

# A Guide to GFR 2017

Overview of Procurement  
Rules and Procedures



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## How to Use This Guide

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### Quick Reference Only

This document is designed specifically as a learning aid to the key provisions of GFR 2017. It must be read alongside the official, updated GFR 2017.



### Official Rules Govern

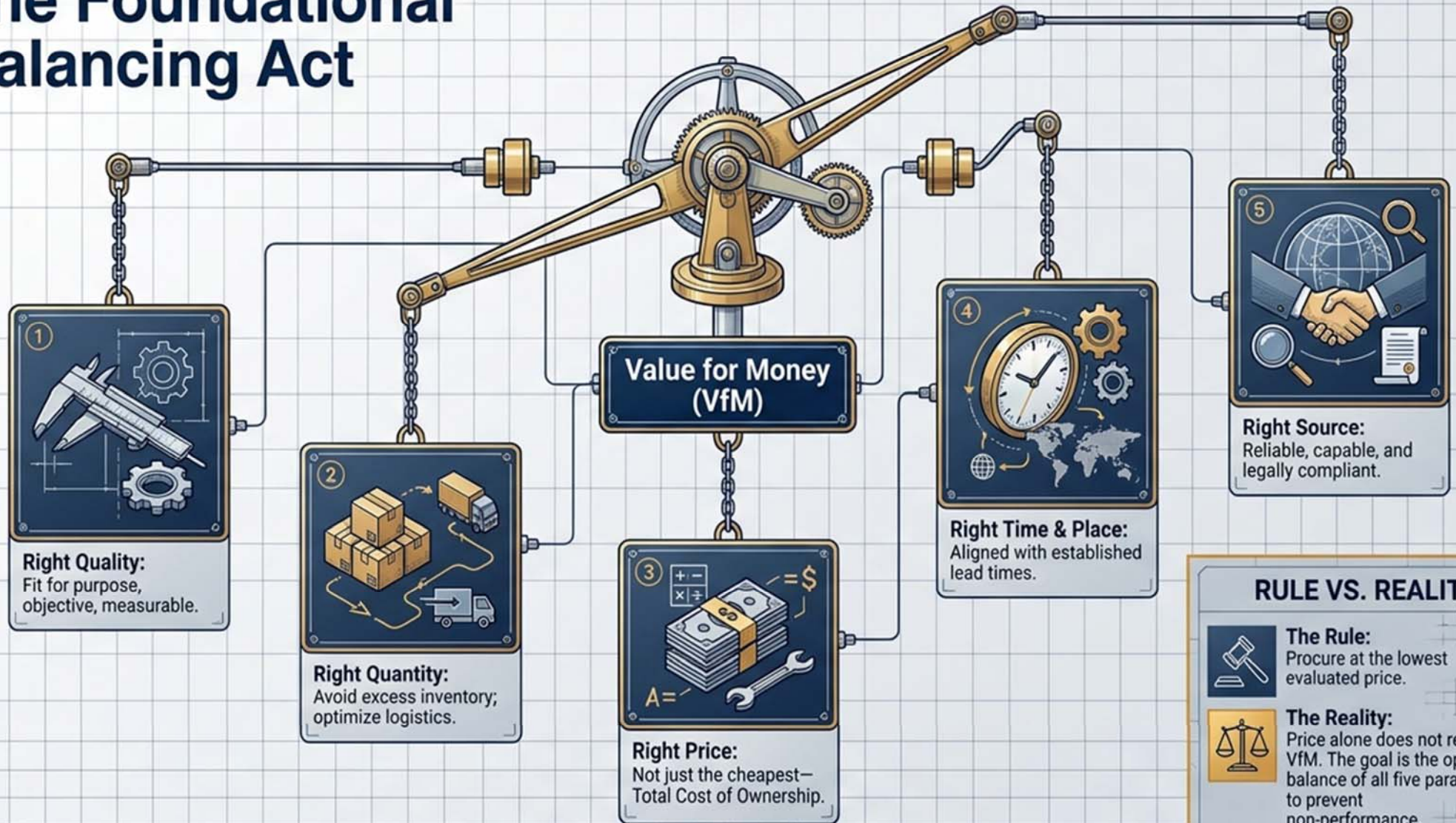
This guide does not replace the original rules, Office Memoranda, or Orders. In any case of ambiguity, the official GFR 2017 and corresponding procurement directives will always take absolute precedence.



## Fundamental Principles

- Ensure transparency, fairness, and broad competition (GFR Rule 144).
- Maintain detailed, retrievable records of all decisions (GFR Rule 144 viii).
- Comply with environmental and Make in India policies (Manual 1.8.3).

# The Foundational Balancing Act



## RULE VS. REALITY



**The Rule:**  
Procure at the lowest  
evaluated price.



**The Reality:**  
Price alone does not represent  
VfM. The goal is the optimal  
balance of all five parameters  
to prevent  
non-performance.

