

Immediate

No.3-2/2008-Impex
Government of India
Ministry of Consumer Affairs, Food and Public Distribution
Department of Food and Public Distribution

Krishi Bhawan, New Delhi
9th June, 2008

OFFICE MEMORANDUM

Sub: Guidelines for Import of Wheat on Government Account.

The undersigned is directed to say that EGoM in its meeting held on 29th May, 2008 approved the 'Guidelines for Import of Wheat on Government Account' submitted by MMTC. A copy of the same is enclosed.

These Guidelines, as suggested by the Comptroller and Auditor General of India, will be applicable only in situations of shortages in domestic market and will not be applied in a surplus situation where basic presumptions underlining the Guidelines will not be met. The CAG has also suggested that the Government may review these Guidelines after one year.



(Dr. Joy I. Cheenath)
Joint Secretary to the Govt. of India
Tele: 23382956

To

- (1) Smt. Sushma Nath,
Secretary, Department of Expenditure,
Ministry of Finance, North Block, New Delhi
- (2) Sh. G.K. Pillai,
Secretary, Department of Commerce,
Udyog Bhawan, New Delhi

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- (3) Sh. K.S. Ramasubban,
Secretary, Central Vigilance Commission,
Satarkta Bhawan, GPO Complex, Block A,
INA, New Delhi.
- (4) Sh. Samar Ray,
Additional Deputy Comptroller & Auditor General,
Office of the Comptroller & Auditor General of India,
10, Bahadur Shah Zafar Marg, New Delhi.
INA, New Delhi
- (5) Dr. A.R. Sihag,
Joint Secretary, Cabinet Secretariat,
Rashtrapati Bhavan, New Delhi
- (6) Sh. Alok Sinha,
CMD, FCI,
16-20, Barakhamba Lane, New Delhi.
- (7) Sh. Sh. Sanjiv Batra,
CMD, MMTTC,
Scope Complex, Lodhi Road, New Delhi
- (8) Dr. Arvind Pandalai,
CMD, STC, Jawahar Vyapar Bhawan,
1, Tolstoy Marg, New Delhi.
- (9) Sh. A.K. Mirchandani,
CMD, PEC Ltd., Hansalaya,
15, Barakhamba Road, New Delhi

Copy to:

1. PS to Secretary (F&PD)
2. PPS to AS&FA
3. PS to JS (P&FCI)

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Government of India
Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)

GUIDELINES FOR IMPORT OF WHEAT
ON GOVERNMENT ACCOUNT

OBJECTIVE

To purchase wheat and other essential commodities like rice, pulses, edible oils etc. as may be decided by Government from the international market at most economical price based on assessment of prevailing international price keeping in view fundamental principles of public buying.

BACKGROUND

In the recent past, wheat was imported on Government account by STC, MMTC and PEC. The PSUs were intimated the quantity to be imported and maximum quantities port-wise per month by the Department of Food and Public Distribution based on which tenders were invited. Commodity markets are generally volatile in nature. Tenders floated for large quantities of wheat may have hiked up prices in the international market.

Procurement of smaller quantities at regular intervals, a method followed by countries like Egypt and Japan, is likely to result in lower cost of imports. Further, buying small quantities regularly would stagger the arrivals and reduce the congestion in Indian ports. If the principle of purchase of small quantities at regular intervals is accepted, there is a need to evolve a procedure for doing so.

Accordingly, a procedure is indicated below for purchase of wheat from the international market at regular intervals in situations of shortage in the domestic market. In brief, the procedure will permit calling quotations at short notice from pre-qualified suppliers and deciding on the tenders and placing orders in about 48 hours to avoid speculation. The guidelines may apply *mutatis mutandis* to other commodities such as rice, pulses, edible oils, etc. which the Government may decide to import from time to time.

PROCEDURE SUGGESTED FOR CONSIDERATION

1. The PSU authorised to import wheat will enlist global suppliers of wheat after fixing suitable criteria (as at Annexure) so that leading/reputed producers/traders who have previous experience in exports and financial capabilities participate in the bidding process. This will be ensured by inserting suitable advertisements in newspapers, by posting detailed criteria for empanelment on the PSU's website and also on the site tender.gov.nic.in (Government Tender Website). Such producers/traders who fulfil the criteria laid down will be registered with the PSU.

2. On receipt of schedule of import from the Ministry of Consumer Affairs, Food & Public Distribution (fortnightly/monthly/quarterly), tenders will be issued by electronically secured system to all registered suppliers. Registration will be an ongoing process. Any supplier can request for registration any time. However, the process of registration has to be completed before such suppliers are

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allowed to participate in the bids. The performance of suppliers shall be periodically reviewed keeping in view the requirements of para 142(IV) of GFR and those not performing satisfactorily shall be deleted from the list by the PSU in consultation with Purchase Committee.

