

Evaluation of Financial Bids of Rolling Stock

Hemant Godbole

Sr Professor, Financial Management,
Railway staff College, Vadodara

Inviting Bids

An organization invites *proposals* for getting something done or getting certain supplies.

Such proposals are variously called as

- Bids or
- Tenders or
- Offers

Invitation to such proposals is done by NIT (Notice inviting Tenders) also called as RFP (Request for Proposals)

Purpose of Financial Evaluation

- For a given set of minimum Technical Specifications, an organization would like to spend the minimum amount of money.
- That means, it will seek to get the maximum benefits for the money it spends.
- The purpose of Financial Evaluation of bids is to get *Best value for Money*

Evaluation: Typical Methods used

- **Two Packets System:** Technical Evaluation done first; Thereafter, only for those bids that clear this stage, Financial Evaluation is done
e. g. DMRC (JBIC funded)
- **Single Packet System:** No separate Technical Evaluation e.g. MRVC (World Bank funded)

In both these examples, system of International Competitive Bidding was adopted

Features for facilitating Financial Evaluation used by DMRC

- For objective Financial Evaluation, DMRC had given certain important Instructions to Tenderers (ITT) for their RS3 (Rolling Stock 3) Contract involving Standard Gauge vehicles.
- Their NIT is posted at http://www.delhimetrorail.com/corporates/pop_up.html?page=tenders/te_121206.jpg

- Delhi- 110003. Two copies of the Tender Documents will be available at the office of the Chief Engineer, DMRC, New Delhi, at a non-refundable fee of Rs. 200,000/- (Rupees Two Lacs only) or US Dollar Five Thousand only) in the form of a crossed Demand Draft drawn in favour of 'Delhi Metro Rail Corporation Limited', payable at New Delhi, from 11th December, 2006 to 1700 hours on 5th January 2007.
- Tenders shall be returned in sealed envelope to the DMRC at the address above not later than 1100 hours on 28th February 2007. Late or defective tenders will not be accepted. Technical bids shall be opened at 1130 hours on the same date in the presence of the bidders who wish to attend. After opening of technical bids, the submission of tenders shall be evaluated to determine whether they pass the initial filter to become eligible for detailed technical evaluation. Price bid of those whose technical evaluations are found acceptable shall be opened at a date to be intimated separately. In case the date of opening of the bid as mentioned above is declared to be a holiday, the bids will be received and opened on the next working day at the same time and venue.
 - Tenders shall be valid for a period of 180 days from the latest date of opening of tenders and shall be accompanied by a Bank Guarantee from a Commercial Bank based in India for the sum of INR 50 million only in favour of Metro Rail Corporation Limited as described in the tender documents.
 - Details of the minimum qualifying criteria of Initial Filter are given in the tender specifications. Minimum qualifying criteria (Initial Filter) can also be obtained from the website of DMRC www.delhimetrorail.com after 11th December 2006.



DELHI METRO RAIL CORPORATION

(A joint venture of Govt. of India & Govt. of NCT of Delhi)

Website : <http://www.delhimetrorail.com>

Instructions To Tenderers (ITTs) by DMRC

- For eligibility, Tenderers have to pass the *Initial Filter* based on the submission made by them with the tender. (Details at pdf file DMRC RS3)
- Technical bids only of such eligible tenderers, who have passed the filter, will be evaluated.

Instructions To Tenderers by DMRC--contd

- Prospective tenderers to *visit the sites* of works before submitting the tenders.
- With tender documents, they will submit Initial Filter documents given below:-
 - i) Initial Filter Evaluation criteria including filter of applicants-check list
 - ii) Initial filter questionnaire

Instructions To Tenderers by DMRC--contd

- With the above, tenderer will submit *“Tender Guarantee” (TG)*.
- Will also submit financial package separately.
- With financial package, tenderers to submit
 - i) Completed pricing documents including the tender total, schedule of amounts apportionment over cost centres-----

Instructions To Tenderers by DMRC--contd

- ii) Pricing of unqualified withdrawal conditions, qualifications, deviations etc.