# The 5-Point Need Diagnostic Checklist

1



**Anticipated Quantum:**  
Is the quantity commensurate with economy? Have scales of consumption been respected?

2



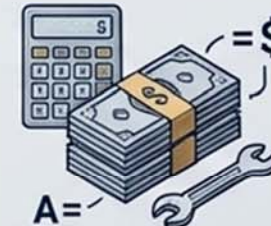
**Inventory Optimization:**  
Are we over-purchasing? Has the quantity been rounded to standard package loads to save on transport?

3



**Scheduling:**  
Are delivery dates realistic based on established lead times?

4



**Budgetary Check:**  
Are funds available, and is liability noted against the total budget?

5

**Urgency Justification:**  
If delivery is requested shorter than usual times, an Urgency Certificate is mandatory.



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If delivery is requested shorter than usual lead times, an Urgency Certificate is mandatory.

Need assessment should be done sufficiently in advance of the time when goods are required. In the case of urgent requirements, the urgency certificate should be approved by an authority empowered to grant administrative approval for the indent, recording justification - why the need could not be formulated earlier.

URGENCY CERTIFICATE  
APPROVED

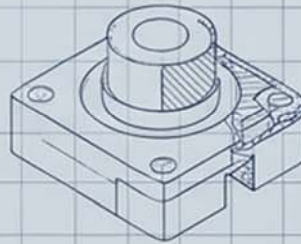
# Defining the Need: The Specification Matrix

## Restrictive Specifications (Red Flags)

- ⚙ Subjective terms (e.g., elegant, sleek).
- ⚙ Specific brand names, trademarks, or proprietary origins.
- ⚙ Superfluous, non-essential features that artificially restrict competition.
- ⚙ Requiring samples for indeterminable parameters pre-award without objective criteria.

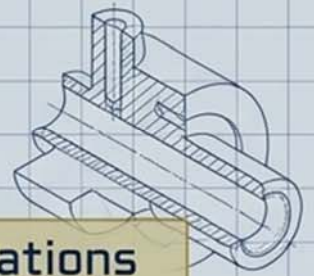
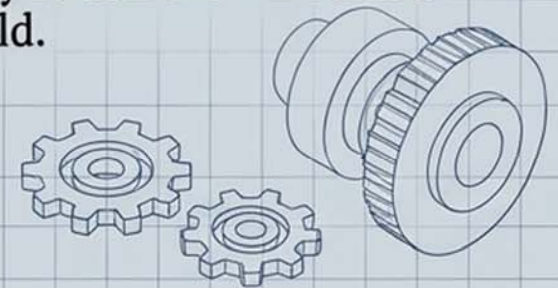


4. Need Description/ Specifications involving subjectivity: Procurements, where samples are asked to be submitted along with the offer and the evaluation, are based on the subjective evaluation of

