

MINISTRY OF DEFENCE
(Acquisition Wing)

Subject: **Defence Procurement Procedure (DPP) - 2006 Amendment-2**
Instructions Regarding.

Following amendments/additions have been incorporated in the DPP 2006:-

2. (a) Existing Para 51 has been modified as under:-

Para 51:

In multi vendor cases, on opening of commercial offers, once L1 vendor is identified the contract should be concluded with him and **normally** there would be no need for any further price negotiations. However, **it is important that the reasonability of the prices being accepted for award of contract should be established.** In all cases, CNC should establish a benchmark and reasonableness of price in an internal meeting before opening the commercial offer. Once the commercial offers are opened and the price of the vendor is found to be within the benchmark fixed, in the internal meeting, there should be no need to carry out any further price negotiations. The RFP in such multi vendor cases, should clearly lay down that no negotiations would be carried with the L1 vendor **once the reasonability of the price quoted by him is established.** Aspects of advance and stage payments (where applicable) also to be given upfront in the RFP so that it facilitates selection of L1 vendor.

Note: This supercedes Para 51 of DPP-2006 amended vide MoD I.D.No.723/DG(Acq)/07 dated April 25, 2007 (Amendment -1).

- (b) **Para 19 of Chapter IV:** Existing Para 19 of Fast Track Procedure (FTP) has been modified as under:-

"In multi vendor cases, on opening of commercial offers, once L1 vendor is identified the contract should be concluded with him and **normally** there would be no need for any further price negotiations. However, **it is important that the reasonability of the prices being accepted for award of contract should be established.** In all cases, CNC should establish a benchmark and reasonableness of price in an internal meeting before opening the commercial offer. Once the commercial offers are opened and the price of the vendor is found to be within the benchmark fixed, in the internal meeting, there should be no need to carry out any further price negotiations. The RFP in such multi vendor cases, should clearly lay down that no negotiations would be carried with the L1 vendor **once the reasonability of the price quoted by him is established.** As far as possible all aspects contributing towards formulation of a commercial offer by the vendor should be included in the RFP. In such cases, the services may have to state the requirement of maintenance by the OEM/authorized vendor for a specified period. Aspects of advance and stage payments (where applicable) also to be given upfront in the RFP so that it facilitates selection of L1 vendor.

3. This issues with the approval of Raksha Mantri.

(S.Banerjee)
Director General (Acquisition)

All Concerned

M of D.I.D.No. /DG (Acq)/07 dt. May, 2007.

C I S C

Vice Chief of the Army Staff

Vice Chief of the Naval Staff

Vice Chief of the Air Staff

Copy for information to: SO to Defence Secretary, PPS to Secretary (DP), SO to SA to RM, PPS to Secretary (Def/Fin), PPS to Special Secretary(B), PPS to Special Secretary (J), PPS to Additional Secretary (DP), PPS to Additional Secretary (S)

CGDA, Principal I FA, All Joint Secretaries/Additional FAs/Finance

Manager/Technical Managers/Directors

M of D.I.D.No.1A/Dir (Acq)/06 dt. /5/2007

Copy also to:

Director (NIS), MoD, Room No.305-B, Sena Bhavan – With the request to place the above instructions on the website of MoD immediately.