

REVERSE AUCTION POLICY 2013-14

1. PREAMBLE

- 1.1. E-procurement has emerged as a near perfect solution to the need of maintaining transparency, fairness and equal opportunity in tendering processes. E-procurement encompasses digitizing all components of tendering process. Reverse Auctions are a part of e-procurement process and can be effectively used to push down the final price in a tender process. It serves the objective of price discovery in a method, which is not only transparent but also most beneficial not only to the buyer organization but also the participating vendors as well. The technology involved in e-procurement and Reverse Auction is well accepted/stabilized.
- 1.2. Presently Bank is following "Two part offer" system for all type of procurements done in Bank. This system envisages submission of the offers in two parts i.e. Technical and Commercial, in separate sealed envelopes. After evaluation of technical offers, a short-list of vendors qualifying in the Technical evaluation is made and Commercial offers of only those short-listed are opened. L-1 vendor becomes the selected vendor.
- 1.3. CVC, vide Office Order No: 46/9/03 dated 11th September 2003 on E-procurement / Reverse Auction, has stated, "the Commission has been receiving a number of references from different departments/organizations asking for a uniform policy in this matter. The departments/organizations may themselves decide on e-procurement/Reverse Auction for purchases or sales and work out the detailed procedure in this regard. It has, however, to be ensured that the entire process is conducted in a transparent and fair manner."
- 1.4. E-procurement completely does away with the need for submission of physical documents. The entire processes i.e. submission of technical and commercial bids, pre-bid clarifications, etc, are done through electronic mode.
- 1.5. The Computer Hardware and software procurement policy 2007-08 para 11 approved by Board in its meeting dated 28th March'07 (agenda item no. 40) provides for adoption of e-procurement and Reverse Auction. Reverse Auction Policy is now proposed for tendering process in applicable cases/circumstances.

2. WHAT IS REVERSE AUCTION

- 2.1. Reverse Auction is one amongst the processes involved in e-procurement. It replaces the commercial offers/price negotiation with an electronic auction process enabling selection of the successful bidder. This not only facilitates price discovery but also allows participation of all technically qualified vendors without elimination.
- 2.2. Reverse Auction can also be defined as specialized auction that allows Bank to finalize commercial evaluation of a tender by featuring decreasing incremental bidding. In other words, it is exactly opposite to the common auction in which the

goods are sold involving increased incremental bidding. It is a process, reverse to the common auction, i.e. forward auction and as such is called Reverse Auction.

- 2.3. Unlike conventional tendering process, where Bank negotiates price with only L 1 vendor, Reverse Auction provides an opportunity to all the bidders qualified in technical evaluation to quote and improve their price offers dynamically and continuously throughout the "Auction Time".

3. BENEFITS OF REVERSE AUCTION

3.1. Benefits to Bank

- 3.1.1. Bank is able to digitize the entire process of commercial evaluation to bring in transparency and efficiency. The deficiencies of manual process, thus, get addressed.
- 3.1.2. Bank is also benefited by the opportunity to negotiate prices simultaneously with all the techno-qualified vendors.
- 3.1.3. The room to push down prices increase manifold in the Reverse Auction scenario.
- 3.1.4. Bank saves lot of time, which is normally involved in a negotiation process.

3.2. Benefits to Vendor

- 3.2.1. In Reverse Auction scenario not only one i.e. the L 1 but all the techno-qualified vendors get opportunity to participate in commercial evaluation.
- 3.2.2. Vendors are able to know the rules of Reverse Auction upfront without any ambiguity.
- 3.2.3. Vendors get opportunity to improve the prices many times continuously during the auction time.

3.3. Vigilance Compliance:

- 3.3.1. Reverse Auction process addresses all the three essential ingredients for tendering i.e. transparency, fairness and equal opportunity.
- 3.3.2. As the entire process is digitized with features like data encryption and digital signatures, Bank gets the benefits of having electronic records as evidence in case of disputes.
- 3.3.3. The room for complaints/grievances gets reduced on following counts:
 - 3.3.3.1 Only authorized representative of vendor participates.
 - 3.3.3.2 Confidentiality and transparency is maintained throughout.
 - 3.3.3.3 All the participating vendors know the lowest price during the auction time without knowing the name of vendor.
 - 3.3.3.4 All vendors get equal opportunity to quote/lower prices during auction time.

