

PROCEDURE FOR EVALUATION OF PERFORMANCE OF VENDORS

PROCEDURE FOR EVALUATION OF PERFORMANCE OF VENDORS/CONTRACTORS/CONSULTANTS

1.0 GENERAL

A system for evaluation of vendors/contractors and their performance is a key process and important to support an effective purchasing & contracting function of an organization.

Performance of all participating Vendors/ Contractors/ Consultants need to be closely monitored to ensure timely receipt of supplies from a Vendor, completion of an assignment by a Consultant or complete execution of order by a contractor within scheduled completion period. For timely execution of projects and meeting the operation & maintenance requirement of operating plants, it is necessary to monitor the execution of order or contracts right from the award stage to completion stage and take corrective measures in time.

2.0 OBJECTIVE:

The objective of Evaluation of Performance aims to recognize, and develop reliable Vendors/Contractors/Consultants so that they consistently meet or exceed expectations and requirements.

The purpose of this procedure is to put in place a system to monitor performance of Vendors/Contractors/Consultants associated with GAIL in Projects and in O&M so as to ensure timely completion of various projects, timely receipt of supplies including completion of works & services for operation and maintenance of operating plants and quality standards in all respects.

3.0 METHODOLOGY:

(i) Preparation of Performance Rating Data sheet

Performance Rating Data Sheet for each and every Vendor/Contractor or Consultant for all orders/Contracts with a value of Rs.1Lakh and above is recommended to be drawn up. These data sheets are to be separately prepared for orders/contracts related to Projects and O&M. Format, Parameters, Process, responsibility for preparation of Performance Rating Data Sheet are separately mentioned..

(ii) Measurement of Performance

Based on the parameters defined in Data Sheet, Performance of concerned Vendor, Contractor or Consultant would be computed and graded accordingly. The measurement of the performance of the Party would be its ability to achieve the minimum scoring of 60% points in the given parameters individually and collectively. Any Party failing to secure less than the minimum score in any of the parameters shall not be considered to remain in business with GAIL.

(iii) Initiation of Measures:

Depending upon the Grading of Performance, corrective measures would be initiated by taking up the matter with concerned Vendor/Contractor/Consultant. Response of Vendor/Contractor/Consultant would be considered before deciding further course of action.

(iv) Implementation of Corrective Measures:

Based on the response of Vendor/Contractor/Consultant, concerned Engineer -In - Charge for the Projects and/or OIC in case of O&M would recommend for continuation or discontinuation of such party from the business of GAIL. These recommendations would be submitted to the Competent Authority who would pass a reasoned order for putting the party on Holiday/blacklisting..

- (v) Orders/contracts placed on propitiatory/OEM basis for O&M will be evaluated and, if required, corrective action will be taken for improvement in future.

4.0 **EXCLUSIONS:**

The following would be excluded from the scope of evaluation of performance of Vendors/Contractors/Consultants.

- (i) Orders/Contracts below the value of Rs. 1 Lakh.
- (ii) One time vendor/ Contractor/Consultant.
- (iii) Orders for Misc./Administrative items/Non stock Non valuated items.

However, concerned Engineer-In-charge/OICs will continue to monitor such cases so as to minimize the impact on Projects/O&M plants due to non performance of Vendors/ Contractors/Consultants in all such cases.

5.0 **PROCESS OF EVALUATION OF PERFORMANCE OF VENDORS/CONTRACTORS/CONSULTANTS**

5.1 **FOR PROJECTS**

- (i) Evaluation of performance of Vendors/ Contractors/ Consultants in case of PROJECTS shall be done immediately with commissioning of any Project.
- (ii) On commissioning of any Project, EIC (Engineer-In-Charge)/Project In-charge shall prepare a Performance Rating Data Sheet (Format at Annexure-1) for all Orders and Contracts excluding cases under para 4.0
- (iii) Depending upon the Performance Rating, following action need to be initiated by Engineer-in-charge/Project-In-charge:

Sl. No.	Performance Rating	Action
1	POOR	Seek explanation for Poor performance
2	FAIR	Seek explanation for Fair performance
3	GOOD	Letter to the concerned for improving performance in future.
4	VERY GOOD	No further action

- (iv) Reply from concerned Vendor/Contractor/Consultant shall be examined. In case of satisfactory reply, Performance Rating data Sheet to be closed with a letter to the concerned for improving performance in future.
- (v) When no reply is received or reasons indicated are unsatisfactory, the following actions need to be taken:
 - (A) Where Performance rating is "POOR":
 - (i) Recommend such defaulting Vendor/ Contractor/Consultant for putting on HOLIDAY for a period of 1 year.
 - (ii) When his performance has affected overall completion schedule of the project, recommend such defaulting Vendor/ Contractor/Consultant for putting on HOLIDAY for a period of 2/3 years,

(B) Where Performance rating is "FAIR":

Recommend for issuance of warning to such defaulting Vendor/Contractor/Consultant to improve their performance.