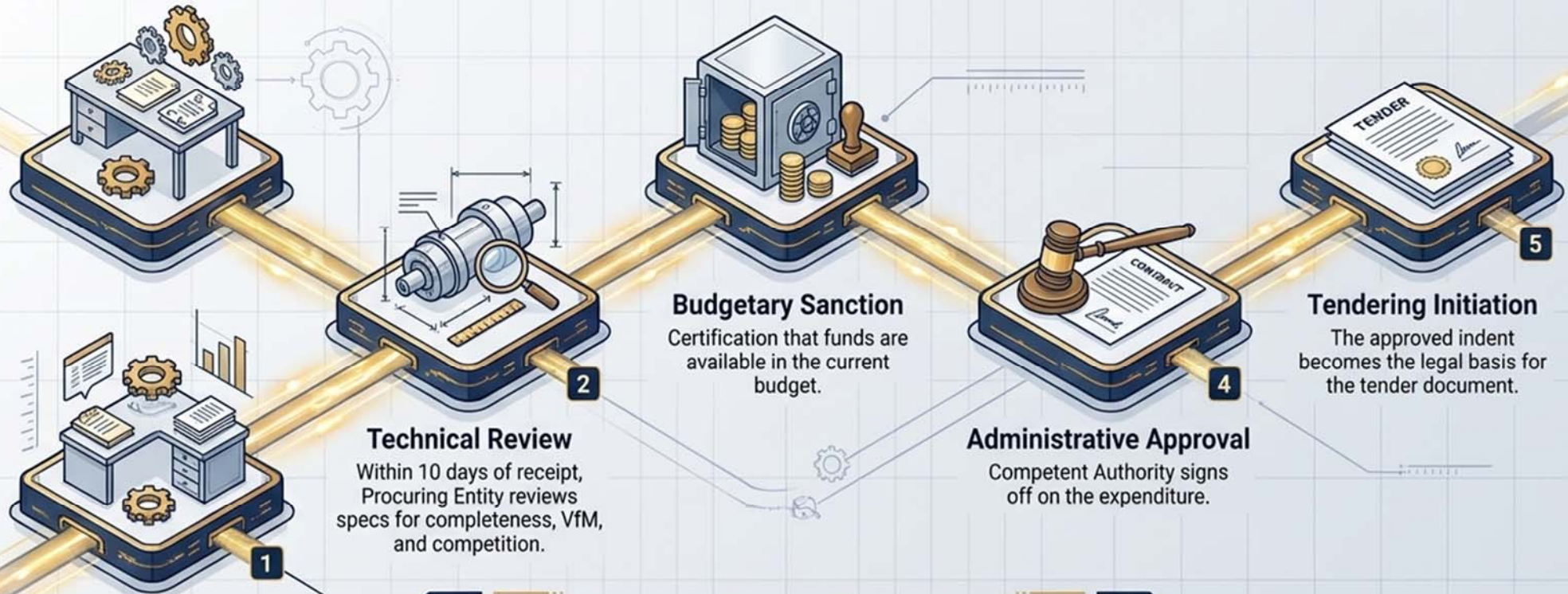


## Value-Engineered Specifications (Green Flags)

- ✓ Objective, functional, broad-based, and measurable criteria.
- ✓ Standardized specifications (BIS, ISO) where available.
- ✓ Mandatory inclusion of essential parameters: Tolerance, Warranty, Preservations, Inspection.
- ✓ Designed strictly to achieve VfM and a level playing field.



# The Indent Lifeline: Mapping Authority & Flow



## RULE VS. REALITY

- ✓ **The Rule:** Procurements must only be initiated based on a formal indent.
- ⚠ **The Reality:** An incomplete indent delays procurement. The 10-day technical review is the critical gatekeeper against flawed tenders.

# The Hierarchy of Cost Estimation

**Historical Cost / LPP:** Last Purchase Price of identical/similar goods, duly updated.

**Costing Analysis:** Internal/external expert costing based on raw materials and labor.

**Part/Assembly Assessment:** Extrapolating cost from the price of the parent machine.

**Published Catalogues / MRP:** Caution: MRP includes high retail margins.

**Market Survey / GeM**  
Using GeM BA tools or tools or commercial price indices.

**Opportunity Cost:** Rough assessment of the cost of not using the item.

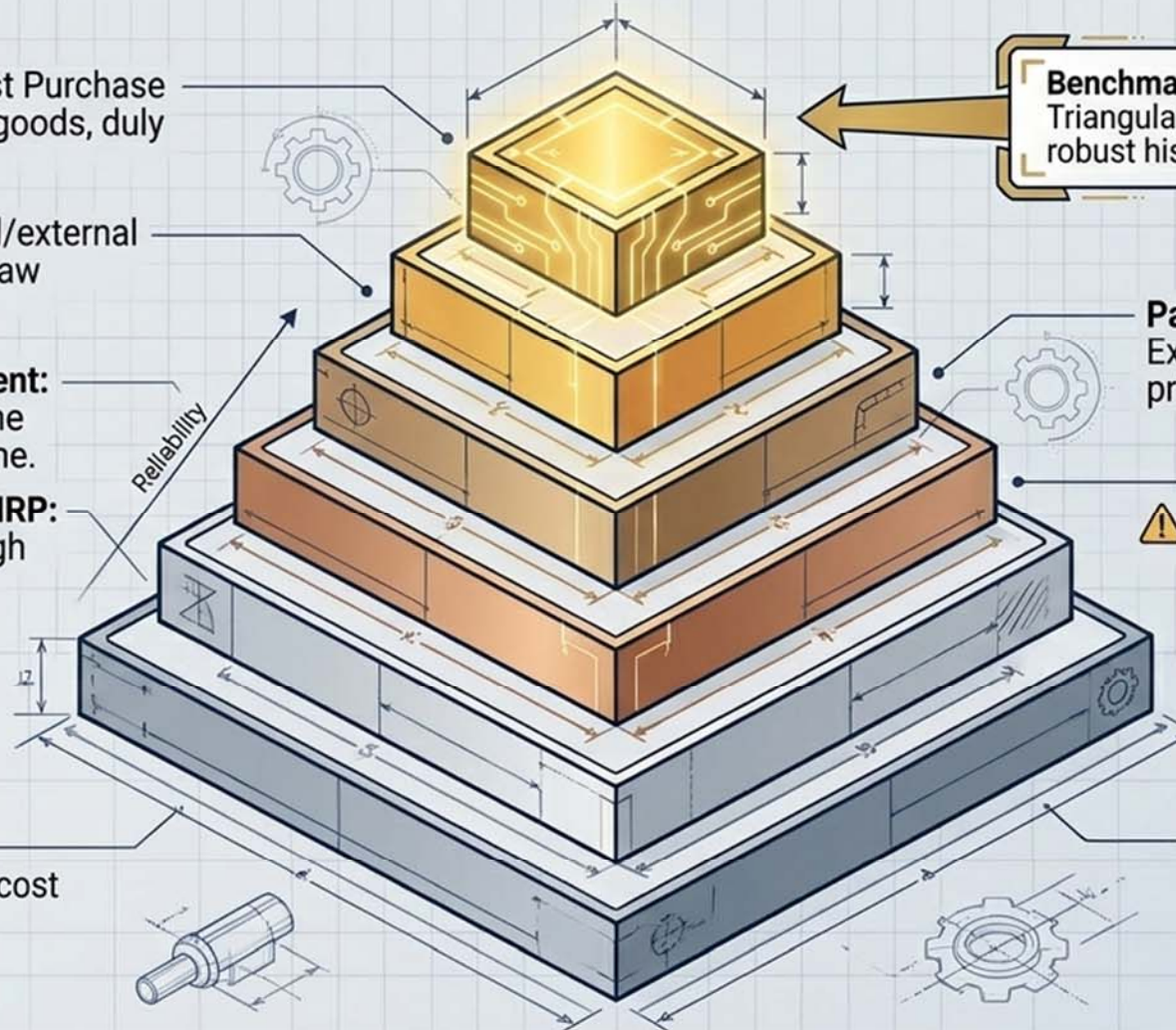
**Benchmark Standard:** Triangulate methods, but prioritize robust historical data.

