Repeated soil survey for particular platform location due to punch through declaration by drilling services.**

In such cases, to give common platform to bidders, broad scope for facilities and sub-structure jacket configuration with tentative pile configuration is provided with structural tonnage adjustment. Further, as far as possible, for reference soil data of nearby location is also provided.



Action not required - Existing instructions adequate

Issue No- 2

ONGC allows weight adjustments and cost is reimbursed on per ton basis but additional time is not allowed.

To meet its commitments/targets, ONGC's projects are required to be completed in time bound manner. Hence, additional time is not allowed on account of adjustments in original scope.



Action not required - Existing instructions adequate

Issue No-3

Contractors have inter-company orders from their overseas Plants for repair etc. Equipment are shifted back to ONGC against road permits. To nullify road permit ONGC should provide form-F.

In accordance with Section 6A(1) of Central Sales Tax Act read with Rule 12(5), Form-F can be issued by one unit of ONGC to another only in case if ONGC transfers its own material / goods from one State to another as branch / unit transfer. Thus ONGC can not issue Form-F to Contractors/Suppliers.



Action not required - Existing instructions adequate

Issue No-4

In case of transport by ONGC transporter, there is no time period fixed in work order for lifting. For any delay in lifting by ONGC transporter, suppliers are penalized, as date of dispatch is treated as date of delivery.

All India Material Transportation (AIMT) finalized by ONGC have adequate provisions for prompt execution of transportation work within the given time, as under:

- (i) From NE to anywhere in India within 4 days**
- (ii) From other places within 3 days**



Action not required - Existing instructions adequate

Issue No. 5

Inability to submit copies of POs of other clients for establishing experience criteria.

ONGC requires copies of POs to determine technical responsiveness of the bid. Copies of POs can be given with price element blanked out.



Action not required - Existing instructions adequate

Issue No. 6

Information in public domain should be used by ONGC to view & confirm rig fleet details i.e. list including models of rigs deployed.

Information in public domain cannot be considered for qualification of bids.



Action not required - Existing instructions adequate

Issue No. 7

To allow price variation on steel, fuel etc.

Trend of fluctuation of prices in different markets/countries is not similar. Hence it would not be possible for ONGC to keep track of market trend of different commodities in different countries/markets.



Action not required - Existing instructions adequate

Issue No. 8

Request to initiate a forum wherein General Contract conditions can be discussed and contractors' concerns are addressed with the approach of "as far as practicable".

In cases where pre-bid conference is held, bidders can submit their suggestions with respect to tender/contract conditions of a particular tender. Further, ONGC's work centers also hold interactive meets with the bidders on regular intervals to address their issues. Moreover, bidders may also submit suggestions directly to the office of ED-Chief MM Services.



Action not required - Existing instructions adequate

Issue No. 9

Definition of “Sub-contractor” as well as “Sub-contract” may be incorporated.

At annexure-II of Standard Contact Conditions for services, definitions exist at clause No. 1.6 and 1.7



Action not required - Existing instructions adequate

Issue No. 10

Modify Custom Duty (CD) clause to facilitate rollover/transfer of 2nd hand goods without payment of CD under EC, from one ONGC contract to another and remove re-export requirement.

Goods imported on zero CD for providing services in PEL/ML area can be used in PEL/ML areas only. After completion of contract, either these goods are required to be re-exported or can be used by contractor in PEL/ML areas, only after taking fresh EC from DGH or can be deployed in Non-PEL/ML areas after clearance from custom authorities after payment of CD.



Action not required - Existing instructions adequate

Issue No. 11

For procurement of engineered & specialized products, there should be more willingness to accept “value added” suggestions from limited number of global manufacturers.

- **For LSTK contracts, as far as possible scope of work are firmed up on CRINE concept. In such tenders, practice of floating Request for Proposals and thereafter holding pre-bid conference is also followed for firming up scope of work after interacting with bidders.**
- **Further, in view of guidelines by Govt. agencies viz. CVC etc., ONGC has to follow principles of transparency, fairness and equity. Hence “value added” suggestions from limited number of global manufacturers cannot be accepted.**



Action not required - Existing instructions adequate

Issue No. 12

Request to consider offers based on experience of sister subsidiary/co-subsidiary company less than 100% subsidiary of an ultimate parent/holding company either directly or through intermediate less than 100% subsidiaries only for major 4 service provider.

In view of the guidelines issued by Govt. agencies viz. CVC etc., ONGC has to follow the principles of transparency, fairness and equity, hence proposal to relax conditions only for select service provider cannot be accepted.



Action not required - Existing instructions adequate

Issue No. 13

SMART cards to visitors representing leading vendors/OEMs.

For security reasons, access to ONGC Installations/facilities is allowed on requirement basis.



Action not required - Existing instructions adequate

Issue No. 14

An agreement is to be executed between bidder, their sister subsidiary/co-subsidiary and ultimate parent/holding company of both bidders and sister subsidiary/co-subsidiary. ONGC should accept signature from ultimate parent company and bidder only.

The company(ies) whose technical experience has been considered for qualifying the bid and who is responsible for providing all the technical support for completion of job must sign the agreement.

Policy initiatives for systematic improvement



Change Orders involving purchase of material

If proposed change order involves purchase of material then prior to finalizing the purchase, the contractor should provide at least 3 offers in respect of the material proposed to be procured, for approval of ONGC. In case less than 3 offers are provided adequate justifications should be given for the same.