- (vi) Irrespective of Performance rating, where Vendor/ Contractor/ Consultant submit forged documents in respect of experience, turnover and any other condition forming the basis for the pre-qualifying/eligibility criterion, such Vendor/Contractor/Consultant should be recommended for BLACKLISTING.
- (vii) On receipt of consolidated recommendations of Engineer-In-Charge of a Project, the Project Manager will constitute a Committee of Head of Projects, C&P and Finance to examine the recommendations forwarded by the Engineer-in-charge.
- (viii) In case committee recommends putting a party on holiday or for blacklisting, the Project Manager will put up the recommendation of committee to the concerned Director through Corporate C&P Deptt. along with a draft show cause notice providing a final opportunity to defend his case. The draft show cause notice should be vetted by Legal Deptt.
- (ix) After obtaining approval from the concerned Director, Corporate C&P department will issue the show cause notice to the concerned party.
- (x) On receipt of reply in response to show cause notice, Corporate C&P Deptt. will forward the same to Project Manager who after taking legal opinion will prepare a proposal for keeping the party on Holiday/for blacklisting and forward the same to Corporate C&P Deptt. for obtaining the approval of the concerned Director.
- (xi) After obtaining approval from the concerned Director, Corporate C&P Deptt. will issue a letter to the party conveying the decision of putting him on holiday for the specific period or blacklisting the party.
- (xii) A list of all parties put on holiday or blacklisted will be communicated to all concerned and will also be maintained at GAIL Intranet.
- (xiii) However, Holiday restrictions shall not apply on Vendors for procurement of spares from them on proprietary basis.

5.2 FOR CONSULTANCY JOBS

Monitoring and Evaluation of consultancy jobs will be carried out in the same way as described in para 5.1 for Projects except the functions of Project Manager will be performed by concerned In-charges of user Deptts. such as Project Development, Business Development, E&P, HR, Finance, HSE etc. The provision of para 5.1 (xiii) will not be applicable for consultancy jobs.

5.3 FOR OPERATION & MAINTENANCE

- (i) Evaluation of performance of Vendors/ Contractors/ Consultants in case of Operation and Maintenance shall be done immediately after execution of order/ contract.
- (ii) After execution of order a Performance Rating Data Sheet (Format at Annexure-2) shall be prepared for all Orders by Site C&P and for all Contracts/Services by respective Engineer-In-Charge excluding cases under para 4.0
- (iii) Depending upon Performance Rating, following action need to be initiated by Site C&P:

Sl.No.	Performance Rating	Action
1	POOR	Seek explanation for Poor performance
2	FAIR	Seek explanation for Fair performance
3	GOOD	Letter to the concerned for improving performance in future.
4	VERY GOOD	No further action

- (iv) Reply from concerned Vendor/Contractor/Consultant shall be examined. In case of satisfactory reply, Performance Rating data Sheet to be closed with a letter to the concerned for improving performance in future.
- (v) When no reply is received or reasons indicated are unsatisfactory, the following actions need to be taken:
 - (A) Where Performance rating is "POOR"
 - (i) Recommend such defaulting Vendor/ Contractor/Consultant for putting on HOLIDAY for a period of 1 year.

- (ii) When his performance has seriously affected the operation & maintenance of plant, recommend such defaulting Vendor/ Contractor/Consultant for putting on HOLIDAY for a period of 2/3 years.

(B) Where Performance rating is "FAIR"

Recommend for issuance of warning to such defaulting Vendors/Contractors/Consultants to improve their performance.

