

Standard Operating Procedure

1.0 TYPES OF WORKS

All the works taken up in the Company fall under either of the following two categories.

- 1.1 **Capital Works:** Capital Works are taken up for acquiring or improving the long-term assets such as construction of Plant & machinery, buildings etc., and represent major investments that a company makes to maintain or expand its business and generate additional profits.
- 1.2 **Revenue Works:** Revenue works are required to be taken up for various operational and maintenance requirements of an entity for generating operational revenues and for maintenance of capital assets for each financial year. They include inter alia core works such as hiring of mining equipment, repairs & maintenance etc., and non-core works such as support services for security, hiring of vehicles, canteen, medical etc.

2.0 BUDGET CALENDER

- 2.1 The Annual Budget incorporates estimates for two years i.e. for current financial year (Revised Estimates) and for the ensuing financial year (Budget estimates) for both Revenue Budget and Capital Budget.
- 2.2 The Revised Estimates for Revenue and Capital expenditure are prepared based on actual expenditure for the first quarter and estimates for 9 months.
- 2.3 The calendar for activities for preparation of Revenue Budget is given at **Annexure I**.
- 2.4 The calendar for activities for preparation of Capital Budget is given at **Annexure II**.

3.0 ANNUAL BUDGET - CAPITAL WORKS

- 3.1 The Annual Budgets for Capital Works incorporates capital expenditure proposals under the following heads:
 - 3.1.1 Detailed Project Report (DPR)
 - 3.1.2 New Works / Procurement of goods (Erstwhile AMR)
- 3.2 The annual budget incorporates estimates for two years i.e., for current financial year (Revised Estimates) and for the ensuing financial year (Budget estimates). A detailed procedure for working out the capital expenditure, head-wise, is provided in this document.



4.0 APPROVAL OF ANNUAL CAPITAL BUDGET

- 4.1 The procedure to be followed for the DPR works to be undertaken during the year is detailed at para 6.0.
- 4.2 The procedure to be followed for the New works / Procurement of Goods to be undertaken during the year is detailed at para 8.0.
- 4.3 On approval of the item wise Budget by the CMD, Finance department will incorporate the same into the Annual Capital Budget for RE current year and for BE of the ensuing year for seeking the approval of the Board.
- 4.4 Post approval of Annual Budget by the Board, executing department shall publish a 'Catalogue' (**Annexure III**) containing item-wise details of sanctioned budget and circulate to all the Projects / Units etc., for implementation.
- 4.5 The catalogue shall thus contain the details of all the New Works/ procurement sanctioned and proposed to be undertaken during the current year RE if any and BE for ensuing year. It shall also contain the budgeted expenditure against such new works/procurement, and the expenditure budgeted against Works in Progress. Thus, the listing of the work in the Budget shall be a *sin qua non* for taking up any New Works or for releasing payments against Works in Progress.
- 4.6 The procedure for 'unplanned Works /procurement' is detailed at para 5.0.
- 4.7 Sanction of Capital Works and Procurement is valid for a period of two years only. To elaborate, a work included for initiation in RE/BE for FY 21-22 can be taken up during FY 21-22 / FY 22-23 only. If not initiated during these three years, fresh sanction is required to be obtained.

5.0 UNPLANNED WORKS / PROCUREMENT NOT APPEARING IN THE CATALOGUE

- 5.1 Generally only capital works appearing in the approved capital budget booklet can be taken up for execution.
- 5.2 Works approved under BE column of the Budget will be executed till the RE for the current financial year is approved for the current financial year.
- 5.3 Unimplemented works where provision was made under previous year RE only (no BE provision was made for next financial year) may also be executed provided the same are again included in the current year's RE.

6.0 DPR WORKS

6.1 Nature of items



- 6.1.1 For long term sustainability, business relevance and competitiveness, the Company has to continuously explore various opportunities for organic and inorganic expansion and diversification. Such decisions have significant financial implications in terms of Capital Infusion, Sourcing of Funds and also carry the element of Risk.
- 6.1.2 For taking an informed decision on such growth opportunities, a Detailed project report (DPR) / Techno Economic Feasibility Report (TEFR) is prepared either in-house or by engaging the services of an external consultant.
- 6.1.3 A DPR / TEFR is thus a comprehensive document detailing the objective for proposing the project / scheme, the technical aspects, sourcing of resources, infrastructure requirements, the user acceptability, market dynamics, long term demand / supply projections, pricing trends, the financial viability along with source of funding, etc. Once approved, the DPR / TEFR also serves as a framework for planning and implementing the project.
- 6.1.4 It is a site specific document and aims at optimization of the scheme in its entirety. It also serves as a Bankable feasibility Report of the project for sourcing of external funding if required.
- 6.1.5 A DPR / TEFR is prepared generally for creation of a green field, stand-alone profit center which is evaluated for its technical and financial viability (based on cash flows, payback period, Return on Investment, IRR, NPV etc.).
- 6.1.6 A DPR / TEFR is also prepared for any increase in the existing installed capacities in brownfield projects along with technical / financial feasibility analysis.

