

# Purchase Policy



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### Preamble

TIH Foundation for IoT & IoE (TIH-IoT) has been setup as a Section-8 company (not-for-profit) by Indian Institute of Technology, Bombay under the National Mission on Interdisciplinary Cyber-Physical Systems (NM-ICPS), being implemented by the Department of Science and Technology (DST), Government of India.

Technology Innovation Hub for IoT & IoE (TIH-IoT) at IIT Bombay is focusing on creating a self-sustaining innovation continuum by fostering translational research for technology & product development, building highly knowledgeable human resource and a vibrant start-up ecosystem, in the technology vertical of Internet of Things (IoT). The goal is to help India become a pioneer in technology led economic growth and prepare the country to be the world leader in the technology arena.

The aim of the purchase policy is to provide a framework within which the Company procures its requirement in a financially prudent manner without compromising its flexibility to deal with varied situations. This procurement policy shall facilitate efficiency rather than create impediments in smooth and timely procurement, while following principles of accountability and procedures of financial propriety and due diligence.

This policy shall be reviewed and revised periodically based on the ever-changing nature of requirements in a niche technology sector.

## 1. Introduction

Procurement policy is a framework designed to provide for procurement of high standard goods, services, technology, processes at reasonably competitive cost, terms and conditions. Timely availability of material to projects is of prime importance for carrying out meaningful scientific research as well as for meeting the targets set for completion of various in-house & sponsored projects. The aim of the Procurement process would be to procure best product/Process/ Service at most reasonable price in a time-bound manner.

The purpose of this Purchase Guidelines is to ensure that sound business judgement is applied in all procurement, purchases and services related transactions. All the supplies, equipment, and services are obtained efficiently and economically and are in compliance with applicable laws and management orders. It is also to ensure that all procurement and purchases transactions including for services obtained will be conducted in a manner that provides full transparency and fairness.

TIH-IoT is a new company with most of the staff primarily being engaged in scientific research and translation activities and very few administrative staff. Since the staff would have very limited time available to devote to procurement, this policy shall serve for speedy procurement through simplified and standardized procedures. In exercise of its powers and to facilitate procurement of its requirement, the Company has formulated the following procurement policy which has been ratified by the Board of Directors (BoD). This policy shall govern all procurement of goods, processes and services both within the country and from abroad.

## 2. Principles of Procurement

Procedures for procurement of Goods, services and processes by **TIH-IoT** would follow the principles of **Accountability, Reasonableness and Transparency**. The following principles of procurement would be adhered to at all times:

### *Standards of Financial Propriety*

Every authority incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety. They should also enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by their own office and by subordinate disbursing authorities. They should exercise the same vigilance in respect of expenditure incurred as a person of ordinary prudence would exercise in respect of expenditure of his/her own money. The expenditure should not be prima facie more than the occasion demands and should neither be directly or indirectly to his/her own advantage nor benefit a particular person or a section of the people, unless the expenditure is in pursuance of a recognized policy or custom.

### *Responsibility of Financial Authorities*

Every authority delegated with the financial powers shall have the responsibility and accountability to bring efficiency, economy, and transparency in all matters relating to procurement and for fair and equitable treatment of suppliers.

### **Implementation of Principles of Procurement**

In order to implement the Principles of Procurement, following guidelines would be observed:

- 1) The procedures adopted for inviting offers should be fair and transparent.
- 2) The Authorities shall satisfy themselves that the selected offer adequately meets the requirement in all respects and the price is reasonable and consistent with the quality required.
- 3) All Purchases shall be made in a fair manner and as far as possible on competitive basis, to secure best value for money.
- 4) Specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the

Company. The specifications so worked out should meet the basic needs of the Company without including superfluous and non-essential features to preclude unwarranted expenditure.

- 5) At each stage of procurement, detailed considerations/decision shall be placed on record, in precise manner.
- 6) Procurement of goods, etc. shall not be split up so as to avoid the sanction of higher authority.
- 7) Savings under one major head or sub head of account can be re-appropriated for procurement of items under another sub-head in case of exigencies with due approvals.

