



PMC Cell – MM

Oil and Natural Gas Corporation Ltd Corporate Materials Management

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Sub: Category Management Policy.

Reference is invited to various provisions of MM Manual, wherein concept of Category Management along with roles and responsibilities of Category Management team have been stipulated.

EPC, in its meeting (19/2015) held on 22.06.2015 deliberated the methodology for implementation of Category Management concept in ONGC and issued following directives:

- i. To start with, Category Management concept shall be adopted for the following category of items, for which category Managers have already been identified:
 - a) Hiring of Rigs
 - b) Hiring of Work Over Rigs
 - c) Hiring Of Vessel
 - d) EPC/LSTK
 - e) Tubular Goods
 - f) Drill bits
 - g) Logging Services
- ii. The Category Managers shall either be Domain Experts for the respective category having good exposure to procurement activities or commercial (MM or Finance) experts having reasonable technical knowledge of the respective category.
- iii. The Category Managers shall continue to be posted at their present locations for functioning as Category Manager, and shall perform the functions of Category Management exclusively without any other assignment so that they are able to devote full time on this job for making this concept successful in ONGC. Their performance as Category Manager shall be reported as a separate key performance indicator in their Appraisal Report.
- iv. The Category Managers shall keep themselves updated on all aspects of their category such as
 - a. Induction of new technology/ new variants or models
 - b. Market trends

- c. Activities of other international users of the same category item
 - d. Potential vendors/ contractors, major jobs being executed by them, terms and conditions
 - e. Concerns of the vendors/contractors
 - f. Feedback on the performance of these vendors/ contractors from other companies as well as within ONGC
- v. For keeping themselves updated, the Category Managers shall use publicly available information through internet/ newspapers/journals etc, and also meet the vendors/contractors or other user companies by participating in seminars/ exhibitions as well as through direct interaction. Each Category Manager must participate in at least two such interactions every year.
- vi. Category Manager may also identify suitable specialized trainings for himself or other Category Managers.
- vii. The Category Manager shall develop item specific systems for:
- a. Vendor Registration/Empanelment
 - b. Vendor Rating
 - c. QCBS
 - d. Lifecycle costing

All the above systems may not be necessary or even suitable for all the items. Category Manager shall have to take a decision on which of these systems need to be developed and followed. Further all Category Managers are advised to develop a preliminary proposal for implementation of these systems within the next one month.

- viii. As soon as the need for procurement of an item falling under the aforementioned categorized items is felt, the user department shall convey full details to the Category Manager. The Category Manager, based on his expertise, would give his opinion on
- a. Procurement Strategy viz. Through open/limited tender/nomination/Board Purchase
 - b. Suitable vendors/contractors
 - c. Major concerns of the vendors for which suitable provisions can be included in the tender documents to ensure healthy competition
 - d. Ways to ward off undesirable vendors/contractors
 - e. Specifications which may not be easily available or better options which may be available
 - f. Suitable timing for entering the market
 - g. Reasonable delivery/completion schedules
 - h. Indication of price

It is acknowledged that the Category Managers will take time to reach a level of competence where they may be able to effectively give specialist advice on all these matters, but the process shall be put in

place with immediate effect so that competence is gained through actual hands on work.

- ix. The Category Managers shall also develop a knowledge management system under which records of the following shall be maintained in a catalogued form:
- a. Record notes of all meetings with other companies/vendors/contractors
 - b. Brochures/catalogues of various companies
 - c. Reports/papers presented in seminars/symposiums or published in journals
 - d. Recommendations given by the Category Manager in any case along with detailed reasons/background
- x. Category Manager shall be part of Tender Committee for their respective category(ies) right from the stage of formulation of BEC and till finalization of the tender.
- xi. At least two new persons shall be identified every year to be groomed as Category Managers.
- xii. After completion of 6 months, PMC Cell shall prepare a report on implementation of Category Management concept, lessons learnt, new items to be included in Category Management concept and the way forward in Category Management concept including feedback from Category Managers and present the same to EC in Jan-2016

Above guidelines comes into force with immediate effect and shall be meticulously followed by all concerned. To the extent of any difference between the provisions of these guidelines vis-à-vis provisions of Integrated MM Manual, provisions under these guidelines shall prevail till further orders.

CR Mohanty
18/10/15

(C R Mohanty)
ED-Chief MM Services

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