



PM Cell – MM

# Oil and Natural Gas Corporation Ltd

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**Sub: Cost Estimation**

Reference is invited to updated Manual for Procurement of Goods issued by Dept. of Expenditure, Ministry of Finance in collaboration with CVC (Link: [https://www.doe.gov.in/sites/default/files/Manual%20for%20Procurement%20of%20Goods\\_1.pdf](https://www.doe.gov.in/sites/default/files/Manual%20for%20Procurement%20of%20Goods_1.pdf))

Relevant Guidelines in respect to Cost Estimation applicable for Procurement of Goods, as adopted from para 2.1 of aforesaid Manual are attached at Annexure-A.

Aforesaid provisions may also be taken into cognizance wherever feasible, while preparing Cost Estimates, in addition to the provisions under para 4 of Integrated MM Manual on Cost Estimation.

Above guidelines should be meticulously followed by all concerned.

  
(Sandeep Gupta)  
ED-Chief MM Services  
29/9/22

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**Estimation of Cost:**

1. The estimated cost in the indent is a vital element in various procurement processes, approvals and establishing reasonableness of prices at the time of evaluation of the bids. Therefore, it should be worked out in a realistic and objective manner. The prevailing market price ascertained through a market survey or budgetary quotations from one or more prospective suppliers or published catalogues;
2. For equipment which are uniquely custom-built to buyer's specifications, the best way to get a fair assessment of costs is by obtaining budgetary quotes from potential parties. Ideally, there should be three quotes. However, there is need to have a time schedule for receipt of quotes to ensure some timeframe for this activity. Thus an attempt should be made to obtain as many budgetary quotes as possible from reputed/potential firms;
3. Other methods for establishing the estimated cost in the indent are as under:
  - a) Last purchase price of this or similar or nearly equivalent requirements;
  - b) Costing analysis based on costs of various components/raw materials of the item;
  - c) Rough assessment from the price of the assembly/machine of which the item is a part or vice versa;
  - d) Through the internal or external expert costing agencies.
4. Cost Estimation methods are not mutually exclusive and can be supplemented with escalations to cater for inflation, price increases of raw materials, labour, energy, statutory changes, price indices, and so on, to make them usable in conditions prevailing currently. In case of foreign currencies, the rate should be reduced to a common denomination of Indian Rupees. Price indices can be obtained from the following websites:
  - a) For price indices of indigenous items:  
<https://www.eaindustry.nic.in/default.asp> (Ministry of Industry);
  - b) For metals and other minerals: <http://www.mmronline.com/> or <http://www.metalprices.com/index.asp> or <http://www.asianmetal.com> ;
  - c) For price trends of nonferrous details; London Metal Exchange - <https://www.lme.com/> gives price trends of nonferrous details, which often show volatile trends;

- d) Other useful sites: <http://www.tradeintelligence.com/> and <http://www.cmie.com/> . (Centre for Monitoring Indian Economy);
- e) For price trends of different countries: <http://www.imf.org/external/pubs/ft/weo/2015/01/> or <https://www.imf.org/en/Home> (International Monetary Fund) and
- f) For organisation/chambers of commerce such as the (Indian Electrical and Electronics Manufacturer's Association): [www.ieema.org](http://www.ieema.org);

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