4. Reverse Auction Process - Initiation

- 4.1 Reverse Auction activity will follow successful technical evaluation in a RFP process and after normalization, if any, to ensure homogeneity of product / Offer. Technical evaluation of RFPs must be carried out strictly as per the norms notified to the vendors upfront in the RFP document. Following are the usual norms and parameters in any technical evaluation:

- 4.1.1. Compliance with eligibility criteria specified in EOI/RFP.
- 4.1.2. Compliance with technical/functional and AMC specification prescribed in the RFP.
- 4.1.3. Compliance with knock out criteria, if any, specified in the RFP.

- 4.1.4. Further evaluation on different defined parameters such as presentations, structured walk throughs, reference site visits, customer feedback etc.
- 4.1.5. Marks are awarded for different parameters as per the defined scoring pattern. Vendors are short listed based on the marks scored in the evaluation.
- 4.1.6. Normalisation, if any, based on all other technical inputs and un-priced commercial bids, other information available on record, experience gained from earlier processes, information from other participants in the industry, etc.

5. **Normalization:**

- 5.1 Before any reverse auction process commences, it usually becomes necessary to carry out normalization process of the technical offerings. Such normalization is with a view to bring the various offerings to a homogeneous platform/ characteristics. While the RFP will exhaustively list/specify the product requirements, it is inconceivable that specific product features of different vendors, developments that continuously take place in the market place would be comprehensively accounted for in the RFP. So long as the requirements of the Bank are met in an acceptable, adequate and convenient fashion, the Bank is not only obliged to accept the offering but also would have considered itself somewhat unfair if it were to reject an offering based on too strict/prosaic reading of the RFP. A considerable amount of efforts and understanding of the offerings lead to what is known as "Normalization of offering."
- 5.2 Vendors, due to their own company characteristics tend to give different nomenclatures and definitions as also billing norms for their offerings. These require to be understood and a process of normalization can only ensure that the TCO as is intended by the Bank is adopted. Normalization process, thus is necessary to bring about homogeneity of the product/offering before the bidding takes place.
- 5.3 Normalization of the products/offering specified in the RFP usually involve the following:
 - 5.3.1 Verification of all the requirements specified in RFP document in each and every product/offering of various vendors responding to RFP.
 - 5.3.2 Listing out inconsistencies, short-comings observed.
 - 5.3.3 Vendor clarifications on the notings, short-comings, etc., observed by the Bank.
 - 5.3.4 Points/issues raised and clarified regarding product/offering in vendor presentations, product walk through, reference site visit, customer feedback, industry information, etc.
 - 5.3.5 Bill of costs specified by the Bank towards licenses fee (Corporate/ User specific, etc., with restrictions to maximum number of users), cost of operating system (license fees as applicable to individual offering/product specification), warranty period applicable and costs if any attributable to additional warranty offering by a specific vendor.
 - 5.3.6 Specific costs attributable and mentioned as additional in the offer, such as training costs, travel and staying expenses of engineers, other expenses to be borne by the Bank etc.
 - 5.3.7 Any other relevant aspect to bring in the homogeneity in the offering.

6. REVERSE AUCTION PROCEDURE

- 6.1 Software solutions are available, which are well stabilized, to conduct electronic Reverse Auction. Bank may purchase the software license and conduct the Reverse Auction ourselves.
- 6.2 Alternatively, Bank can outsource the Reverse Auction process to service providers. Service providers so selected conduct the Reverse Auction process on behalf of the bank. Suitable SLA (Service Level Agreement) is entered into for such outsourced arrangement.
- 6.3 The bank, for the time being, will outsource the activity to a Service Provider.

7. SERVICE PROVIDER

- 7.1 The Reverse Auction is conducted electronically using secure web portals. The auction is conducted by E-procurement auction companies. Bank may select one or two companies for outsourcing the services of e-procurement/Reverse Auction. Bank may evaluate the Service Providers based on their capabilities and through a structured selection process. The following eligibility criteria for selection of Service Provider will be adopted:
 - 7.1.1 The Service Provider should have a separate web portal to facilitate the Reverse Auction.
 - 7.1.2 The service provider should be an ISO 9001-2000 company.
 - 7.1.3 The web portal should be a secure site using minimum 128 bit SSL encryption.
 - 7.1.4 The Service Provider must have experience of conducting such Reverse Auctions for at least two years.
 - 7.1.5 The Service Provider should have provided Reverse Auction services to at least one state government, one major PSU/govt organization and one public sector bank, and in each case to the satisfaction of these outsourcing organizations.
 - 7.1.6 The Service Provider for Reverse Auction or his/its associate/sister concerns will not himself/itself/themselves be a participating vendor in any Reverse Auction done by the Bank.
 - 7.1.7 The Service Provider must enter into an agreement with the Bank specifying clearly rights and obligations and the agreement must be valid when any Reverse Auction assignment is given to the Service provider.
 - 7.1.8 The Bank will normally empanel Service Providers and give reverse auction assignments at its choice / convenience.