**Part/Assembly Assessment:** Extrapolating cost from the price of the parent machine.

**Published Catalogues / MRP:** ⚠ Caution: MRP includes high retail margins.

**Market Survey / GeM Analytics:** Using GeM BA tools or commercial price indices.

**Opportunity Cost:** Rough assessment of the cost of not using the item.



# Estimation: Risks & Mitigations

## The Inadequate Estimate



3. The estimate of the costs may be inadequate. This may lead to an

The estimate of the costs may be inadequate. This may lead to an inadequate response from the bidders and may delay the finalisation of procurement. finalisation of procurement. may also adversely affect the quality of supplies.

### Mitigation Section



Triangulate using multiple methods. Never rely blindly on a single data point for high-value tenders.

## Splitting Demands



Demand is divided into piecemeal quantities to bypass GeM Reverse Auction thresholds or higher-authority sanctions.

### Mitigation Section



Project annual Procurement Plans on GeM within 30 days of Budget approval. Consolidate needs to capture economies of scale.

# Navigating the Code of Integrity



## Proactive Compliance

Proactively disclose any Conflict of Interest, including family ties or financial interests (Manual 3.2-1).

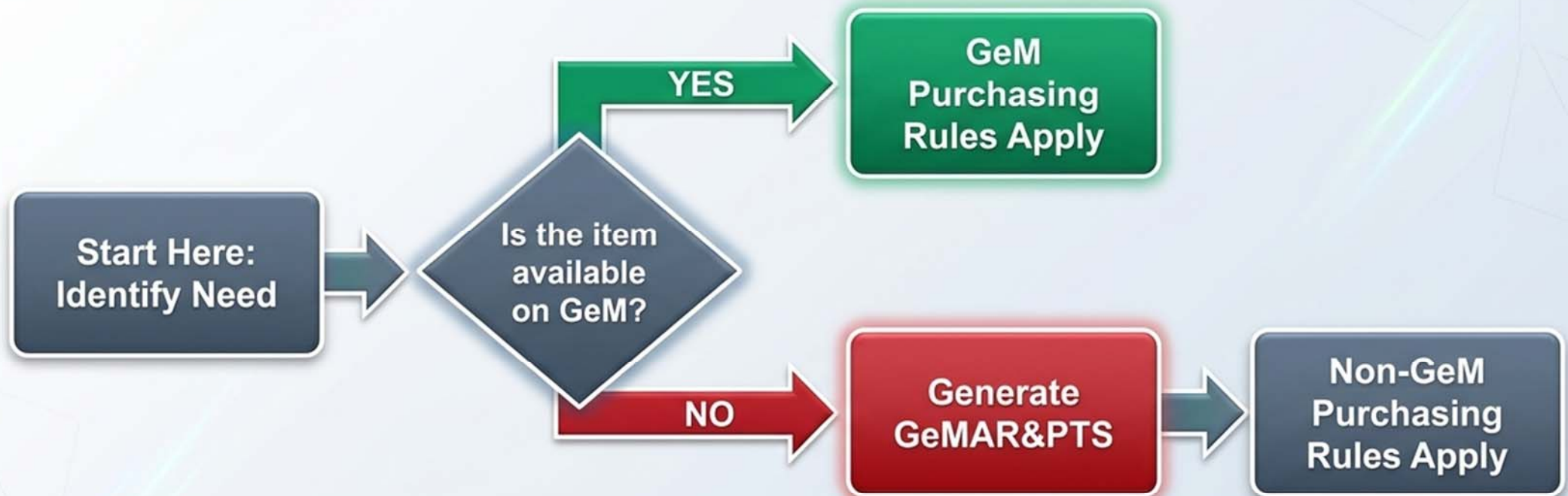
Maintain absolute neutrality in evaluating bids and awarding contracts.