6.2 Approval of DPR Works

- 6.2.1 The DPRs / TEFRs with capital investment shall normally require further Due Diligence by external Consultants as a matter of additional financial validation before sanction of the investment decision.
- 6.2.2 The DPR / TEFR and Due Diligence Report, wherever applicable, shall be examined in Finance department of H.O. before seeking sanction of project by Board / ECoD / CMD as the case may be.

6.3 Packaging philosophy for DPR works:



- 6.3.1 The capital expenditure projected under the DPR / TEFr may be captured under the broad expenditure heads such as Land, Plant & Machinery, Civil & Structural Works etc. and the detailed Packaging philosophy may not be available at the stage of Project sanction.
- 6.3.2 Post sanction of the DRP / TEFr, the implementation of the project is required to be taken up by breaking up of the project into various packages according to the order in which they are required to be taken up.
- 6.3.3 Thus, the Packaging philosophy with indicative cost estimate for the packages shall be proposed by User department through concerned FD and shall be concurred in Finance before approval of CMD.

6.4 Inclusion in Budget:

- 6.4.1 The year wise phasing out of the packages shall be worked out by the User department in consultation with the Consultant, if any, depending on the project completion period.
- 6.4.2 Depending on the sourcing of funds, i.e. from internal resources / debt financing in consultation with HO Finance, User dept shall propose for the packages to be taken up during the Budget Period along with expected expenditure during the Budget Period.
- 6.4.3 Consolidated list of all such DPR related proposals shall be compiled in the Projects department and thoroughly reviewed before forwarding the same to Finance department at HO for their scrutiny and further incorporation into the Annual Capital Budget for RE current year and for BE of the ensuing year for seeking the approval of the Board.

7.0 NEW WORKS / PROCUREMENT OF GOODS (ERSTWHILE AMR)

7.1 Nature of work/ Procurement

- 7.1.1 All capital expenditure on Additions, Modifications and Replacement of the existing assets in the areas of existing operations of the Company are included under this budget.
- 7.1.2 Capital expenditure proposals in townships in units for improvement in the employees dwelling accommodations and associated infrastructure for promoting employee well being and welfare can also be included under this Budget.
- 7.1.3 The budget proposals shall be worked out based on the extant Circulars /Guidelines issued by the Company on the subject.

7.2 Sanction-New works / Procurement of Goods



7.2.1 **Budget for New Proposals**

- 7.2.1.1 Individual proposals containing detailed justification and abstract of cost estimate for New Capital Works / new procurement proposed to be taken up during the current year for along with the budgeted estimated expenditure proposed for inclusion in RE and for subsequent financial year for inclusion in BE shall be approved by HoP/HoU/HO-RO after concurrence by Local Finance.
- 7.2.1.2 The consolidated list of the proposals so approved shall be forwarded to executing department as per format at **Annexure IV**, for inclusion under the Budget. This process shall be completed by 31st July of each FY as specified in the Budget Calendar.

7.2.2 **Budget for Ongoing Works**

- 7.2.2.1 Head of Project / Unit / RO shall review all ongoing works/ procurement , approved during the previous years, and submit to executing department at HO for inclusion of fund requirement during the current financial year (RE) and the subsequent financial year (BE) against these works before 31st July of FY as specified in the Budget Calendar.
- 7.2.2.2 Details of work/procurement, year and amount of original sanction, expenditure already incurred up to current period, expenditure proposed for current year (RE) and for subsequent year (BE) will be included in the proposal and financial concurrence obtained for the same at the local level. The format prescribed for submission of details with respect to Ongoing Works/procurement shall be as per **Annexure V**.
- 7.2.2.3 While proposing the budget estimate for these works, Units will thoroughly review the balance fund required to complete the ongoing capital work / procurement and submit detailed justifications for any variation to the approved budget for seeking sanction for the variation. This process shall be completed by 31st July of each FY as specified in the Budget Calendar.

