

No. DLI/CORP-MM/CPO/2023/Business Partners

Date: 06.12.2023

Sub: Transformation of ONGC procurement and payment setups

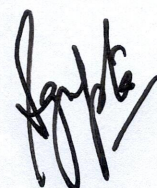
Dear Business Partners/Vendors,

We are delighted to share that ONGC, a Maharatna Public Sector Undertaking (PSU) is undergoing a series of internal transformations to improve the overall experience of our business partners and vendors at par with top multinationals/domestic organisations/PSUs. The paramount objective of transformations is to improve the **overall speed and efficiency internally across the multiple facets of the procurement to payment lifecycle**. This would further foster and nurture the relationship with our valued business partners and vendors translating into **long-term mutually beneficial relations for years to come**. At ONGC, we firmly believe that our business partners are an integral part of our success story and we genuinely value our relationship with them. The key snapshot of initiatives undertaken in this direction are mentioned below:

- **Central Procurement Department:** This Deptt. will go live on **1st January 2024** and has been designed as Single Umbrella Procurement Department to handle high value/ frequency procurement items/ services. The key benefits include higher ticket size, reduced touch points, reduced number of tenders for similar items, uniform and consistent terms and conditions and faster tendering process and decision making.
- **Central Payment Processing Department:** This Deptt. will go live on **14th December 2023** and shall ensure Centralized Processing of all vendor payments post clearing of invoices. Its key benefits are uniform SLA-driven invoice management system, reduction in payment processing days and minimization of payment discrepancies.
- **Strengthening of Mediation Process/ reconciliation:** A dedicated portal <https://oec.ongc.co.in/> has already been launched for registration and tracking of OEC cases. ONGC is in the process of adopting arbitration through India International arbitration Center (IIAC) for resolution of commercial disputes with domestic vendors. Key benefits of these efforts include ensuring neutral, faster, transparent, cost-effective amicable resolution of contractual/ commercial disputes.
- **Procurement policy initiatives:** We have done various changes in procurement policies to address the concerns of the business partners and to align them for faster, transparent and equitable procurement process. Some of the initiatives are as under:

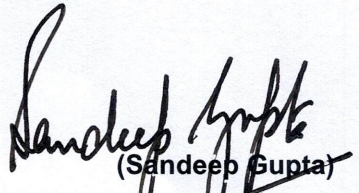


- (i) The maximum timeline for payment has been reduced from 21 days to 15 days for contracts valuing \leq ₹10 crore and 10 days for contracts valuing $>$ ₹10.
 - (ii) The basis of Financial Criteria has been modified from quoted value to estimated value. Thus financial parameters are being defined upfront in the tender document as absolute values so as to avoid rejection of bids post price bid opening. Requirement of 15% net worth for services/LSTK contracts has been modified as positive net worth only.
 - (iii) e-BG for Earnest Money Deposit (EMD) / Security Deposit (SD) has been allowed alongwith NEFT/RTGS/Electronic fund transfer to designated account of ONGC for faster error free process.
 - (iv) In all non-GeM ONGC Tenders also, bidders shall be informed about the reasons for rejection of their bid. They can review reason for rejection and may raise one-time representation to challenge incorrect disqualification within 2 days of such intimation.
 - (v) Development Order policy has been made more vibrant and relaxed and opportunity is being provided to domestic vendors to develop various items used in E&P industry. Now any vendor can approach ONGC for placement of development order and ONGC would consider his request.
 - (vi) Based on ONGC's request, Ministry of Petroleum and Natural Gas has revised Minimum Local Content (MLC) for getting purchase preference from 50% to 30% for cases with estimated cost $>$ USD 50 Million in year FY 2023-24 and Margin of Purchase Preference (PP) has also been reduced from 20% to 10% for high value oil and gas LSTK EPC contracts/projects in order to increase competition and to incentivize progressive increase in Minimum Local Content.
- **Initiatives in LSTK tenders:** Some of the initiatives undertaken are as under:
- (i) Reimbursement of Bid-submission expenses upto USD 600,000 /- to Technically & Commercially Acceptable (TA & CA) bidders.
 - (ii) Indexing of steel prices to global indices (MEPS- India) and de-risking successful bidder from price fluctuations during the currency of the contract.
 - (iii) Indexing of fuel prices to Low Sulphur High Flash High Speed Diesel (LSHFHSD) of IOCL (Mumbai) for de-risking successful bidder from price fluctuations during the currency of the contract.
 - (iv) Front End Engineering Design (FEED) documents (structural design software raw files) being provided for bid engineering vetting/ verifications – for risk mitigation w.r.t to structural designs and steel qualities estimates.
 - (v) Standardization of engineering designs for Well Head Platforms.



- (vi) Interest bearing Project Advance up to 50% of performance security without any backup BG.
- (vii) Liquidated damages levy methodology favorably revised from flat 0.5% per week to progressive escalation with time, ranging from a minimum of 0.1% per week to maximum of 0.4% per week. (Cumulative LD capped at 10%).
- (viii) Quick payment Cycle : 75% Invoice Claim paid within 10 days and balance 25% within another 11 days.
- (ix) Option of providing Performance security of 3% and Balance 7% to be progressively withheld from contractual claims.
- (x) Introduction of milestones towards marine spread mobilization for enhancing cash flow to bidders.
- (xi) Working capital criteria can be met with Bank Supporting Letter.

Aforesaid initiatives reinforces our commitment to improve the overall working environment and trust for our valued business partners and vendors.


(Sandeep Gupta)
Chief Procurement Officer
6/12/23