

SOURCES OF SUPPLY AND REGISTRATION OF SUPPLIERS

Eligible and Qualified Supplier

5.1 Contract for supply of Stores is to be placed on a supplier who is eligible to receive the contract, and, also capable, i.e. qualified in all respects to 'deliver the Stores'. The supplier is required to fulfil and follow all applicable rules, regulations and conditions to transact business with the Government and it should be technically capable and financially sound to deliver the required Stores. There are thus two basic criteria to be fulfilled by the supplier to receive a government contract – Eligibility Criteria and Qualification Criteria. The suppliers/firms with whom government transactions have been banned/black listed/suspended due to any reason will not be eligible to receive government contract.

5.2 Further, if the purchasing department engages a consultant to prepare a project report, that consultant will not be eligible to quote against the tender enquiry subsequently floated by that Department for purchase of Stores for that project.

Registration of Suppliers – Basic Guidelines

5.3 With a view to establish reliable sources for procurement of Stores commonly required for government use, the Stores Purchase Department will prepare and maintain item-wise Register of eligible and qualified (i.e., capable) suppliers. Such approved suppliers will be known as “Registered Suppliers”. All Departments may utilise the services of the Registered Suppliers as and when necessary. Such registered suppliers are prima facie eligible for consideration for procurement of Stores through Limited Tender Enquiry. They are also ordinarily exempted from furnishing earnest money deposit/bid security with their tenders. Credentials, manufacturing capability, quality control systems, past performance (for the Stores in question), facility for after-sales service, financial background, etc., of the supplier(s) should be carefully verified before registration.

5.4 Any firm, situated in India or abroad, who are in the business of manufacturing, stocking or marketing of Stores and operating operator of services of specified categories, shall be eligible for registration. Where registration is granted based on partly outsourced arrangements/agreements, it shall be the responsibility of the registered unit, to keep such arrangements/agreements renewed/alive at all times, to keep their registration valid for the period for which, it has been granted. Any failure in this regard may make the registration null and void/ineffective retrospectively, from any such dates, which the registering authority considers appropriate. Firm, against whom any punitive action has been taken, shall not be eligible for re-registration for a period of three years or as prescribed. Registration requests may not be entertained from such firms, stake holders of whom have any interest in deregistered/banned firms.

5.5 The supplier(s) will be registered for a fixed period of two years. At the end of this period, the registered supplier(s), who are willing to continue with registration, are to apply afresh for renewal of registration. New supplier(s) may also be considered for registration at any point of time, provided they fulfill all the required conditions. Performance and conduct of every registered supplier is to be observed by the concerned Department. The registered supplier(s) are liable to be removed from the list of approved suppliers if they fail to abide by the terms and conditions of the registration.

Registration of Firms

5.6 The Stores Purchase Department will maintain a Register of approved suppliers giving the names of firms who are registered with the Department as approved suppliers of stores.

(i) Classes of firms to be registered: Firms are classified into three groups according to the nature of their business. The groups are Manufacturers (including service providers), Stockists and Commission Agents. Only Manufacturers and Stockists are eligible for registration, by the Stores Purchase Department.

(a) In excluding Commission Agents, care should be taken not to exclude agents of manufacturers who may not necessarily be stockists.

(b) The refusal to register commission agents does not amount to a denial of their right to submit tenders. They will remain free to participate in any tender.

(ii) Manufacturers are divided into Micro, Small & Medium Enterprises. A certificate issued by the Director of Industries and Commerce or other appropriate authority will be accepted for purpose of this classification. Industrial co-operatives will also be included in the above classification, if they are certified as such by appropriate authority.

NOTE 1: Definition of Manufacturer, Stockist, Commission Agent.

1. i. **Manufacturer:** A firm that makes or process goods, especially in large quantities and by means of industrial machines/industrial operation.

2. ii. **Stockist:** One who undertakes to maintain stocks of a specified product at or above a certain minimum in return for favourable buying terms granted by the manufacturer of the product.

3. iii. **Commission agent:** Any person who acts on behalf of another person and causes sale or purchase of goods, or provision or receipt of services, for a consideration, and includes any person who, while acting on behalf of another person:

- deals with goods/services/documents of title to such goods/services; or
- collects payment of sale price of such goods/services; or
- guarantees for collection or payment for such goods/services; or
- undertakes any activities relating to such sale or purchase of such goods/ services.