## Ethical Pitfalls

- ✘ Never accept gifts or hospitality from suppliers (Manual 3.5-1/2).
- ✘ Avoid private purchases or discounts from official rate contractors (Manual 3.5-3).
- ✘ Transgressions lead to rejection of bids and debarment for up to 3 years (GFR Rule 175).

# Where Do I Start? The GeM Mandate



## Critical Rules:

- Government e-Marketplace (GeM) use is mandatory (GFR Rule 149).
- Ensure price reasonableness before placing orders (GFR Rule 149 vii).
- WARNING: Never split demands to avoid approval thresholds (GFR Rule 157).
- Government e-Marketplace (GeM) *analty* (GFR Rule 157).

# Buying on GeM: Financial Limits



## Up to ₹50,000

Direct purchase from any supplier meeting specs (GFR Rule 149 i).



## ₹50,000 to ₹10 Lakhs

Compare L1 (lowest price) among at least 3 different OEMs (GFR Rule 149 ii).



## Above ₹10 Lakhs

Mandatory online bidding or reverse auction (GFR Rule 149 iii)

**Note:** Direct procurement of Automobiles is permitted without ceiling (GFR Rule 149 i).

# Procurement Without Quotation (Non-GeM)

## Standard Limit

**Up to ₹50,000**

Per occasion (GFR Rule 154).

## Scientific Ministry Exemption

**Up to ₹2,00,000**

For scientific/research goods  
(Updated GFR).



**Mandatory Condition:** Must be urgent, off-the-shelf items not on GeM. Requires a personally signed certificate of quality and reasonable price (Manual 4.12).

# Direct Procurement by Purchase Committee



## 3-Member Local Purchase Committee (LPC)

Appointed by Head of Department (GFR Rule 155).

**Standard Limit:** ₹50,000 to ₹5,00,000

**Scientific Limit:** Up to ₹25,00,000 for research items (Updated GFR).



1

### Market Survey

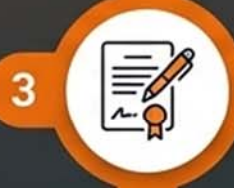
Jointly survey market for specifications and quality.



2

### Verify Reasonability

Ascertain the reasonableness of the supplier's rate.



3

### Sign Joint Certificate

All three members must sign the specific format (Manual 4.13.1).












4

### Place Order

Award contract to the identified reliable supplier.

# Navigating Tenders: OTE vs. LTE vs. STE

| Open Tender Enquiry (OTE)                                                                                                                            | Limited Tender Enquiry (LTE)                                                                                                                    | Single Tender Enquiry (STE/PAC)                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>&gt;₹50L<br/>(Scientific &gt;₹1Cr)</p>                          |  <p>&lt;₹50L<br/>(Scientific &lt;₹1Cr)</p>                     |  <p>Any Value</p>                                                                                                               |
|  <p>Widest competition, default for large purchases (Rule 161).</p> |  <p>Direct mail to registered approved vendors (Rule 162).</p> |  <p>Single source or Proprietary Article Certificate (PAC). High risk, strict scientific justification required (Rule 166).</p> |
|  <p>Mandatory publishing on CPPP.</p>                             |  <p>No mandatory open e-publishing.</p>                      |  <p>No e-publishing required for strictly confidential cases (Rule 159).</p>                                                  |

# Mastering the Limited Tender Enquiry (LTE) Process: A Procurement Guide

A restricted procurement method balancing efficiency and transparency by inviting a select panel of verified, registered suppliers for goods typically up to **Rs. 50 Lakhs** (or Rs. 1 Crore for Scientific Departments), when GeM non-availability is confirmed.

## 1. THE PRE-QUALIFICATION CHECKLIST



### The GeM Non-Availability Mandate

Before initiating an LTE, the buyer must confirm items (required specifications or delivery period) are NOT available on GeM. If available, GeM procurement is mandatory.



### Generate a GeMAR&PTS Report

For any procurement outside GeM, it is mandatory to generate a "GeM Availability Report and Past Transaction Summary" with a unique ID to prove non-availability.



### Rs. 5 Lakh to Rs. 50 Lakh Standard LTE Threshold

While LTE can be used for smaller values, it is the default mode for procurements estimated within this range (extended to Rs. 1 Crore for Scientific Ministries).

## 2. VENDOR REGISTRATION PREREQUISITES



### Mandatory Prior Registration

Invitations for LTE are sent only to firms borne on the list of "Registered Suppliers" who have been pre-verified by the Head of the Ministry or Department.

### Verification of Credentials

Before registration, authorities must verify a supplier's manufacturing capability, quality control systems, past performance, and financial background.