### 3. Items of Procurement

The items required to be procured under the ambit of the rules & procedures outlined in this policy shall mean and include goods, services and processes as below (inclusive and not exhaustive): -

- **IT (Information Technology) related products:** IT products or services, would include computer hardware, software, electronics, semiconductors, internet/telecom equipment, etc. Technology in the field of information is fast changing and obsolescence is very fast, hence expeditious procurement may be necessitated in such types of procurements.
- **Procurement of Innovation:** The Company can procure innovation by seeking and encouraging innovative ideas and plans relating to the objectives of the Company. Procurement of innovation shall also include process of innovation – research and development services - which create or develops ideas, processes which do not exist. These processes after development shall result in solutions. The Company may describe its needs, prompting potential researchers to develop innovative products, services or processes to meet the Company's needs. The Company may act as an early adopter or a facilitator of a startup or an entity and procure any product, process or service either within its sphere of activity or in related sphere of activity. Such product, process or service may be new to the market or still not yet reached the

market and contain substantially novel or innovative characteristics. The idea is to buy innovative new and early-stage goods, services or processes. While procuring innovation, the Company shall ensure that the process/ service suppliers play a more proactive role in development and delivery. Procurement of innovation can result in gaining/sharing and exclusive rights agreements.

- Articles, material, commodities, general furniture/laboratory furniture, fixtures, raw material, spares, instruments, machinery, equipment, stationery, and any other item meant for Research & Development both standard and non- standard.
- Annual Maintenance Contracts of goods and equipment purchased or otherwise acquired for the use of the Company.
- **Procurement of Services.** Specific Scientific & Technical Services viz, Professional consultant services, Computer & Network management, Software & web design Development services, Communication facilities etc.

#### 4. Purchase Committee (PC)

To expedite procurement and to ensure quality and standard of goods, the Chief Operating Officer (COO)/Chief Executive officer (CEO) may appoint a Purchase Committee (PC). The PC would gather market intelligence, and explore options of scale economy for securing better prices. The Committee may also consider possibilities of outsourcing part of procurement under a project to a vendor who may secure better deals through market networks and tie-ups.

For procurement cases where sanction would need to be accorded by COO/CEO or by authorities delegated by COO/CEO, the PC will comprise of at least two-members. For procurement cases where sanction would need to be accorded by the Professor-in-Charge (PiC), Chairman, Board of Directors or a nominee of the Chairman, Board of Directors, the PC will comprise of at least three members.



In order to bring uniformity and consistency along with due diligence in the process, the PC may be assisted by a designated administrative officer from the Finance/Administration department for clerical works like preparation of and compliance with standard conditions of Request for Purchase (RFP), opening of and scrutiny of the bid documents, preparation of comparative statement of tender, etc.

The PC shall have the power to take decisions and place their recommendations to the sanctioning authority. Following activities will be performed by PCs in various stages of procurement once Acceptance of Necessity (AoN) has been accorded by sanctioning authority:

- 1) Preparation / finalization of Tender
- 2) Issue /Amendments to Tender
- 3) Extension of Bid opening date
- 4) Establishing bench-marking cost for Price bids
- 5) Opening of Price Bids
- 6) Preparation of Comparative Statement of Bids (CSB) and Declaration of selected Bidder
- 7) Cost analysis of quoted rates/ negotiations with selected bidder
- 8) Submission of Report containing recommendations of Accounts Head
- 9) Preparation and finalization of draft Contract / Supply Order

## 5. Technical Committee

The COO/CEO may also appoint a Technical Committee of not less than two members to technically evaluate the Bids received in response to the Tender. The technical committee would consist of members of Executive Committee (ExeCom), CTO or other suitable Technical staff from across project teams. Technical committee will evaluate technical compliance of the Bids with respect to the requirements projected in the Tender document and provide its recommendation.

