



# Doing Business With Coal India

Salient Points of Our  
Procurement Policy

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# Topics of Discussion

- About Coal India Ltd
- What do we buy ?
- How much do we buy?
- How do we buy?
- How can you sell your products and services to Coal India ?



## About Coal India Ltd

- **India is the 3<sup>rd</sup> largest** coal producing country in the world. Coal India Ltd.(CIL) contributes 85% of the total coal production in India.
- In terms of coal production, CIL is the **largest Company in the world.**



## About Coal India Ltd

- One of the **top 5 Companies in India**. Annual turnover Rs.38865 Crore (**US \$ 9 billion**) in 2007-08.
- A consistently profit making company .Gross profit (before tax) in 2007-08 **US \$ 1.94 billions**. Annual rate of growth of profit in last 5 years : 10%.
- **8** subsidiary companies, owns **465 mines, 19 Coal Washeries**, 200 workshops, captive power plants etc.



## About Coal India Ltd

- Present Production :380 Million Tons. Planned production in 2017 : 664 Mil Tons.
- CAGR : 5.5% in last 10 years. Projected CAGR in next 10 years : 9 %.
- Coal India produces coal **at lowest cost in the world**, at the mine-mouth. This cost leadership has been sustained for the last 10 years.



## About Coal India Ltd

- Mix of current production :336 million tons (88% of total) from Open Cut mines 43 million tons ( 12% of total) from Under Ground mines.
- Runs a large fleet of high capacity Heavy Earth Moving Machinery (6000 nos) : **41** Draglines, **670** Shovels,**3200** Dump Trucks, **1000** Dozers,**600** Blast Hole Drills.



# What Do We Buy?

- Heavy Earth Moving Machinery (HEMM)
  - Draglines( 15-55 Cu mtrs)
  - Electric shovels (5-42 cu mtrs)
  - Hydraulic Shovels( 2-10 Cu mtrs)
  - Dump Trucks ( 50-240 Tons)
  - Blast Hole drills(160mm – 380mm)
  - Crawler Dozers (320- 850 HP)
  - Wheel Dozers (320-410 HP)
  - Front end loaders (2-10 cu mtrs)
  - Tyre handlers
  - Motor Graders(145-280 HP)



# What Do We Buy?

- Rough Terrain Cranes (30-70 Tons)
- Workshop equipments
  - Machine tools
  - Cranes
  - Air compressors
  - Furnaces, blowers



# What Do We Buy?

- **Underground Mining Machinery**
  - **At Face** (Coal Cutting machines, Side Discharge Loaders, Load Haul Dumpers, Belt conveyors, Coal drills, Gate end boxes for CCMs, Long Wall equipments)
  - **For transport** (Haulages, Shuttle cars, Conveyors, Winding engines, Cages and skips)
  - **For ventilation** ( Ventilation Fans, Auxiliary fans)
  - Pumps and compressors
  - **For Crushing** ( Coal crushers, Vibratory screens)
  - **Electrical equipments** ( Transformers, ACB, OCB, Switch gears)
  - **Safety items** ( Cap lamps, Breathing apparatus, Self rescuers)



# What Do We Buy?

- Drilling and exploration equipments
  - Drills
  - Drilling accessories
  - Drill rods and drill bits



# What Do We Buy?

- MRO supplies and consumables
  - General Supplies
    - OTR Tires ,Non OTR Tires
    - Cables and conductors
    - Fasteners, hardware
    - Pipes and pipe fittings
    - Packing and jointing
    - Batteries
    - Electro technical items



# What Do We Buy?

- MRO supplies and consumables
  - Mining Supplies
    - Timber
    - Explosives
    - PVC and Rubber Beltings
    - Wire ropes



# What Do We Buy?

- MRO supplies and consumables
  - Engineering Materials
    - Ferrous raw materials
    - Steel products
    - Alloy steel
    - Tool Steel
    - Non ferrous metals



# What Do We Buy?

- MRO supplies and consumables
  - Consumable stores
    - Petrol ,HSD Oil, Lubricants
    - Acids and alkalis
    - Paints and varnishes
    - Cotton, Jute and canvas products
    - Cement , lime and allied products



# What Do We Buy?

- Spare parts
  - Spare parts for HEMM
    - Engines
    - Assemblies and Sub-assemblies
    - Overhauling and rehabilitation spares
  - Spare parts for Underground machines
  - Bought out items
    - Bearings
    - Hose assemblies and fittings
    - Air and oil filters
    - Brake linings
    - Oil seals, O-rings



## What Is Our Annual Volume of Purchase?

- MRO, spare parts and consumables : Rs 3000 crores ( **US \$ 650 millions** ) ( 1 \$= Rs 45)
- Plant, machinery, capital equipments Rs 4000 crores ( **US \$ 880 millions** )
- Services ( Transportation, Contract mining, consultancy, IT ) :Rs 3000 crores ( **US \$ 650 millions** )
- **Total** Rs 10,000 crore every year ( **> US \$ 2 billions** )



## How Do We Buy ?

- We follow basic principles of public buying.
  - CIL adopts an **open competitive bidding** procedures to obtain goods, works and services through open advertised tenders, open to eligible suppliers and contractors.
  - **Transparency ,fairness.**
  - **Equal opportunity to all bidders.**



# Notifications and Advertising

- Open tender, whenever the value of procurement is more than Rs 1 million ( US \$ 22,000).
- Global tender , when there is need for sourcing from overseas suppliers.
- Tender notices are posted in CIL website (<http://www.coalindia.nic.in>) and advertised in Indian Trade Journal and Indian national newspapers.
- 45 days are given to submit your bid.



# Tender Documents

- The tender documents provides all information required by you to prepare a bid.
- Earnest Money ( bid security) : Rs 1million (US\$ 22,000) (maximum ).