Manufacturing Capability



Quality Control Systems



Past Performance



Financial Background



### Registration Validity

Suppliers are registered for a fixed period; they must apply for renewal at the end of this term. New suppliers may apply at any time.



### Requirement for Manufacturers

Firms registered for orders above Rs. 5 Lakh should ideally be manufacturers with in-house testing facilities or their authorized agents.

## 3. EXECUTING THE LTE



### Send Direct Invitations

Bidding documents must be sent directly via speed post, registered post, courier, or email to the selected panel of registered suppliers.



### Minimum Competition

Invitations must be sent to more than three firms; if fewer are available, the reasons must be recorded and approved by the Competent Authority.



### No Unsolicited Bids

In an LTE, bids from uninvited or non-registered firms are typically treated as unsolicited and are ignored to maintain the integrity of the restricted competition.

## 4. SPECIAL LIMITED TENDER ENQUIRY (SLTE)



### Exceeding the Rs. 50 Lakh Limit

LTE may be used for values above Rs. 50 Lakh only in exceptional cases where there is a certified urgency or it is in the public interest, as recorded by the Competent Authority.



### Certificate of Urgency

For an SLTE, the indenter must sign a certificate of urgency explaining why the requirement could not be anticipated and why an Open Tender is not feasible.

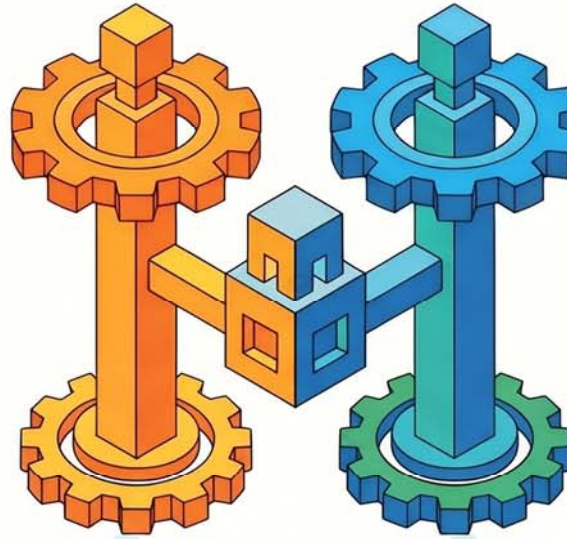
# Boosting Local Industry: A Guide to MSE and Make in India (MII) Procurement Preferences

## The MSE Advantage (Policy 2012)

**25% Mandatory Annual Goal**  
Central Ministries, Departments, and PSUs must procure a minimum of 25% of their total annual purchase value from MSEs.

**358 Reserved Items**  
A specific list of 358 items (including handicrafts and textiles) is reserved for exclusive procurement from the MSE sector.

**L1+15% Price Band**  
MSEs quoting within L1+15% are allowed to supply up to 20% of the order by matching the L1 price (if L1 is a non-MSE).



## The Make in India (MII) Framework (Order 2017)



**L1+20% Purchase Preference**  
Class-I local suppliers quoting within 20% of the L1 price (If L1 is not Class-I) can match L1 to secure at least 50% of the order for divisible items.

**Local Content Calculation**  
Calculated as  $\frac{\text{Sale Price} - \text{Value of Imported Content}}{\text{Sale Price}} \times 100$ , excluding not domestic indirect taxes.

**Global Tender Restrictions**  
Global Tender Enquiries (GTE) are generally not permitted for procurements valued below ₹200 Crore.

## Key Benefits & Relaxations



**Free Tenders & EMD Exemptions**  
MSEs are provided tender documents free of cost and are exempt from paying Earnest Money Deposits (EMD).



**45-Day Payment Guarantee**  
Under the MSMED Act 2006, payments to MSEs must not exceed 45 days; delays incur compound interest at three times the bank rate.



**Relaxation of Norms for Startups**  
Procuring entities may relax 'Prior Turnover' and 'Prior Experience' criteria for recognized Startups, provided they meet technical specifications.



**Self-Certification for MII**  
For contracts under ₹10 Crore, suppliers can self-certify local content; above ₹10 Crore, a certificate from a Statutory Auditor or Chartered Accountant is required.

## Concurrent Application (When Both Apply)

**MSE Preference Takes Precedence**  
For divisible items, the 25% MSE share is typically allocated first, followed by the MII preference for the remaining 75% of the quantity.



**Non-Divisible Items**  
For non-divisible contracts, the lowest quoting 'MSE Class-I Local Supplier' within the preference margin gets the first opportunity to match the L1 price.