7.2.3 **Budget approval:**

- 7.2.3.1 The above proposals for 'New/ongoing Works/procurement ' shall be reviewed by executing department at HO before forwarding the consolidated Budget to Finance department by 31st August of the financial year.



- 7.2.3.2 Finance department shall check the Budget and process for approval of the CMD through the concerned Functional Director.

8.0 Emergency works

- 8.1 Emergency works are defined as those works, both capital and revenue, which are needed to be taken up immediately to
- 8.1.1 Avoid /mitigate loss of life / property or
 - 8.1.2 Avoid loss due to fire or accident / or any other natural calamities etc
 - 8.1.3 Avoid Stoppage of production.
- 8.2 Since Emergency Works cannot be anticipated during the plan period, no specific budget sanction would be available for the same in the Capital or Revenue Budget.
- 8.3 In the eventuality of any such emergency event or mishap, the Head of concerned Project / Unit of operation shall immediately take all necessary action to mitigate the loss / casualty, based even on informal communication to competent authority.
- 8.4 The Head of the Project / Unit shall thereafter issue an 'Emergency Certificate' as per the format prescribed at **Annexure VI**.
- 8.5 For this purpose, the Head of the Unit may engage the appropriate contractor or agency on Single Tender Basis and award the work on the basis of Letter of Intent with instruction to take up the work immediately. Regularizing Letter of Award of Contract can be issued subsequently.
- 8.6 If the financial value of work falls beyond the delegated powers of HOP/HoU, he shall obtain ratification of the action taken by submitting a Report covering the nature of emergency, extent of damage / loss incurred, financial implications thereof, steps taken to mitigate the risk / loss with financial, legal implications of the same along with the 'Emergency Certificate'.
- 8.7 Even if the financial value of the work falls within the delegated powers of HOP/HoU, he shall submit an Information Memorandum to the concerned FD enclosing the 'Emergency Certificate'.
- 8.8 No financial concurrence is required for executing emergency works.

9.0 Roles & Responsibility of the TSC members:

- 9.1 Based on the Comparative Statement prepared by the dealing officer of the executing dept, the TSC shall scrutinize the tenders received against the Notice Inviting Tender (NIT) and confirm the receipt of the tender essentials such as



EMD, Solvency Certificate, Letter of Undertaking, Integrity Pact etc., under Part I of the Tender.

- 9.2 The TSC shall confirm the receipt of all other documentation and other information envisaged under Part II of the tender required for further processing of the tenders.
- 9.3 The TSC shall as a collective body, sign off on the recommendations for approval of the Competent Authority. Thus the responsibility of the members of the TSC is joint and several.
- 9.4 The TSC shall evaluate the eligibility of the bidder with regard to the Pre-Qualification Criteria envisaged in the NIT.
- 9.5 On acceptance of techno commercial recommendations of the TSC by the Competent Authority, the price bid will be opened and based on the Price Comparative statement prepared by the dealing Officer of the executing dept, TSC shall identify the Lowest bidder and evaluate the reasonability of the price for acceptance or otherwise.
- 9.6 TSC shall record all the significant issues for giving conclusive recommendation to the Competent Authority. The TSC recommendations shall be objective, unambiguous and categorical and shall be supported by facts and figures, wherever required.
- 9.7 In case of any major difference of opinion between the TSC members, the dissenting member may record his dissent along with details thereof for enabling the Competent Authority to arrive at a holistic view. The detailed modality in case of dissent by Finance member is given in the DOP at point 14 of Guideliness/Preamble for exercise of powers.
- 9.8 In case of dissent by any other member, the following methodology may be followed:

Handling Dissent among Tender Committee

All members of the TSC should resolve their difference through personal discussions instead of making to and fro references in writing. In cases where it is not possible to come to a consensus and differences persist amongst TSC members, the reasons for dissent of a member should be recorded in a balanced manner along with the majority's views on the dissent note. The final recommendations should be that of the majority's views and such situations should be rare. The Competent Authority (CA) can overrule such dissent notes after recording reasons for doing so clearly. His decision would be final.

In cases where the CA does not agree with the majority or unanimous recommendations of the TC, he should record his views and, if possible, firstly send it back to TC to reconsider along with the lines of the tender accepting authority's views. However, if the TC, after considering the views of the CA, sticks to its own earlier recommendations, the CA can finally decide as deemed fit, duly

recording detailed reasons. He will be responsible for such decisions. However, such situations should be rare.