- (vi) Irrespective of Performance rating, where Vendor/ Contractor/ Consultant submit forged documents such Vendor/Contractor/Consultant should be recommended for BLACKLISTING.
- (vii) A quarterly meeting of HOD (C&P), HOD (F&A) and HOD of respective departments shall be held at Site to review and examine all cases requiring putting the vendors/contractors/consultants on holiday for final decision.
- (viii) On receipt of recommendation of committee for putting a party on Holiday or for blacklisting, OIC will put up the recommendation of Committee to the concerned Director through Corporate C&P Deptt. along with a draft show cause notice providing a final opportunity to party to defend his case. The show cause notice will be legally vetted.
- (ix) After obtaining approval from the concerned Director, Corporate C&P department will issue the show cause notice to the concerned party.
- (x) On receipt of reply in response to show cause notice, Corporate C&P Deptt. will forward the same to OIC who after taking legal opinion will prepare a proposal for keeping the party on Holiday/for blacklisting and forward the same to Corporate C&P Deptt. for obtaining the approval of the concerned Director.
- (xi) After obtaining approval from the concerned Director, Corporate C&P Deptt. will issue a letter to the party conveying the decision of putting him on holiday for the specific period or blacklisting the party.
- (xii) A list of all parties put on holiday or blacklisted will be communicated to all concerned and will also be maintained at GAIL Intranet.

- (xiii) However, Holiday restrictions shall not apply on Vendors for procurement of spares from them on proprietary basis.

6.0 REVIEW & RESTORATION OF PARITES PUT ON HOLIDAY/BLACKLISTED

- 6.1 After expiry of Holiday period, the vendors/contractors/consultants who have been put on Holiday due to delay in completion schedule will be automatically restored to participate in business with GAIL. However, parties who have been put on Holiday due to quality problems will be restored only after a review by the committee which had earlier recommended the party to be put on Holiday.
- 6.2 The period of Holiday will be from one year to three years depending upon the seriousness of failure. It can be three years in extreme cases and may be one year or two years depending upon the nature of failure in performance.

GAIL (India) Limited**PERFORMANCE RATING DATA SHEET**
(FOR PROJECTS/CONSULTANCY JOBS)

- (i) Project/ Work Center :
- (ii) Order/Contract No. & Date :
- (iii) Brief description of Items :
Works/Assignment
- (iv) Order/Contract value (Rs.) :
- (v) Name of Vendor/Contractor/ :
Consultant
- (vi) Contracted delivery/ :
Completion Schedule
- (vii) Actual delivery/ :
Completion date

Performance Parameter	Delivery/Completion Performance	Quality Performance	Reliability Performance	Total
Maximum Marks	40	40	20	100
Marks Allocated (*)				

Remarks (if any)

PERFORMANCE RATING (**)

Note:

(*) Allocation of marks would be as per enclosed instructions

(**) Performance rating shall be classified as under:

Sl. No.	Range (Marks)	Rating
1	60 & below	POOR
2	61-75	FAIR
3	76-90	GOOD
4	More than 90	VERY GOOD

Signature of
authorized Signatory:

Name:

Designation:

Instructions for allocation of marks

1. Marks are to be allocated as under:

1.1 DELIVERY/COMPLETION PERFORMANCE 40 Marks

<u>Delivery Period/ Completion Schedule</u>	<u>Delay in Weeks</u>	<u>Marks</u>
a) Up to 3 months	Before CDD	40
	Delay up to 4 weeks	35
	" 8 weeks	30
	" 10 weeks	25
	" 12 weeks	20
	" 16 weeks	15
	more than 16 weeks	0
b) Above 3 months	Before CDD	40
	Delay up to 4 weeks	35
	" 8 weeks	30
	" 10 weeks	25
	" 16 weeks	20
	" 20 weeks	15
	" 24 weeks	10
	more than 24 weeks	0

1.2 QUALITY PERFORMANCE 40 Marks

For Normal Cases: No Defects/No Deviation/No failure :		40 marks
i Rejection/ Defects	Marks to be allocated on prorata basis for acceptable quantity as compared to total quantity for normal cases	10 marks
ii When quality failure endanger system integration and safety of the system.	Failure of severe nature	0 marks
	- Moderate nature	5 marks
	- low severe nature	10-25 marks
iii Number of deviations	1. No deviation	5 marks
	2. No. of deviations ≤ 2	2 marks
	3. No. of deviations > 2	0 marks

