KERALA STATE ELECTRONICS DEVELOPMENT COPRN. LTD., TRIVANDRUM

MD/00-171/2002-03	July 24, 2002

Sub: Tendering Procedures – Amendment
Ref: MD's Office Order No. MD/66 dated 12.1.1987

MD's Office Order no. MD/66 dated 12.1.1987 is hereby amended as under:

General:

"Tenders over Rs. 100 lakhs in case of Controls Division and Rs. 50 lakhs in the case of other Divisions must be referred to Corporate Office for clearance" is hereby amended as "Tenders over Rs. 200 lakhs in the case of all Divisions/SBU's must be referred to Corporate Office for clearance".

All other terms and conditions as stipulated in the above referred Order remain unchanged.

MANAGING DIRECTORMANAGING DIRECTOR

ED, KCC
CGM, KEC
GM, KCA
GM (ITBG)
GM (IDCP)
GM(F&CP)
ALL BR. MANAGERS

KERALA STATE ELECTRONICS DEVELOPMENT CORPN. LTD., TRIVANDRUM

MD'S OFFICE ORDER

MD/66

January 12, 1987

Sub: Tendering Procedures

The following procedurs should be followed for submission of a tender or quotation by the Divisions:

Marketing Departments for Systems/Products/Contract:

- Obtain tender documents/details of customer requirements

- Study of technical details and drawings

Prepare:

- bill of materials

- details of value addition by the Division,
identify value of items and identify supply soiurces and ascertain costs/obtain quotations both for imported and indigenous materials

- Prepare cost statement taking into consideration customs duty, exchange rates, other statutory levies etc., statutory restrictionslike licensing etc., must be borne in mind

Prepare cost of:

- Engineering design/R&D efforts

- Erection and commissioning

- Other terms of ternders must be looked into like supply of spares, performance guarantee, servicing etc. and provode for the same in the costs

- Contingencies must be provided for

The tender/quotation must stipulate:

- Terms of payment. Advance payment should be lasked for wherever possible taking to account the fund flow (a lfund flow statement must be prepared) problems and requireemnts

- Provision for retention against our bills must be avoided and 100% payment must be received. If need be a bank guarantee may be agreed to, to the extent of retention.

- Provision must be made for variation in statutory levies eg: customs duty, excise, sales tax etc., increases due to exchange fluctuations in case of imports, escalation in cost of imported items, being borne by customer.

- Validity period of the tender must be stipulated clearly and corresponding price understanding must be reached with the suppliers. Where a contract runs over a period of two to five years, an escalation clause for cost increases must be provided for or alternatively higher costs must be considered in the calculations, taking into account the impact of inflation on prices unless understanding with the suppliers or collaborators takes care of this aspect.

- Finance charges based on fund flow statement should be provided for in the uotation.

- A profit margin of 30 to 35% must be provided for initially. During negotiation, depending on the contract and future prospects, the profit margin may be reduced to 20%. Any reduction below this level needs MD’s specific approval.

General:

- Tenders over Rs. 100 lakhs in case of Controls Division and Rs. 50 lakhs in the case of other Division must be referred to Corporate Office for clearance

- A review of cost s and profits must be made after completionof each

contract/system job and
reasons of variations from original tender ascertained. A report must be submitted to Corporate
Office on completion of jobs over Rs. 100 lakhs/Rs.50 lakhs for Controls Division/other Divisions
respectively. This will be forming part of our learning curve; and lessons learnt will be summarised
and advised to the Divisions.

Financial concurrence must be obtained for all quotations

Progress reports must be submitted to Corporate Office on major contracts on a regular monthly
basis.

Sd/-
MANAGING DIRECTOR

Heads of Divisions
Heads of Finance Dept. of Divisions
ED(F), SM(MIS & BC)