3. Request for tenders in specified format will generally mention shipload quantities for each port of discharge. The suppliers shall specify maximum quantity offered and price (C&F,FO) for each port of discharge in tender bids. Tender will clearly stipulate that buyer is free to buy the quantity in multiple lots. Total quantity of purchase will not be indicated in the tender.
4. The bids shall normally be invited on weekly/fortnightly basis keeping in view the overall quantity guidelines given by the Government. The tenders will be invited in a way that it does not encourage speculative activity by the supplier on exchanges leading to higher prices. As far as possible the tenders may be issued every Wednesday and closed in about two days. The suppliers may quote through the electronically secured system/in physical format by way of sealed bids if the secured electronic system is not functional. The sanctity of the tender procedure shall be ensured by the PSU in electronic or physical format. In case of online receipt of tenders the e-portal should be compliant with IT Act 2000 on information security.
5. GM (Marketing), GM (Finance) and GM (Internal Audit) of the PSU and the Inter-Ministerial Technical Committee constituted by the Department of Food and Public Distribution with the Dy.

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Director (Quality Control), Department of Food & PD, GM (Quality Control), FCI, Asstt. Director (PFA), Ministry of Health & Family Welfare and Dy. Director (Ent.), Department of Agri & Cooperation as members shall constitute the Tender Opening Committee to oversee the process of tender opening. Tender will be opened at the pre-appointed time/date/place in the presence of those suppliers who are present. The suppliers/their authorised representatives participating in the tender will be allowed to be present.

6. The Tender Opening Committee shall determine whether a particular bid is techno-commercially responsive or non-responsive and prepare a Comparative Statement of the techno-commercially responsive bids which will be put up to the PSU management. The decision on import price will have to be benchmarked against the comparable prices prevailing at the time of purchase in the internationally reputed commodity exchanges such as CBOT, Kansas City Board of Trade, LIFFE etc. As subsequent price fluctuations cannot be predicted, the decision to import and the price reasonability cannot be linked to such future fluctuations in prices. However, PSU shall try to ensure that purchases are made of the quantity authorised and within the timeframe mandated at the prevailing international prices.
7. The CMD of the PSU will forward his recommendations to the Purchase Committee constituted by the Government and empowered to take decisions on acceptance of tenders

recommended for approval by the PSU. The Purchase Committee for the present may consist of AS & FA from the Department of Food & Public Distribution, the CMD of the PSU, Joint Secretaries (or equivalent) from the Departments of Food & Public Distribution, and Commerce and an Executive Director from FCI. The Government may reconstitute the Purchase Committee in future. Taking into account all the relevant information, the PSU will make commercial recommendations to the Purchase Committee with respect to quantity, price, delivery schedule, terms of payment, etc. for import, keeping in mind prices as well as availability of the commodity in the overseas markets. The Purchase Committee shall decide on the purchase based on available offers and prices prevailing in the international market. The CMD of the PSU shall immediately thereafter submit the information on the purchases made to the Department of Commerce, Department of Food & Public Distribution and Cabinet Secretariat.

8. The PSU(s) may continue to buy wheat on an ongoing basis within the overall quantity indicated by the Government, keeping in view the dynamics of the international market. The quantity so purchased will be within the quarterly/semi-annual ceiling indicated by the Department of Food & Public Distribution.
9. Government may set up an Oversight Committee to oversee the buying operations so that the Purchase Committee receives necessary guidelines from them. The CMD of the PSU will submit a report along with the decisions of the Purchase

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Committee to the Oversight Committee every month. The Oversight Committee will review, inter-alia, the process of pre-qualification and registration of suppliers, the tender document, procedure, evaluation of tenders, propriety and objectivity of purchases made vis-à-vis these guidelines and advise the PSU on corrective action to be taken within the ambit of these guidelines for subsequent purchases.

10. PSU nominated by the Government for importing wheat on Government account, will take appropriate hedging positions as advised by the Empowered Committee constituted by the Ministry of Finance.

11. Broad guidelines for such procurements will be :

- PSU will issue the tender to Pre-qualified (PQ) suppliers by e-mail/Fax.
- Tenders will close within a short span of time of about 2 days depending upon the market conditions.
- Pre-qualified suppliers will submit one time EMD of appropriate value as decided by the PSU by way of BG/DD to the PSU in advance as per terms of registration.
- The PSU will finalise placement of orders at the earliest preferably within two days and within the validity of the offers as per tender terms.
- The successful suppliers will submit Performance Bank Guarantee of 5% of the contract value.