1.3 RELIABILITY PERFORMANCE

20 Marks

A. FOR WORKS/ CONTRACTS

- (i) Submission of order acceptance, agreement, PBG, Drawings and other documents within time 4 marks
- (ii) Mobilization of resources as per Contract and in time 4 marks
- (iii) Liquidation of Check-list points 4 marks
- (iv) Compliance to statutory and HS & E requirements 4 marks

or

Reliability of Estimates/Design/Drawing etc. in case of Consultancy jobs

- (v) Timely submission of estimates and other documents for Extra, Substituted & AHR items 4 marks

B. FOR SUPPLIES

- (i) Submission of order acceptance, PBG, Drawings and other documents within time. 5 marks
- (ii) Attending complaints and requests for after Sales service/ warranty repairs and /or query/advice (upto the evaluation period). 5 marks
- (iii) Response to various correspondence and conformance to standards like ISO 5 marks
- (iv) Submission of all required documents including Test Certificates at the time of supply 5 marks

GAIL (India) Limited**PERFORMANCE RATING DATA SHEET (FOR O&M)**

- (i) Location :
- (ii) Order/Contract No. & Date :
- (iii) Brief description of Items :
Works/Assignment
- (iv) Order/Contract value (Rs.) :
- (v) Name of Vendor/Contractor/ :
Consultant
- (vi) Contracted delivery/ :
Completion Schedule
- (vii) Actual delivery/ :
Completion date

Performance Parameter	Delivery Performance	Quality Performance	Reliability Performance	Total
Maximum Marks	40	40	20	100
Marks Allocated (*)				

Remarks (if any)

PERFORMANCE RATING (**)

Note: (*) Allocation of marks to be as per enclosed instructions
(**) Performance rating shall be classified as under:

Sl. No.	Range (Marks)	Rating
1	60 & below	POOR
2	61-75	FAIR
3	76-90	GOOD
4	More than 90	VERY GOOD

Signature of
authorized Signatory:

Name:

Designation:

Instructions for allocation of marks (For O&M)

1. Marks are to be allocated as under:

1.1 DELIVERY/COMPLETION PERFORMANCE 40 Marks

<u>Delivery Period/ Completion Schedule</u>	<u>Delay in Weeks</u>	<u>Marks</u>
a) Up to 3 months	Before CDD	40
	Delay up to 4 weeks	35
	" 8 weeks	30
	" 10 weeks	25
	" 12 weeks	20
	" 16 weeks	15
	more than 16 weeks	0
b) Above 3 months	Before CDD	40
	Delay up to 4 weeks	35
	" 8 weeks	30
	" 10 weeks	25
	" 16 weeks	20
	" 20 weeks	15
	" 24 weeks	10
	more than 24 weeks	0

1.2 QUALITY PERFORMANCE 40 Marks

For Normal Cases: No Defects/No Deviation/No failure : 40 marks

- | | | | |
|-----|--|---|-----------------------------------|
| i | Rejection/ Defects | Marks to be allocated on prorata basis for acceptable quantity as compared to total quantity for normal cases | 10 marks |
| ii | When quality failure endanger system integration and safety of the system. | Failure of severe nature
- Moderate nature
- low severe nature | 0 marks
5 marks
10-25 marks |
| iii | Number of deviations | 1. No deviation
2. No. of deviations ≤ 2
3. No. of deviations > 2 | 5 marks
2 marks
0 marks |

1.3 RELIABILITY PERFORMANCE**20 Marks****A. FOR WORKS/ CONTRACTS**

- (i) Submission of order acceptance, agreement, PBG, Drawings and other documents within time 4 marks
- (ii) Mobilization of resources as per Contract and in time 4 marks
- (iii) Liquidation of Check-list points 4 marks
- (iv) Compliance to statutory and HS & E requirements 4 marks
or
Reliability of Estimates/Design/Drawing etc. in case of Consultancy jobs
- (v) Timely submission of estimates and other documents for Extra, Substituted & AHR items 4 marks

B. FOR SUPPLIES:

(i)	Submission of order acceptance, PBG, Drawings and other documents within time.	5 marks
(ii)	Attending complaints and requests for after Sales service/ warranty repairs and /or query/advice (up to the evaluation period).	5 marks
(iii)	Response to various correspondence and conformance to standards like ISO	5 marks
(iv)	Submission of all required documents including Test Certificates at the time of supply	5 marks