Instructions To Tenderers by DMRC--contd

Currencies of Tender and Payment

- i) Inputs from within India – INR
- ii) Foreign inputs – in freely tradable foreign currencies.
- iii) The maximum number of currencies : 3

Instructions To Tenderers by DMRC--contd

For comparative evaluation of offers, tender prices will be converted into INR (Indian Rupees) by using stipulated rates

(bill selling rates of exchange for those currencies at the close of business at SBI of last working day, 28 days before the last day of submission of tenders.)

Instructions To Tenderers by DMRC--contd

- Tender Guarantee (TG) –should be in the form of Bank Guarantee issued by scheduled commercial bank in India, **else tender will be rejected as “non responsive”**.
- TG of successful tenderer will be returned upon signing of the Contract Agreement and receipt of Performance Guarantee.

Instructions To Tenderers by DMRC--contd

TG shall be forfeited.

- a) If the tender is withdrawn during validity period.
- b) If the tenderer does not accept correction of tender price as stipulated.
- c) If successful tenderer revises or neglects to execute the contract or fails to furnish Performance Guarantee.

Instructions To Tenderers by DMRC--contd

- **Alternative technical proposals by tenderers.**
- Tenderers are expected to offer sub-systems, equipments etc. in conformity with the requirements.
- They can offer alternatives that will meet the requirements; these alternatives will be clearly mentioned in the *technical package only*.

Instructions To Tenderers by DMRC--contd

- All information including drawings, design calculations, technical specifications, service etc. of such other systems be given for complete technical evaluation of alternatives.
- Prices for such alternatives will be given only in financial bids
- In case the employer (DMRC) desires to adopt the alternatives, *all the tenderers will be given opportunity* to revise their financial bid based on such alternatives.

Instructions To Tenderers by DMRC--contd

- Tender Opening- As per the policy, technical packages will be opened and reviewed for determining acceptability and responsiveness.
- Unacceptable and unresponsive tender will be rejected and related financial packages will be *returned unopened*.

Instructions To Tenderers by DMRC--contd

- For the tenderers with valid technical packages, *financial packages will be opened with due notice to them.*
- Tenders with invalid TG will be rejected.
- For tenders determined to be substantially responsive, correction of errors will be done as follows
 - Arithmetic errors if any, will be corrected by the employer.

Instructions To Tenderers by DMRC--contd

- For discrepancies between words and figures, *amounts in words will prevail.*
- The lump sum stated in words at the top of the tender-total page will prevail and break up of amounts, if different, would be converted proportionately.
- If tenderer does not accept this, tender will be rejected and the guarantee forfeited.

Instructions To Tenderers by DMRC--contd

- Award-

Contract will be awarded to the tenderer whose tender has been determined to be *substantially responsive* and who has offered the *lowest evaluated tender price*. However, contract will not come into force until unconditional concurrence of JBIC is obtained.

Instructions To Tenderers by DMRC--contd

- Price Variation- At the the option of the tenderer, contract price can be adjusted for increase/decrease of price of steel, aluminum and copper as per price adjustment formulae stipulated in the contract.
- Quantity variation-increased upto to 25% of tendered quantity at the discretion of the employer.

Award of a contract by DMRC

- Using the above criteria, this contract was awarded to the Consortium of BEML – Mitsubishi - Rotem –MELCO (BMRM) for Rs.1144 crores at the lowest evaluated price.
- Companies like Siemens, Alsthom. Bombardier had also participated, but their bids were higher

Single Packet Systems

MRVC example

Requirement

The contract for design, development, manufacture, supply, testing and commissioning of 25 KV AC/1500 V DC dual voltage microprocessor controlled IGBT-based three-phase propulsion systems and equipment, Quantity 101units for 9-car equipments

MRVC example --contd

- MRVC procurement is partly funded by World Bank and conforms to the norms adopted for World Bank funded projects.
- Salient features of ITB (Instructions to Bidders)
 - Bid form-Bidder shall complete the bid form and appropriate price schedule.