NOTE 2: The classification of enterprises into Micro, Small & Medium Enterprises shall be as per Micro, Small & Medium Enterprises Development Act 2006. The classification based on investment excluding land and building as per the Act is as follows:

Manufacturing Enterprises:

Micro Enterprises – Investment upto ` 25 lakh

Small Enterprises – Investment above ` 25 lakh & upto ` 5 crores

Medium Enterprises – Investment above ` 5 crores and upto ` 10 crores

Service Enterprises:

Micro Enterprises – Investment upto ` 10 lakh

Small Enterprises – Investment above ` 10 lakh & upto ` 2 crores

Medium Enterprises – Investment above ` 2 crores and upto ` 5 crores

NOTE 3: Procedures for registration of firms under the e-procurement system shall be notified separately.

Authorities competent to deal with the applications for registration and grant registration

5.7 The Department shall notify the authorities competent to deal with the applications and grant registrations. The Appellate Authority shall be at least one level above the Registering authority or as designated by the Department. The Stores Purchase Department shall issue “guidelines” containing all relevant details to enable the interested firms to apply for registration.

5.8 The application form, complete in all respects and accompanied with the requisite processing fee and prescribed documents shall be submitted by the firms to the registering authority. Registration shall be granted to the firms, who fulfill all the specified requirements. Registration Certificates shall be issued to the firms with the approval of competent authority.

Application for Registration

5.9 Every firm which wants to register its name should apply for registration in the form prescribed in Annexure 3. The application fee will be ` 500/- (Rupees five hundred only) plus taxes as applicable. The fee can be paid by DD or in cash, directly or through money order. Alternatively, the format may also either be typed or downloaded from the web site of Stores Purchase Department. In such cases also the application fee with taxes will be payable.

5.10 Every applicant is required to produce the following documents along with his application:-

- (i) Latest annual returns filed before Income Tax Authorities.
- (ii) Latest VAT clearance certificate.
- (iii) Registration Certificate (if registered under Companies Act or Partnership Act).
- (iv) Memorandum and Articles of Association.
- (v) Copies of supply orders placed by the Government of Kerala or other Government/Local Bodies/Central and State PSUs (minimum 5 numbers of supply orders).
- (vi) Complete list of stores in which registration is sought.

NOTE 1: Public Undertaking fully owned by Government of Kerala or in which the Government have more than 50 per cent of shares are exempted from producing the documents mentioned as (i) to (v) above.

NOTE 2: If only copies of the documents mentioned as (i) to (v) above are produced they should be attested either by a Gazetted Officer or by a Notary Public.

Registration Fee

5.11 Stores usually purchased for Government Departments are classified into nine groups (Annexure 4). Registration is effected in groups of stores. Every applicant has to pay a prescribed fee of ` 5000/- for each group along with the application. However, in the case of Micro, Small & Medium Enterprises, the fee payable is only `2500/- for each group. No refund of Registration fee will be made if a firm is denied Registration on valid grounds.

Procedure for Registration

5.12 Every application for Registration is to be considered on merits. Each applicant is required to furnish all the information required in the form and all the documents required. If the application received is in order and if the prescribed fee has been received, confidential enquiries about the financial status, business capacity, relation with foreign firm, etc., will be made through Bank, Police, Revenue Authorities and through other State Governments or Local Bodies. If the results of the various enquiries prove satisfactory, the applicant's name may be registered. In the case of firms who are registered with the Directorate General of Supplies & Disposals, New Delhi, and are borne on the current list of the Director General, enquiries through Bank, etc., can be dropped. A reference to the Director General to ascertain whether the applicant is borne on their current list will be sufficient. No performance security is fixed for Registration of firms. Normally, the formalities and procedure for registration should be completed within three months.

NOTE: In the case of Public Undertakings fully owned by Government of Kerala or in which the Government have more than 50 per cent of shares, confidential enquiries regarding financial status, business capacity, etc., are not necessary.