## Supplier Eligibility by Local Content

Class-I Local (50% or more)

Eligible for all tenders (highest preference)

Class-II Local (20% to less than 50%)

Eligible for domestic tenders (no purchase preference)

Non-Local (Less than 20%)

Generally eligible only for Global Tenders

# The Supplier's Roadmap to Purchase Preferences: MSEs & Local Suppliers

## Micro and Small Enterprises (MSEs)



### Mandatory Udyam Registration

To qualify for benefits under the 2012 Policy, MSEs must be registered under the Udyam Registration portal; previous UAM registrations expired in 2022.



### Exclusions from MSE Policy

The MSE procurement policy specifically excludes traders, distributors, sole agents, and works contracts.

### Ownership Categories for Sub-Targets



## Local Suppliers (Make in India - MII)

### Class-I Local Supplier (>= 50%)

A supplier or service provider whose goods, services, or works offered for procurement meet a minimum local content of 50%.

50% or more

### Class-II Local Supplier (20% to 50%)

Suppliers with local content between 20% and 50% are eligible to bid but do not receive the same purchase preferences as Class-I.

20% to less than 50%

### Non-Local Supplier (< 20%)

Suppliers with less than 20% local content are "Non-Local" and generally only eligible to bid in Global Tender Enquiries (GTE).

## Qualification & Verification

### Self-Certification vs. Audit

Purchases under Rs. 10 crore: Self-certify local content  
Above Rs. 10 crore: Mandatory certificate from statutory/sost auditor or chartered accountant

### The Local Content Formula

$$\text{Local Content \%} = \left[ \frac{\text{Sale Price excluding net domestic indirect taxes} - \text{Value of imported content}}{\text{Sale Price}} \right] \times 100$$

### Exclusions from Local Content

Transportation, insurance, installation, commissioning, training, and after-sales service (AMC/CMC) costs excluded.

## Purchase Preference Benefits

### 25% Mandatory MSE Goal

Central Ministries and PSUs must procure a minimum of 25% of their total annual value of goods or services from MSEs.

### The 'Margin of Preference' Gap



### Supplier Category Comparison

|           | Local Content Requirement | Purchase Preference Eligibility |
|-----------|---------------------------|---------------------------------|
| Class-I   | 50% or more               | Eligible (Margin: L1 + 20%)     |
| Class-II  | 20% to less than 50%      | Not eligible for preference     |
| Non-Local | Less than 20%             | Not eligible (except in GTE)    |

### MSEs Transaction Cost Waivers for MSEs

- Tender documents free of cost
- Exempt from paying Earnest Money Deposits (EMD)

# Promoting Local Industry (MII & MSME)



## Make in India (MII)

- Class-I Supplier: >50% local content.
- Gets 20% margin of purchase preference to match L1.



## Micro & Small Enterprises (MSE)

- MSEs within L1 + 15% band can supply up to 25% of order.