## 6. Budget Provision

Procurement of material shall be based on Budget Provision and prioritization based on the Company's needs and priorities. In order to meet emergency requirements and purchases within the powers delegated, a certain amount in the budget may be kept as reserve. Such purchases should be made from within this reserve. Unspent balances under this head may be re-appropriated for regular procurement.

## 7. Delegation of Procurement Powers

In order to bring expediency in the Procurement process, financial powers may be delegated by the COO/CEO. The extent of powers to be exercised in procurement shall be as defined in a supplementary document. Due to the dynamic environment of the sector and to enable the Company to achieve its objectives, the powers delegated in this supplementary document would be subject to revision on as required basis as ratified by the BoD.

## 8. Modes of Procurement

The Company may adopt any of the following modes of procurement (limits as laid down in the supplementary document):

- 1) **Direct Market Purchases without quotation:** The low value purchase, may be made without inviting quotations or bids.
- 2) **Direct Market Purchases with quotation:** The medium value purchases shall be made by obtaining written quotations from at least 3 suppliers.
- 3) **Tendering:** The high value purchases shall be made by obtaining written quotations from at least three suppliers through a Request for Quotation/invitation to tender. Tendering process would use one of the following routes for procurement:

**a) Limited Tender Enquiry (LTE):**

In case of LTE, copies of the bidding document should be sent directly by speed post/registered post/courier/ email to firms which are approved by the Sanctioning authority for procurement of the goods and/or services in question. Normally, the number of supplier firms in Limited Tender Enquiry should be at least three.

**b) Open/Advertised Tender Enquiry (OTE/ATE):**

Invitation to tenders by advertisement should be used for high value purchases.

Limited Tender Enquiry(LTE) may be adopted instead of OTE on each occasion based on the recommendations of Purchase Committee as per requirements of speed of procurement, and/or sources of supply being definitely known and possibility of fresh source(s) beyond those being tapped is remote, and/or nature of item to be procured is such that pre-verification of the competence of the firms and their registration is essential.

**c) Global Tender Enquiry (GTE):**

GTE is essentially the same as OTE, is to be resorted for items of foreign origin, where competition from more than one source from different countries is envisaged. In case of GTE, copies of the tender enquiry may be sent to the Indian embassies abroad as well as the foreign embassies in India.

**d) Single Tender Enquiry (STE):**

In cases where the materials or the technology might be so specialized that there might be only one potential vendor, procurement through a Single Tender Enquiry may be resorted to, with due justification of requirement. Some of the circumstances under which Procurement from a single source may be resorted to:

- It is in the knowledge of the user department that only a particular firm is the sole supplier

- In a case of emergency, the required goods or services are necessarily to be purchased from a particular source and the reason for such decision is to be recorded and approval of sanctioning authority obtained.
- For standardization of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of a competent technical expert and approved by the sanctioning authority), the required item is to be purchased only from a selected firm.

**e) Purchases on Proprietary basis:**

Purchase of items having unique feature which is essential for R&D activity and which is not available in any other similar equipment, procurement may be resorted to from the entity holding the Proprietary Article Certificate (PAC) in India or abroad without the need for following Tendering process with due justification of requirement.

**4) Repeat Order:**

The repeat order is made without any change in the rates, specifications as well as terms and conditions of supply. The repeat order shall be placed within 1-year time from the date of initial quotation.

**5) Emergency Purchases:**

Unforeseen purchases required to be made at short notice in the event of a breakdown or crisis. Such purchase may be regarded to be a crisis purchase of minimum escapable value without the need for following Tendering process as laid down but rather with justified expediency in procurement process. As soon as it is practicable, standard purchasing procedures will be reinstated.

## 9. Other Major Aspects of Procurement Process

Some of other major aspects of procurement are as follows:

### 1) Single and Two-Stage Bidding:

For purchases where qualitative requirements and technical specifications are clear, non-complex, single commercial bid system may be followed. For purchasing high value goods, processes or services of a complex and technical nature, the Company shall invite bids through limited/advertised tender which may be processed in two stages as under:

- (i) **Stage 1:** Technical bid consisting of all technical details along with commercial terms and conditions
- (ii) **Stage 2:** Commercial bid indicating item-wise price for the items mentioned in the bid (To be opened only for technically qualifying firms).