8. Expenditure on Reverse Auction

- 8.1. The expenditure on Reverse Auction shall be borne by Bank.
- 8.2. The costs involved in Reverse Auction are, it is ascertained, not much and are justified taking into view accruing benefits.

9. **PROCESS OF REVERSE AUCTION**

9.1 In all cases where Bank proposes adoption of Reverse Auction, notification of such intention to follow Reverse Auction process will have been stated in the RFP document.

9.2 Business rules for the Reverse Auction involving obligations and rights of the bank and participating vendors will be framed and permanently displayed in the bank's website. These shall also be furnished to any intending vendor on demand. Such requests for hard copy of Rules will be entertained only in writing and responded to again with a covering letter by any authorized officer of the bank.

9.3 Every RFP document shall contain a reference to "display on website" and availability of Business Rules copy on demand as provided for in para 8.2.

9.4 The RFP document will also spell out clearly the options to be exercised by Bank as under:

9.4.1 To conduct a single Reverse Auction based on TCO (Total Cost of Ownership) in case of a composite procurement involving multiple items and services.

9.4.2 To conduct more than one Reverse Auction based on each item of procurement covered in a RFP.

9.5 **Business rules for Reverse Auction:**

9.5.1 The Business Rules for Reverse Auction are as per Annexure I.

9.5.2 The Business Rules as contained in Annexure I shall be permanently displayed in the website.

9.6 **Changes in Business Rules:**

9.6.1 Any change in Business Rules as may become emergent and based on experience gained shall be made only by and with the consent of a Committee of General Managers consisting of (1) General Manager (IT), (2) General Manager (PSS) and (3) General Manager (CA&ID). In the absence of any General Manager, his deputy in the Department shall attend the meeting. The Committee will decide on changes in Business Rules based on Agenda papers and discussion thereon. The minutes of the meeting shall be placed before the CMD and ED within 3 working days of such meeting.

9.7 **START UP Price:**

9.7.1 Every Reverse Auction process shall commence at and after electronically loading the "START-UP PRICE" by the Bank. Such a start-up price may be arrived at considering:

9.7.2 Start-up price decided by the bank taking into account prior experience, knowledge/information gained from the industry, etc.

9.7.3 Indicative price bands to be specifically asked for/obtained from various participating vendors (RFP document shall provide for the asking of indicative price bands of TCO at an appropriate time which will be during the technical evaluation process).

9.7.4 The "START-UP PRICE" shall always be on the basis of Total Cost of Ownership (TCO) to the bank and shall exclude variables of octroi, entry tax

but will include installation, commissioning charges / expenses, comprehensive maintenance charges during warranty period including visit expenses, transporting & forwarding charges to respective site/s, insurance for transit period and till installation, etc as also all taxes such as Sales Tax, VAT, Service Tax, etc. However, penalty imposed for non-payment of octroi, entry tax, etc. will never be paid by the bank.

10. RFP TERMS AND CONDITIONS FOR REVERSE AUCTION:

- 10.1 Bank shall specify its intention to select the L-1 vendor through Reverse Auction in the RFP in all cases where Reverse Auction for price discovery is proposed. As part of the Response to RFP, every vendor shall submit a specific undertaking having read, understood and accepted the terms/conditions/rules applicable to Reverse Auction proposed to be followed.
- 10.2 The format of the vendor undertaking specified in para 9.1 shall be provided by the bank and will also be available in the bank's website.
- 10.3 Each offer document in response to the RFP must also contain an authorization letter with two names of the authorised representatives who will be permitted to participate in bidding process and to facilitate supply of user ID and PIN by the bank/Service Provider.

11. Reverse Auction Process No Substitute to Other Compliances:

- 11.1 Reverse Auction process deals only with the procedure to select the L1 vendor from out of the technically qualified vendors and therefore, does not override the other provisions of any / applicable / relevant procurement policies.
- 11.2 Approval of the competent authority in terms of Delegated Powers will continue to be taken for the proposed expenditure, capital or Revenue, as the case may be.

12. RE-TENDERING

- 12.1 In situations where Bank conducts a tender process without Reverse Auction and only a single vendor qualifies the technical evaluation, it is evident that the Reverse Auction cannot be conducted. In such events, Bank will cancel the tender process and re-tender it in conventional two-part bid method by inviting both technical and commercial offers, without conducting a Reverse Auction.