5.13 A register of approved suppliers (Annexure 5) should be maintained by the Stores Purchase Department for entering the details of registration. When the registration is decided on, the necessary entries should be made in the Register. Simultaneously, a Registration Certificate in the prescribed form (Annexure 6) should be issued to the applicant.

5.14 A Registration number will also be assigned to each firm. This number will indicate at once the category of the firm (i.e., the manufacturer or stockists and class according to financial status) in which it is included, e.g. - No. 123/12/M/MSME/ III, where 123 is the serial number, 12 the year 2012; M, the manufacturer; MSME, Micro, Small & Medium Enterprises

and III, the class of the firm.

5.15 For the purpose of classification according to Financial Status, firms are divided into four classes as follows:-

- (i) Firms who can take up contracts above ` 50 lakh.
- (ii) Those who can take up contracts worth above ` 25 lakh but below ` 50 lakh.
- (iii) Those who can take up contracts worth above ` 10 lakh but below ` 25 lakh.
- (iv) Those who can take up contracts below ` 10 lakh only.

Printing of Lists of Approved Firms

5.16 List of firms registered during each quarter should be prepared with sufficient details, got

printed and circulated to all Heads of Departments by the Stores Purchase Department. In addition, the name of each firm as soon as it is registered should be communicated to the Departments concerned. The updated list of registered firms should be put in the website of Stores Purchase Department.

Refusal of Registration

5.17 Registration should be refused to the following categories of firms:

- (i) Firms who have been blacklisted by the Central Government or any State Government.
- (ii) Registration may be deferred in the case of newly formed companies who have not commenced any business in supplying stores.
- (iii) Firms who do not furnish the required documents or other information.
- (iv) Those without any financial status or permanent address.
- (v) Commission agents other than sole distributors or territorial agents.

Communication of Deficiencies to Firms

5.18 Firms whose registration is refused should be informed of the fact, by registered post with acknowledgement due, stating briefly the reasons thereof. Such firms can apply for re-verification and review along with a fee of ` 1000/-, within three months from the date of receipt of communication. Requests for re-verification after expiry of the said period would be treated as fresh application and should be accompanied by the prescribed fee of ` 5000, for each group.

Performance of Contracts

5.19 Once a firm is registered, it is necessary to verify its competence to remain on the Register with reference to its performance in the fields of tenders and contracts. This can be done only by watching the tender invitations and purchases made by all the Departments. To enable the Stores Purchase Department to do this, the following procedure should be adopted:

- (i) Registered firms should be asked to quote without fail their registration numbers in all their tenders and quotations to the several Departments of the State.

(ii) All Purchasing Departments should furnish to the Stores Purchase Department the following items of information:-

(a) List of registered firms who have been specifically invited to quote in each instance.

(b) List of registered firms who have submitted tenders against enquiries.

(c) List of registered firms who have won contracts and who did not.

(d) Those who have performed contracts satisfactorily and those who failed.

(i) The above information should be submitted at the appropriate time in each case to the Stores Purchase Department.

(ii) The registered firms themselves should be asked to submit, at the end of one year, details of their attempts and success.

5.20 The reports from the Departments and the firms should be compared to assess the fitness of the latter to remain on the Register, at the end of the expiry of the registration period. Those who prove fit should be allowed to renew registrations and the others refused renewal.

Renewal of Registration

5.21 All registered firms should renew their registration on expiry of the period of current registration. The fee for renewal is fixed at ` 2500/- for each group.

(i) Payment of renewal fee should be made within one month from the date of expiry of the previous registration or renewal. The fee will be accepted for a period of two years with a penalty of ` 150/- per month. Thereafter the firm will forfeit its claim for renewal of registration and will have to apply for registration afresh as detailed in paragraphs 5.5 to 5.10 of the Stores Purchase Manual.

(ii) Application for renewal should be made in simple letter form, should be preceded by payment of prescribed fee and accompanied by the following documents duly attested by a Gazetted Officer or Notary Public.

(a) Latest copies of annual returns filed before Income Tax authorities.

(b) Latest VAT Clearance Certificate.

(c) List of contracts won and executed during the current registration period (within and outside the State).

(d) List of contracts/supply orders at least three or four orders/contracts won and executed during the current registration period (within and outside the State).

(e) Changes in ownership, constitution etc., if any.

(f) Attested copy of the Latest registration/renewal certificate.