12. Contract should normally be awarded to techno-commercially responsive L-1 supplier. However, in the event of L-1 supplier not quoting for the full quantity required, following procedure shall be followed :

Techno-commercially responsive L-1 supplier will be awarded the contract for the quantity they have offered at the price quoted by them without further negotiations. The L-1 supplier will be given the first option of enhancing the quantity, if quantity sought to be procured is not covered by their offer. In case L-1 supplier does not cover the total required quantity at the L-1 price, the techno-commercially responsive L-2 supplier(s) shall be asked to match the L-1 price for the remaining quantity. If L-2 supplier(s) matches the price of L-1, the left over quantity shall be awarded in full/to the extent of their offer to L-2 supplier(s) at L-1 price and purchase shall be closed. No further negotiations shall be held with L-3 or any other supplier.

13. In order to achieve transparency, the process outlined in para 12, will be made part of the tender document.

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EXPRESSION OF INTEREST

MMTC Limited invites applications for empanelment/registration as pre-qualified suppliers from well established suppliers, producers, and traders of imported wheat. Interested parties can submit their application expressing their interest for empanelment with MMTC Limited for supply of imported wheat.

Eligibility criteria for empanelment of suppliers shall be as below:-

1. Should have exported minimum quantity of 0.50 million MT of wheat cumulatively in bulk to any country(ies) during the period of last three years.
2. Suppliers must have sound financial background with minimum turnover of Rs.400 crore (US\$ 100.00 million) in any of the last three years and should submit Solvency Certificate from their bankers along with copies of Income Tax Returns and Balance Sheets for the last three years.
3. The supplier shall have performed satisfactorily against earlier tenders issued/contracts, if any, awarded by Indian PSUs, i.e., MMTC/STC & PEC.
4. Supplier shall supply wheat as per the Specifications prescribed in the tender. MMTC reserves the right to accept or reject any/all applications and cancel the EOI process any time. MMTC shall neither be liable for any such action nor be under any obligation to inform the applicant the ground for such action. Successful applicants whose applications are accepted by MMTC for empanelment will be required to submit one time EMD of USD 1.00 million by way of BG (as per MMTC's proforma)/Demand Draft within 7 days from the date of communication to the applicant. Only such applicants who submit EMD in time shall be finally empanelled.

The import shall be on C&F FO basis in bulk at specified port(s) in India.

MMTC may at any time at its sole discretion deregister a supplier from empanelment in case their performance is not found to be satisfactory.

Registration shall be valid for one year from the date of Registration and it can be further renewed/extended at sole discretion of MMTC subject to fulfillment of conditions for registration applicable at the time of such renewal/extension.

The details of the contracts of similar or higher size entered into and executed by the suppliers in the current year and previous year shall be furnished.

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Interested suppliers to submit their "EXPRESSION OF INTEREST" (EOI) furnishing following information:-

- i) Full Name, Postal Address, e-mail, Telephone No., Fax No. of the supplier.
- ii) Typical specification of the material proposed to be offered.
- iii) Constitution of the supplier (supported by documents).
- iv) Date of the incorporation.
- v) Name and address of the members of Board of Directors.
- vi) Total Capital : a) Issued b) Paid up.
- vii) Full Name, Postal Address, e-mail, Telephone No., Fax No. of the Local Representative.
- viii) Networth of the supplier.
- ix) Quantum of Credit facilities enjoyed.
- x) Name of Bankers with complete address.
- xi) Turnover (during the last three years) supported by documents as per detail below:-
 - A) Total of the Company.
 - B) In Wheat Trade, Domestic & Export, Quantity and Value.
 - C) Total of the holding company (if a subsidiary).
- xii) Experience in Grains trade (Give full details as Trader/Broker).
- xiii) Dealings with MMTC in any other commodities or with other Government organizations in India.
- xiv) Detailed information of Holding Company, if the supplier is a subsidiary company.
- xv) Audited Balance Sheet for the last three years.
- xvi) Name of professional bodies/commodity exchanges of which member.
- xvii) Other information of interest.

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All applications addressed to General Manager (Agro), MMTC Limited, Core-I, Scope Complex, 7, Institutional Area, Lodhi Road, New Delhi-110003 should be sent by Post/Courier. After despatching the documents by post, suppliers are required to intimate MMTC Limited by Fax No.+91-11-24364587/24362196 or by e-mail "subratasaha@mmtclimited.com" latest by _____

Clarifications, if any, can be sought through e-mail or over phone No.+91-11-24368077.