Payment of Service Tax under Reverse Charge Mechanism.

Consequent upon enactment of Finance Bill, 2012 and issuance of Govt. Notification Nos. 30/2012-S.T. & 26/2012-S.T. dated 20th June, 2012, pertaining to liability to pay service tax under reverse charge and abatement on value of services, necessary instructions have been issued for service contracts.



Disposal of scrap & dismantled facilities in Onshore LSTK contracts.

- **Scrap consisting of dismantled old equipment, machinery etc., indicated in scope of work except those items which have to be dismantled and handed over to ONGC, shall become property of contractor which shall be removed and transported away by him.**
- **Total lump sum price for entire Scope of Work, shall be taken for evaluation. Lump sum price shall be net of disposal value of scrap and dismantled existing facilities at the respective installations except those items which are to be dismantled and handed over to ONGC.**

Transparency in Procedures

In the interest of transparency all the standard tender/contract conditions, complete MM Manual and internal executive guidelines have now been made available in Public Domain at Corporate website of ONGC viz. <http://www.ongcindia.com>.

Also, all the NITs and complete tender documents are published on the following websites:

<http://www.tenders.ongc.co.in>

<http://tenders.gov.in>

Expectations from Business Partners

Bidders should not seek extensions in respect of the following activities:

- **Tender sale period.**
- **Bid submission / Tender closing and opening date.**
- **Submission of clarifications.**

Compliance with Basic Tender requirements.

- Bid be signed by an authorised signatory with official seal. Name & designation of signatory should be clearly stated in the bid.
- Legal constitution of bidding company and person signing bid should be clearly stated.
- Power of Attorney, (or) authorization, (or) any document consisting of adequate proof of ability of signatory to bind the bidder, should be annexed to the bid.

Submission of clear/complete bids.

To avoid post tender clarifications for speedy finalization of tenders, vendors should submit clear/complete bids fully compliant with tender requirements.

- ✓ Submission of all relevant documents / information as per tender in clear terms without ambiguity.
- ✓ Submission of duly filled matrix, confirming compliance with techno-commercial requirements of the tender.
- ✓ Avoid contradictory information in the bid document.

Submission of e-bids.

- Bidders should ensure that each file is digitally signed by duly authorized representative of bidding company and then uploaded.
- File (s) should not be zipped in a folder and then digitally signed.
- To avoid connectivity problem at last hour, the bid should be uploaded well in time.
- Signatory of bid should be same as authorised by Power of Attorney.
- Document required to be submitted in physical form should be submitted within time specified for the same.

Deviations from standard conditions during pre-bid conference/tendering stage.

- Standard tender / contract conditions for each type of tender (which are uniform all over ONGC) are approved by the highest authority in ONGC.
- Hence, any exception/deviation to standard conditions are not accepted against individual tenders.
- Therefore, bidders are advised not to take any exception/deviation during pre-bid conference/tendering stage.
- In case modification is felt necessary for any of the standard conditions, vendors can take up the issue separately with concerned authorities, or raise the same in forums such as Pre-bid Conferences/Interactive Meets/Business Partner Meet.

Deputing officials for meetings with ONGC

For having fruitful and meaningful interactions during Pre-bid conferences and other important meetings with ONGC (like price negotiations etc.), representatives deputed should be:

- ✓ **Senior and competent executives**
- ✓ **Authorized to take on the spot decisions**
- ✓ **Having sufficient in-depth knowledge on commercial and technical aspects**

Mobilization Charges.

- Bidders should quote mobilisation charges within the limit specified in the BEC.
- In case quoted mobilization charges exceed the limit specified in BEC, offers are liable to be rejected.

Stand by day rates/non operating day rates.

- Bidders should not quote standby day rates/non-operating day rates higher than 95% of quoted operating day rates.
- In case quoted standby day rates/non-operating day rates exceed 95% of quoted operating day rates, offers are liable to be rejected.

Unsolicited Communication, Representation & External intervention

- **Unsolicited communication will lead to rejection of offers.**
- **Representation(s) related to tender be addressed only to Authority indicated in Bidding Document.**
- **Vendors should desist from taking recourse to either VIP or legal intervention, anonymous/pseudonymous letters intended to influence tender processing.**
- **Intervention of IEMs should not be sought on frivolous issues.**

Submission of Security Deposit (SD)/ Performance Bank Guarantee (PBG) and signing of contract.

On many occasions SD/PBG is not received within the stipulated time, which leads to avoidable delays.

Taking Insurance policies.

Wherever contractor is required to take various insurance policies before commencement of works, he should ensure that required insurance policies are as per the requirements of contract and are in full force and effective.

Violation of Provisions of IP

While submitting bid, bidders should not take deviation from the provisions of IP failing which their offers are liable to be rejected.

Bidder should also ensure compliance of all the provisions of IP during the entire procurement process. Any violation shall attract punitive action against the bidder as per the provisions of IP.

Submission of documents for payment.

- Invoices should be submitted along with complete supporting documents as per contractual requirements .
- All Invoices (with supporting documents) be submitted at designated IMS desk, as specified in PO/contract.
- The cover containing invoices should indicate particulars such as Vendor Code, PO Number, Invoice Number, Invoice Date, e-mail Id to which “Tracking Number” is to be sent.



Thank you