13. RE-AUCTION:

- 13.1 Bank may consider the option of a Re-Auction in following circumstances:
 - 13.1.1 During the process of reverse auctions, if there is either no bids from logged in vendors or only one vendor puts up bid/s, Bank may decide a re-auction by taking fresh Indicative prices from all qualified vendors in sealed cover only, to amend the start price for Re-auction.
 - 13.1.2 In case the start price for the Reverse Auction event is decided by Bank and there are no bids or only one bid/s by a single vendor in the Reverse Auction, Bank may decide Re-Auction while further amending the start price.
 - 13.1.3 Reverse auction will be valid only if two or more bidders are participating in the reverse auction event.
 - 13.1.4 Bank shall ensure that after unsuccessful re-auction for a particular tender, it shall be ensured that open bids are invited so that a combination of pool and cartels is not formed by the same set of bidders to continuously beat

down start price either by not participating or by ensuring only one bidder participates in the reverse auction process.

13.1.5 In all the above circumstances, the functional head of the department may take a decision on re-auction.

14. REPORTING

14.1 Reverse Auction process will involve reporting by the service provider, bidders and the Department concerned.

14.2 Reporting by Service provider: After the completion of the Reverse Auction, the service provider shall submit a report containing details of auction along with the softcopy of logs to the Bank showing all details of the Reverse Auction. These shall be maintained as records forming part of the relevant procurement process.

14.3 Reporting by the Bidders: Bank will identify all or some of the bidders participating in Reverse Auction after end of the process to give detailed break up of last bid price to the Bank in the Bill of Material format made known in the RFP.

14.4 Reporting to Management: Functional Departments will at the end of every quarter submit a report on Reverse Auctions conducted by them during the quarter to DIT as per format in Annexure II.

14.5 Reporting to CMD / ED: DIT shall place a consolidated Report every quarter to the CMD / ED on the Reverse Auctions conducted during the Quarter by all the Depts.

15. GRIEVANCES REDRESSAL IN REVERSE AUCTION

15.1 Any vendor grievance in and pertaining to Reverse Auction shall be sent in writing to the Chief Compliance Officer of the bank. The Chief Compliance Officer shall refer immediately such grievances to a Committee consisting of (1) Chief Compliance Officer (2) GM (CA&ID) (3) GM (overlooking Central Law Dept.). The Committee's decision shall be communicated to the vendor and also action as may become emergent shall be initiated by the Department concerned.

16. DISPUTE DUE TO AMBIGUITY UPON APPLICABILITY OF POLICY

16.1 In case of any dispute due to ambiguity upon applicability of the Reverse Auction Policy, the matter shall be decided by the committee consist of (1).Chief Compliance Officer (2). GM(CA&ID) (3). GM (overlooking Central Law Dept.).

17. APPLICABILITY AND REVIEW

17.1 The Policy shall apply to those procurements wherein RFP specifically proposes adoption of Reverse Auction and normally to those procurements with a minimum value of TCO Rs.25 Lacs.

17.2 The Policy will come into force with immediate effect.

17.3 The guidelines outlined in the policy will be supplementary to the various procurement policies and not in substitution thereof.

17.4 The Policy will be reviewed annually.

17.5 The policy shall not apply to the appointment of consultants / service providers.

18. DELEGATED AUTHORITY FOR REVERSE AUCTION

- 18.1 General Managers of functional departments / Regional Heads / Heads of other Administrative Offices including Staff College are the Competent Authority to decide the cases where Reverse Auction procedures should be followed.

19. DO'S AND DON'TS FOR BANK OFFICIALS

DOs:

- 19.1. The date of reverse auction should be informed to the vendors well in advance.
- 19.2. The short listed vendors should be given the training before start of Reverse Auction.
- 19.3. The start bid price and decremental bid value should be informed to the agency carrying our reverse auction.
- 19.4. The Bank officials should have valid digital certificate to enable them to monitor the reverse auction event.
- 19.5. The reverse auction event should be continuously monitored by the Bank officials.
- 19.6. The Authorization letter from the short listed vendor should be obtained before start of Reverse Auction.
- 19.7. The price break up from the L1 vendor should be obtained after completion of reverse auction.

DON'Ts

- 19.8. The start bid price should not be informed to the short listed vendors before start of reverse auction event.
- 19.9. During the Reverse Auction Process, price quoted and ranking of each vendor should be shown in alias name and not by their actual name.