### 2) Benchmarking:

Before scheduled negotiation, wherever considered necessary, it would be advisable to work out the estimated reasonable rate or the benchmark, to judge acceptability of the offer based on available information about same/similar product/service/process.

### 3) Quality and Cost Based Selection (QCBS):

QCBS is to be used for procurement of consultancy services. In QCBS, initially the quality of technical proposals is scored as per criteria announced in the RFP. Only those responsive proposals that have achieved at least minimum specified qualifying score in quality of technical proposal are considered further. After opening and scoring, the financial proposals of responsive technically qualified bidders, a final combined score is arrived at by giving predefined relative weightages for the score of quality of the technical proposal and the score of financial proposal. The RFP shall specify the minimum qualifying score for the quality of technical proposal and also the relative weightages to be given to the quality and cost (determined for each case depending on the relative importance of quality vis-a-vis cost aspects in the assignment, e.g. 70:30, 60:40, 50:50 etc).

The proposal with the highest weighted combined score (quality and cost) shall be selected. The weightage of the technical parameters i.e. non- financial parameters in no case should exceed 80 percent.

#### 4) **Lack of competition:**

Lack of competition shall not be determined solely on the basis of the number of bidders. Even when only one bid is submitted, the process may be considered valid, provided following conditions are satisfied:

- a) the procurement was satisfactorily advertised and sufficient time was given for submission of bids.
- b) the qualification criteria were not unduly restrictive; and
- c) prices are reasonable in comparison to market values

When an OTE/LTE/GTE results in only one effective offer, it shall be treated as a Resultant Single Vendor Situation (RSVS) which can be pursued with due justification and approval by the sanctioning authority depending upon how well the Tender was advertised/received by the Bidders, how broad-based were the technical requirements and how time-critical is the procurement.

#### 5) **Advance payment to supplier:**

Ordinarily, payments for services rendered or supplies made should be released only after the services have been rendered or supplies made. However, it may become necessary to make advance payments in certain cases. The powers to sanction advance payment to suppliers shall vest with the Sanctioning Authority on the recommendations/ justifications by the Purchase Committee and as per limits laid down from time to time.

#### 6) **Use of Facilitator for Procurement:**

The Company may approach the original supplier of goods or equipment to act as a facilitator for procuring the required original equipment spares or parts and supply to the Company. The Company may adopt such method if it results in better price, quality or time saving vis-à-vis process of tendering.

### **7) Need for Expeditious Processing:**

It is imperative that the procurement process is fully responsive to the needs of the Company and facilitates expeditious procurement so that requirements are met on time. It is, therefore, essential that all prescribed activities are undertaken expeditiously and advice rendered within a specified time frame.

## **10. Code of Integrity**

No official of the Company or a bidder shall act in contravention of the following which includes:

### **1) Prohibition of**

- a) making offer, solicitation or acceptance of bribe, reward or gift or any material benefit, either directly or indirectly, in exchange for an unfair advantage in the procurement process or to otherwise influence the procurement process.
- b) any collusion, bid rigging or anti-competitive behavior that may impair the transparency, fairness and the progress of the procurement process.
- c) any financial or business transactions between the bidder and any official of the Company connected to tender or execution process of contract which can affect the decision of the Purchase Committee directly or indirectly.
- d) making false declaration or providing false information for participation in a tender process or to secure a contract;

### **2) Disclosure of conflict of interest.**

**The Company may debar a bidder or any of its successors, from participating in any procurement process undertaken by it, for a period not exceeding two years, if it determines that the bidder has breached the code of integrity.**

## **11. Power to amend the Procurement Policy**

Owing to the dynamic nature of the niche technology sector that the Company is operating in, this procurement policy may be reviewed periodically and the Company may at any time revise, modify, delete, amend, substitute any word, phrase or portion of this policy, with due approvals of the BoD as soon as practicable.