(iii) Firms who prove to be good at work or worthy of retention in the Register should be given Renewal Certificates in the prescribed form (Annexure 7).

(iv) If the formal application for renewal with the prescribed fee is received in the Stores Purchase Department by the appointed date, it should be deemed that the firm has applied in time.

(iii) No refund of renewal fee will be made if firm is denied renewal of registration on valid grounds.

Cancellation of Registration

5.22 In case of violation of terms and condition of the registration, the registration of the firm will be cancelled by giving prior notice. A registered firm is liable to be removed from the list of

approved contractors, when,

- (i) fails to renew registration within the prescribed time
- (ii) fails to abide by the terms and conditions under which the registration has been given.
- (iii) fails to secure a contract consecutively for three years
- (iv) makes any false declaration to Government
- (v) supplies Stores of inferior quality or uninspected Stores
- (vi) renders services (including after sales services and maintenance services) of inferior quality than the contracted ones
- (vii) fails to execute a contract or fails to execute it satisfactorily
- (viii) the required technical/operational staff or equipment are no longer available with the firm or there is change in its production/service line affecting its performance adversely
- (ix) is declared bankrupt or insolvent
- (x) fails to submit the required documents/information for review of registration, where required

- (xi) adopts unethical business practices, not acceptable to the government, and
- (xii) any other ground which, in the opinion of the registering authority, is not in public interest

5.23 Firms whose names have been removed from the Register for any of the above reasons will be allowed to re-register after two years, if an assurance is forthcoming that the failure will not be repeated.

Printing of Lists of Approved Firms

5.24 List of firms registered during each half year should be prepared with sufficient details, got printed and circulated to all Heads of Departments by the Stores Purchase Department. In addition to the above the name of each firm as soon as it is registered shall be hosted in the website of Stores Purchase Department.

Blacklisting and Banning of Business with Firms

5.25 Business dealings with a firm, whether it is registered or not registered, may be ordered to be suspended or banned, in public interest by the competent authority. In accordance with the provisions in the Standardised Code of Blacklisting prescribed by the Government of India which is adopted on a reciprocal basis by the State Government, Government can impose on a firm penalties such as Blacklisting, Banning and Suspension of Business, and Removal from the list of approved suppliers according to the magnitude of the irregular performance of their contacts. Such orders will be issued from the Stores Purchase Department on the recommendations of the Purchasing Officers. The Purchasing Officers should bring to the notice of the Stores Purchase Department, cases of default, supply of defective materials, irregular supply and all cases of breach of the terms of contract. A detailed report explaining the nature and extent of default of breach should be sent in each such case. A show cause notice shall be served to the firm before final orders are issued. The list of firms blacklisted/banned shall be displayed in the website of Stores Purchase Department

Grounds for Suspension of Business Dealings with Firms

5.26 Suspension of business dealings may be ordered where pending full enquiry into the allegation, it is considered not desirable that business with the firm should continue. Such an order may be passed: -

- (i) If the firm is suspected to be of doubtful loyalty to India.
- (ii) If the Central Bureau of Investigation or any other investigating agency recommends such a course in respect of a case under investigation and
- (iii) If a prima- facie case is made out that the firm is guilty of an offence involving moral

turpitude in relation to business dealings which, if established, would result in business dealings with it being banned.

Grounds for Banning of Business Dealings

5.27 The grounds on which banning may be ordered are: -

- (i) If security considerations including question of loyalty to the State so warrant.
- (ii) If the proprietor of the firm, its employee, partner or representative is convicted by a court of law following prosecution for offences involving moral turpitude in relation to the business dealings.
- (iii) If there is strong justification for believing that the proprietor or employee or representative of the firm has been guilty of malpractice such as bribery, corruption, fraud, substitution of tenders, interpolation, mis-representation, evasion or habitual default in payment of any tax levied by law; etc.
- (iv) If the firm continuously refuses to return government dues without showing adequate cause and the Government are satisfied that this is not due to reasonable dispute which would attract proceeding in arbitration or court of law, and

(v) If the firm employs a government servant, who has been dismissed or removed on account of corruption or employs a non-official convicted for an offence involving corruption or abetment of such an offence, in a position where he could corrupt government servant.

