



Guidelines for Suspension of Business Dealings with Suppliers/ Contractors

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(ABRIDGED VERSION)

**SOURCING STRATEGY & POLICY
CORPORATE OPERATIONS MANAGEMENT**

**BHARAT HEAVY ELECTRICALS LIMITED
NEW DELHI**



Guidelines for Suspension of Business Dealings with Suppliers/ Contractors

PREAMBLE

In order to protect the commercial interests of BHEL, it becomes necessary to take action against suppliers/ contractors by way of suspension of business dealings, who either fail to perform or are in default without any reasonable cause, cause loss of business/ money/ reputation, indulge in malpractices, cheating, bribery, fraud or any other misconduct or formation of cartels so as to influence the bidding process or influence the price etc. Suspension of Business Dealings could be in the form of “Hold” or “Banning” a supplier/ contractor or a bidder or an applicant for registration as a registered supplier. For this purpose, the following guidelines shall be followed across all BHEL units/ divisions/ regions (here in after referred to as Units). These guidelines are not exhaustive but enunciate broad principles governing action against such suppliers/ contractors.

SCOPE

- a. For the purposes of these Guidelines, Company means the Bharat Heavy Electricals Limited.
- b. These Guidelines will be applicable to Supplier (which will include vendors, suppliers and contractors) i.e. to say:
 - i. An entity that has applied for registration in any Unit of the Company for any material/service category.
 - ii. A bidder in a tender notified by the Company;
 - iii. An entity which has been awarded a contract.

Note: The term “Tender” or “Contract” referred to in sub-clause (ii) and (iii) as above, refers to tender or contract notified or awarded, as the case may be, by the Company.

- c. Any action under these Guidelines shall be without prejudice to all remedies available under the contracts with the Suppliers or other legal provisions.
- d. If a Supplier, who has participated in a tender/ entered into a contract with BHEL as an Agent/ Trader/ Dealer/ Stockist/ Distributor/ Channel partner etc. (hereinafter referred to as Agent) of an identified Principal/ OEM/ Mills/ Works/ Plants (hereinafter referred to as Principal) for that bid/ contract, then action as per these guidelines can be undertaken against the Principal as well as Agent as appropriate.
- e. In case of the supplier being a Sole Proprietorship firm or a Partnership firm, action under these Guidelines shall be taken against both:

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- i. The Sole Proprietorship firm and the Sole Proprietor; or, as the case may be;
- ii. The Partnership firm and all the partners thereof.

Accordingly, action will be taken under these guidelines against any other Sole Proprietorship firm owned by the same Sole Proprietor. Similarly action under these guidelines will also be taken against another Partnership firm comprising of the same or some of the same Partners (but not including any new Partner) or a Sole Proprietorship firm owned by the same Partner(s).

- f. In respect of consortiums and unincorporated Joint Ventures/ Association of Persons (AOP)/ Body of Individuals (BOI), action under these guidelines shall be taken against the defaulting consortium partners and defaulting members of the unincorporated Joint ventures/ Association of Persons (AOP)/ Body of Individuals (BOI).

1.0 Suspension of business dealing with Suppliers

The following category of suspensions have been provided in these guidelines depending upon the gravity of the omission or commission by the Supplier.

- a. Hold within the unit for specific item(s)/ material category(ies)/ type of work(s) for one year.
- b. Hold within the unit for all item(s)/ material category(ies)/ type of work(s) for two years
- c. Banning across BHEL for all items/ material category(ies)/ type of work(s) for three years.

The Supplier may be either put on hold or banned, as detailed hereinafter on the basis of one or more of the category wise reasons as enumerated hereunder:

1.1 Hold

1.1.1 Hold within the unit for a specific item(s)/ material category(ies)/ type of work(s) shall be imposed in the following cases, if

- i) in the last three consecutive supplies of a specific material category, average quality rating, as provided in the supplier performance rating (SPR) as per SEARP, falls below 80% of the quality weightage. This is irrespective of supplies against PO(s) having single/ multiple delivery schedules.

Note: Not applicable in cases for erection works of Power Sector Regions, where separate guidelines for evaluation of capacity of bidders is being followed.

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- ii) Two consecutive delays, for reasons of delay attributed to the Supplier, in execution of the contracts where delay occurred is such that
 - a) prescribed maximum LD time limits of the contracts is exceeded or
 - b) delay period has equaled/ exceeded half the original delivery period specified in the contractswhichever among the above is earlier.

- iii)
 - a) Overall SPR (Supplier Performance Rating) in that particular Unit in line with SEARP falls below 60% of the specific material category.
 - b) Bids of contractors (in PS-MSX portal) shall not be considered (if average score of last six months falls 60% or below as per guidelines for evaluation of capacity of bidders formula).

Note: – for (b), No specific period of hold shall be applicable.

- iv) Supplier works are under strike/ lockout for a period of more than three months.

1.1.2 Hold within the unit for all item(s)/material category(ies)/ type of work(s) shall be put in the following cases, if

- i) Supplier tampers with tendering procedure affecting ordering process.
- ii) Supplier has misused BHEL documents/ drawings/ technical information or has breached the confidentiality agreement with BHEL.
- iii) after placement of order, Supplier fails to execute the contract.
- iv) within warranty period as per contract, Supplier continues to supply low/ less/ non-performing equipment/ services, repetitive failures, remains non-responsive.
- v) Wherever risk purchase clause (amounting to more than 5% of contract value) has been invoked.
- vi) After price bid opening but before placement of order, Supplier withdraws his offer or varies it in any manner within the validity period.