MRVC example --contd

- Bid price-Bidder to indicate unit price (where applicable) and total bid price in bid currency.
- a) For goods and services supplied from within the purchaser's country- currency of such country
- b) For supplies outside the countries currency of Bank member country (more than 3 foreign currencies).

MRVC example --contd

- Documents establishing eligibility and qualification
 - Bidder has to establish eligibility and qualification as stipulated.
 - Should be from eligible country
 - If bidder is not a manufacturer he has been authorised by the manufacturer.

MRVC example contd

- Has financial, technical and production capabilities
- Bid security of a specified amount will be either a BG or irrevocable LC from a reputed bank in purchaser's country, valid for 30 days beyond validity of bid.
- Successful bidder's bid security will be discharged on signing of a contract and receipt of performance security.

MRVC example --contd

- Late Bids- to be rejected and returned unopened to the bidder.
- Opening and evaluation –in presence of bidder's representative.
- Details of bids will be announced at the opening.
- Preliminary examination-arithmetical errors will be rectified .

MRVC example --contd

- Discrepancies between unit price and total price- Unit price shall prevail and total price shall be corrected.
- Discrepancies between words and figures – Words will prevail.
- If supplier does not accept the correction, bid will be rejected and bid security forfeited.
- Purchaser will determine substantial responsiveness of each bid to the bidding documents as per the relevant clause of ITB.

MRVC example --contd

- If bids are not substantially responsive, they will be rejected and they cannot be made responsive by bidder by correction of non-conformity.
- Conversion of single currency-in case of comparison conversion to either
 - a) Currency of purchaser's country selling exchange rate of Central Bank

MRVC example contd

- b) Widely used International currency at selling rates of exchange published in international price for amount payable in forex.
- Currency selected for conversion of bid prices to common price for evaluation to be specified on the bid data.

MRVC example --contd

- Evaluation and Comparison-substantially responsive bid will be evaluated and compared.
- Evaluation will exclude
 - a) For goods manufactured or already located in purchaser's country, sales and other similar taxes

MRVC example --contd

- b) For goods offered from abroad, customs and similar duties.
- c) Any allowance for price adjustment during the period of execution of the contract if provided in the bid.
- Evaluation in addition to bill price, will take into action the following factors specified in bid data sheet.

MRVC example --contd

- a) Cost of inland transportation, insurance and other costs in purchaser's country
- b) Delivery schedule
- c) Deviation in payment schedule
- d) Cost of component, mandatory spares and services
- e) Availability in purchaser's country, spare part and after sale and service.

MRVC example --contd

f) Project operation and maintenance cost during the life of the equipment and other specified criteria indicated

Pricing for deviations: as per formulae specified in the terms

Award criteria: Purchaser will award the contract to the successful bidder determined as substantially responsive with lowest evaluated bid.

MRVC example --contd

- Using this process, contract for procurement of propulsion systems for MRVC was awarded to JV of M/s Siemens AG Germany (Lead Partner) and M/s Siemens Ltd India for value of

Euros 88, 749, 526 +

INR 4, 46, 433, 344 + taxes.

Details of the awarded contract are at

[http://www.mrvc.indianrail.gov.in/tenderphp/uploaded_tender/Electrical/awd-15~Details%20of%20Contract_EMU%20\(revised\).pdf](http://www.mrvc.indianrail.gov.in/tenderphp/uploaded_tender/Electrical/awd-15~Details%20of%20Contract_EMU%20(revised).pdf)

Evaluation

- As per World Bank's conditions, Negotiations are not allowed, however, "change order" is allowed.
- In this case, in INR terms. The bids were approx.
 - Bomardier Rs 860 Crores, L₁
 - Siemens Rs 960 Crores, L₂
 - Alsthom Rs 1070 Crores. L₃

Contd..

- However, L₁ could not qualify on the basis of Technical criterion and was considered unresponsive.
- L₂ was awarded the contract, but using “*change order*” *provision*, certain items like software etc. costing over Rs 60 Crores were not operated, by convincing the tenderer as well as the World Bank.
- This was done because in similar procurement by Railway Board from the same party, the “software” was already sourced. This also helped MRVC in reducing the Contract value