# Specifications of Products Purchased

- Specifications are drawn as per International standards like **ISO, ASTM, SAE** etc and Indian standards like **IS**.
- Items used for underground mines will require statutory permission from **Director General Mine Safety, Govt. of India**.
- Brand names are avoided.



## Eligible Products

- **Provenness criteria** : Your products offered must have been supplied in the past to any corporate customer and **performed satisfactorily for at least 1 year.** Documentary evidences required to be submitted with your bid.



## Essential Requirements to Be an Eligible Bidder

- Acceptance of conditions of contract (GCC and SCC).
- **Performance Bank Guarantee** of 10% of contract value. To be discharged after 1 year's satisfactory performance.
- **Warranty** requirement for 12 months. Free replacement of spare parts, components etc during warranty period.



# Essential Requirements to Be Eligible

- Only original equipment manufacturer (**OEM**) are eligible to quote.
- No agents are allowed to quote , unless the OEM does not sell directly, as a declared and consistent policy .
- In case of turn-key type contracts (BOO, BOOT, etc ) any firm may bid independently or in **joint venture** confirming joint and several liability, either with domestic firms and/or with foreign firms.



## Basis of Price Bid

- Overseas bidder to quote their price on **FOB, port of dispatch** basis.
- Domestic bidders quote on FOR destination basis.
- For global tender, price in foreign currency is allowed.



# Submission and Opening of Bids

- Bids to be submitted before the date and time of opening of Bids. Late bids are not acceptable.
- Opened in presence of bidders.
- **Two part bidding.** Part 1 is techno-commercial bid and part 2 price bid. Price bids of only those Bidders who are found responsive in part 1 are opened.



# Evaluation and Comparison of Bids

- The purpose of bid evaluation is to determine the acceptable bidders and compare their price. The **lowest responsive bidder** wins the contract.
- Comparison based on **landed price**, after adding all freight, insurance, taxes and duties to the FOB/FOR price. All quoted currencies are converted into Rs for bid evaluation on common level.



# Customs Duty

- Current level of customs duty in India :
  - **Normal duty** : 31.703 %.
  - **Concessional Duty** :25.75%.
- Current level of excise duty ( applicable to domestic suppliers) is 14.14%.



# Terms and Method of Payment

- 100% payment is made through a documentary **letter of credit (LC)**.
- **Irrevocable, divisible LC. Confirmation** on request at sellers cost.
- **Documents** to be submitted to bank : Bill of lading, Invoice, packing list, certificate of origin , test certificate, freight certificate etc.



# Maintenance and Repair Contract (MARC)

- Concluded at the time of supply of equipment for certain high capacity HEMM.
- Bids are evaluated at total price – Price of equipment, price of spare parts and consumables, cost of supervision and overhead during the entire MARC period.
- MARC period is fixed at a 70% of economic life of equipment.
- Guaranteed Availability of equipment.



# Integrity Pact

- For tenders above certain threshold value ,you will have to sign an Integrity Pact (IP) with CIL.
- The Integrity Pact (IP) is a tool developed in the 1990's by Transparency International to help governments, businesses and civil society to fight corruption in the field of public contracting.
- IP establishes mutual contractual rights and obligations of both buyer and supplier.



# Integrity Pact : CIL's Responsibility

- CIL commits that:-no official will demand or accept any illicit gratification to give any of the parties an advantage at any stage of the project.
- All necessary and appropriate technical, legal and administrative information related to the contract will be made public.



# Integrity Pact : Bidder's Responsibility

- They will not offer any illicit gratification to obtain unfair advantage.
- They will not collude with other parties to impair transparency and fairness.
- They will not accept any advantage in exchange for unprofessional behavior.
- They will disclose all payments made to agents and intermediaries of all descriptions.
- Penalties for breach.
- IEMs



## Who Is Responsible for Procurement ?

- High capacity HEMM, OTR tires : Coal India Ltd
- New technology, Joint Ventures, Turn-key projects for Mine development etc.:Coal India Ltd
- Lower Sized equipments, All Consumables, services, Spare parts: Subsidiary companies



## How Do You Start ?

- Please visit our website (<http://www.coalindia.nic.in>) more frequently. Click on Tender/notices link on the home page.
- Download sample tender documents to familiarize yourself with our tendering procedures.
- Identify *global tenders* or notice inviting *Expression of Interest* for products and services you are interested in .



## How Do You Start ?

- If you are interested , download the document, prepare your bid and submit your bid within the due date of opening. Bids have to be signed sealed and submitted in hard copies according to the instructions to bidders section of the tender documents. Soft copies are not acceptable.



## How Do You Start ?

- If there is a provision of pre-bid meeting ( generally included in high value procurement tenders ), you should attend in person or send your questions. All of them will be answered.
- Our evaluation process is transparent and fair. If your bid qualifies according to the terms of the tender , you will get the order.



## How Do You Start ?

- We are constantly in the lookout for newer , innovative solutions and technology up gradation. Please feel free to send us your proposals addressed to.
  - Director(technical ) and.
  - Chief General Manager (EED), Coal India Ltd.



## How to Contact Us ?

- Mr Partha S Bhattacharyya, Chairman, Coal India Ltd: [chairmancil@dataone.in](mailto:chairmancil@dataone.in)
- Mr. N.C.Jha Director (Technical), Coal India: [dtcil@vsnl.net](mailto:dtcil@vsnl.net)
- Mr. D.Sarkar , Chief General Manager (EED):[eedcil@vsnl.net](mailto:eedcil@vsnl.net)
- Mr. P.P.Sengupta Chief General Manager (MM) :[mmcil@vsnl.net](mailto:mmcil@vsnl.net)

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# Thank You !

Questions?  
Comments ?

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