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1.2 Banning across BHEL shall be imposed in following cases, if

1.2.1

- i) -----Blank-----.
- ii) Supplier is found to be responsible for submitting fake/ false/ forged documents, certificates, or information or misrepresentation/ wilful suppression of facts, or has resorted to unethical, illegal means or has forged BHEL documents, certificates etc. for securing business, meeting PQR or for enlistment in BHEL or with customers other than BHEL.
- iii) In spite of warnings, the Supplier persistently violates or circumvents the provisions of labour laws/ regulations/ rules or other statutory requirements.
- iv) Supplier is found to be involved in cartel formation or in any other act so as to influence the bidding process or influence the price.
- v) The Supplier has indulged in malpractices or misconduct such as bribery, corruption and fraud, pilferage, coercion etc.
- vi) The Supplier is found guilty by any court of law for criminal activity/ offences involving moral turpitude in relation to business dealings.
- vii) Supplier is found to have obtained any internal information/ documentation of BHEL by unauthorized means.
- viii) The foreign Principals along with the representing Agent shall be banned together if information submitted by them about their precise relationship, commission/ remuneration etc. payable/ receivable and other particulars as asked by BHEL, as per the extant guidelines regarding dealing with Agents of Foreign Suppliers is found false/ incorrect, at any stage.
- ix) Supplier has substituted, damaged, failed to return, or unauthorizedly disposed off free issue materials/ tools etc. of BHEL.

- 1.2.2 A Supplier can also be banned with the approval of Director (E, R&D) provided a direction to this effect has been received from the administrative ministry of the Government.

- 2.0 Reason(s) for putting a Supplier under hold/ ban as above are only illustrative and not exhaustive. Depending upon the gravity, the competent authority may decide to put a Supplier under hold/ ban for any other adequate and sufficient reason.

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3.0 Procedure

3.2 If prima-facie evidence or sufficient grounds exist for suspension, a 'show-cause notice' shall be issued to the Supplier giving a notice period of 15 days.

3.4 Interim Suspension:

In appropriate cases for justifiable reasons, fresh enquiries (including consideration of existing offers) can be stopped by the Unit from the date of issue of show-cause notice pending final decision. In case a Supplier submits a representation requesting for lifting of the Interim Suspension, then, the same shall be considered.

Note: Amongst others, in cases where recommendation for suspension of a supplier has been received from CBI/ Vigilance or any other investigating agency or the cases covered under clause 1.1.1 i), the supplier may be immediately put on Interim Suspension for all fresh enquiries in the concerned unit pending final decision.

3.6 If no response to the show cause notice is received from the Supplier within 15 days, BHEL may decide to recommend suspension of business dealings or otherwise on the basis of the available evidence on record.

3.7 If the Supplier responds, BHEL will consider the reply.

3.8 Personal hearing would be provided to the Supplier, if so requested by the Supplier or if so required. The minutes of the discussions shall be signed immediately with the supplier after conclusion of such discussions. In case, the supplier does not sign the minutes or, as the case may be, does not attend the personal hearing, then, record notes of discussion shall be issued to the Supplier on the same day duly recording such facts.

3.10 In case more than one act or omission is alleged to have been committed by the Supplier, then, the case shall be dealt with for all such acts or omissions together as a case of higher category of suspension (as applicable). The suspension to be imposed on the Supplier will be as per the highest category of act or omission that is/are established ultimately.

3.11 The onus shall be with the Supplier to inform BHEL regarding the corrective/preventive actions taken to address the reasons which has led to its suspension and the hold/ ban will not be lifted automatically after the period mentioned in the order.

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Note: In cases of Fraud (as defined in the Fraud Prevention Policy available at www.bhel.com), unit may also consider appropriate action as per BHEL's Fraud Prevention Policy. In addition, if misappropriation/ forgery is established, unit to consider filing of police complaint/FIR.

4.0

The suspension order shall become effective from the earlier of the following events:

- a) the date of its issuance;
Or,
- b) In case fresh enquiries have been put on Interim Suspension as stipulated in para 3.4 then, from the date when the Interim Suspension was implemented.

5.0 Contractual obligations:

5.1 Treatment of Contracts with Suppliers in Hold cases (applicable for the user unit only):

5.1.1 Contracts already entered into with a Supplier before the date of issue of the order of Hold shall not be affected.

5.1.2 Depending upon the type of hold, in ongoing cases where Techno-commercial Bids are under evaluation and any of the participant Supplier has been put on Hold, then the tender may be processed excluding the bid of that Supplier. However, if Price Bid has been opened and that Supplier happens to be L-1, then re-tendering is to be resorted to, excluding the Supplier.

5.1.3 The case of running framework agreement (FA) where multiple POs are placed against a single FA and if the Supplier has been put on hold, further purchase orders against this FA are not to be placed on the Supplier during the period of hold depending on the type of hold.

5.2 Treatment of Contracts with Suppliers in Ban cases (applicable across BHEL):

5.2.1 All existing contracts with the banned Supplier shall normally be terminated by BHEL.

Once the order for banning is passed, existing offers/ new offers of the Supplier shall not be entertained.

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6.0 Lifting of Suspension

Lifting of suspension will not be automatic on completion of specified period as causes for putting on suspension should be removed/ addressed before lifting of suspension. The Supplier, under suspension may submit explanations to the initiating unit regarding corrective/ preventive actions taken by him.

9.0 List of banned Suppliers shall be hosted on BHEL's website.

12.0 Registration of banned supplier shall be deemed to have been cancelled automatically. Supplier once banned shall have to seek fresh registration in the respective BHEL unit(s) on lifting of ban.

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Note: Text pertaining to procedures/ guidelines, internal to BHEL have not been included in the "Abridged version".

Abridged Version