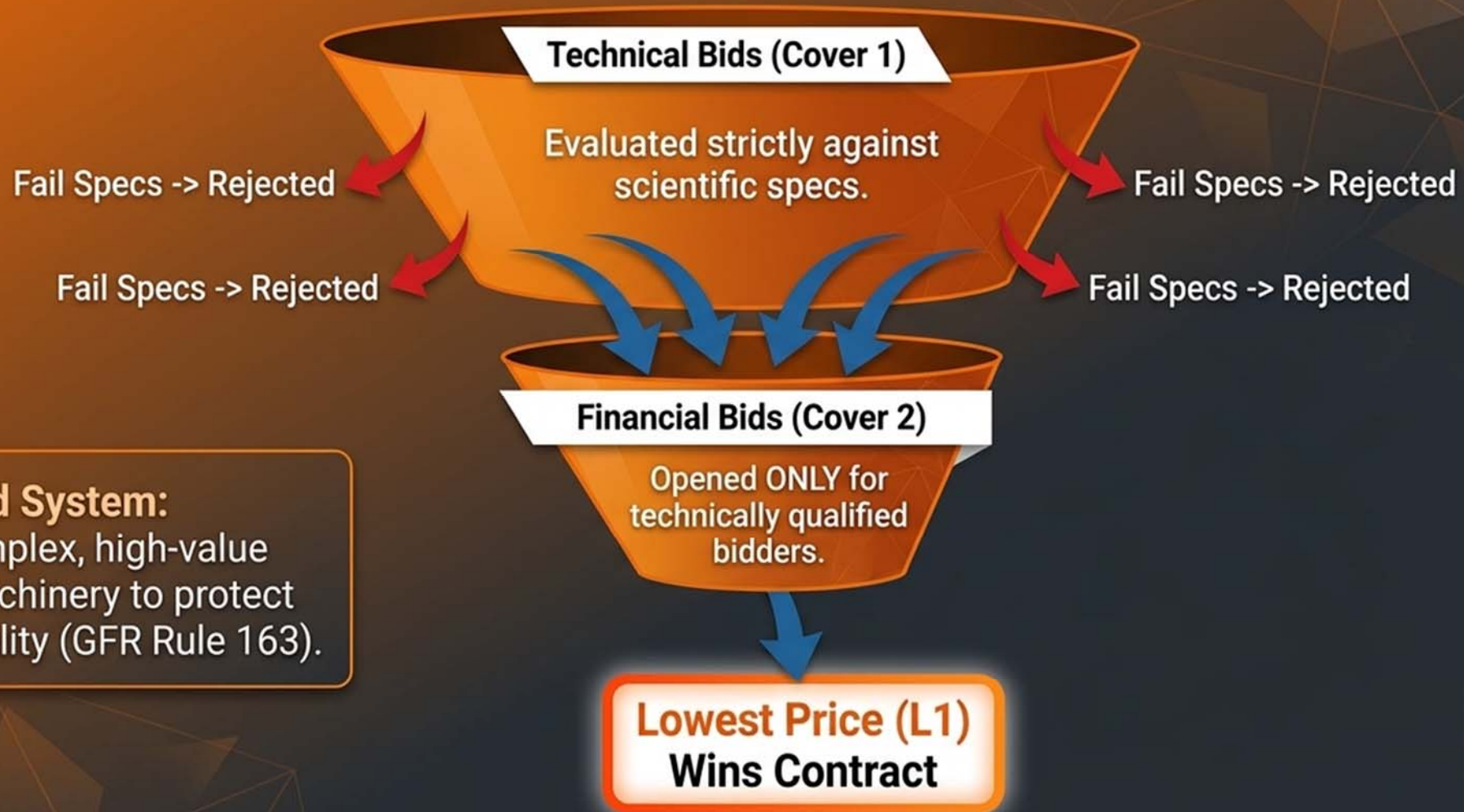


## Purchase Preferences



**Exemptions:** MII rules do not apply to small purchases under ₹5 Lakhs (Manual 1.11.3).

# Procuring Complex Scientific Equipment



## The Two-Bid System:

Used for complex, high-value technical machinery to protect research quality (GFR Rule 163).

# Protecting Public Funds: EMD & Performance Security



## Earnest Money Deposit (EMD)

- **Phase:** Bidding (Pre-Award)
- **Amount:** 2-5% of estimated value
- **Purpose:** To deter frivolous bids (Rule 170)
- **Exemption:** Micro and Small Enterprises (MSEs) are EXEMPT (Manual 1.11.2)



## Performance Security



- **Phase:** Execution (Post-Award)
- **Amount:** 5-10% of contract value
- **Purpose:** To ensure successful delivery (Rule 171)
- **Exemption:** Required from all successful bidders. MSEs are NOT EXEMPT.

Pre-Award



Award



Post-Award

# The Blueprint of Value: Assessing L1 & Price Reasonability

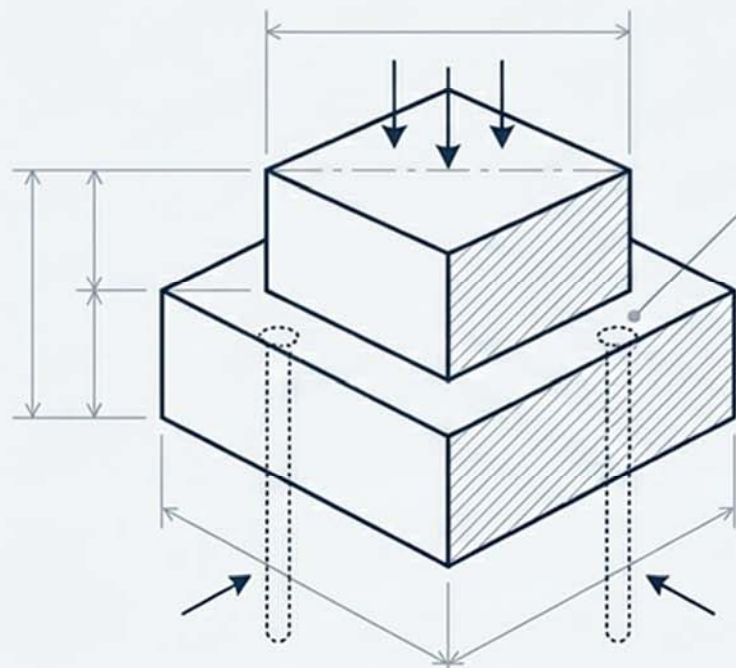
A Strategic Guide to Cost Estimation, Tender Committee Evaluations,  
and Contract Award Recommendations



Based on the Manual for Procurement of Goods (2024), Government of India | Department of Expenditure

# Step 1: The Foundation of Procurement

A realistic, objective cost estimate in the indent is the vital anchor for all subsequent procurement approvals and bid evaluations (Para 2.1-2-f).



FOUNDATION ANCHOR:  
OBJECTIVE COST  
ESTIMATE  
(EST. BASIS)

## The Risks of Inadequate Estimation

### Inadequate Response

Unrealistic low estimates discourage capable bidders, leading to failed tenders.

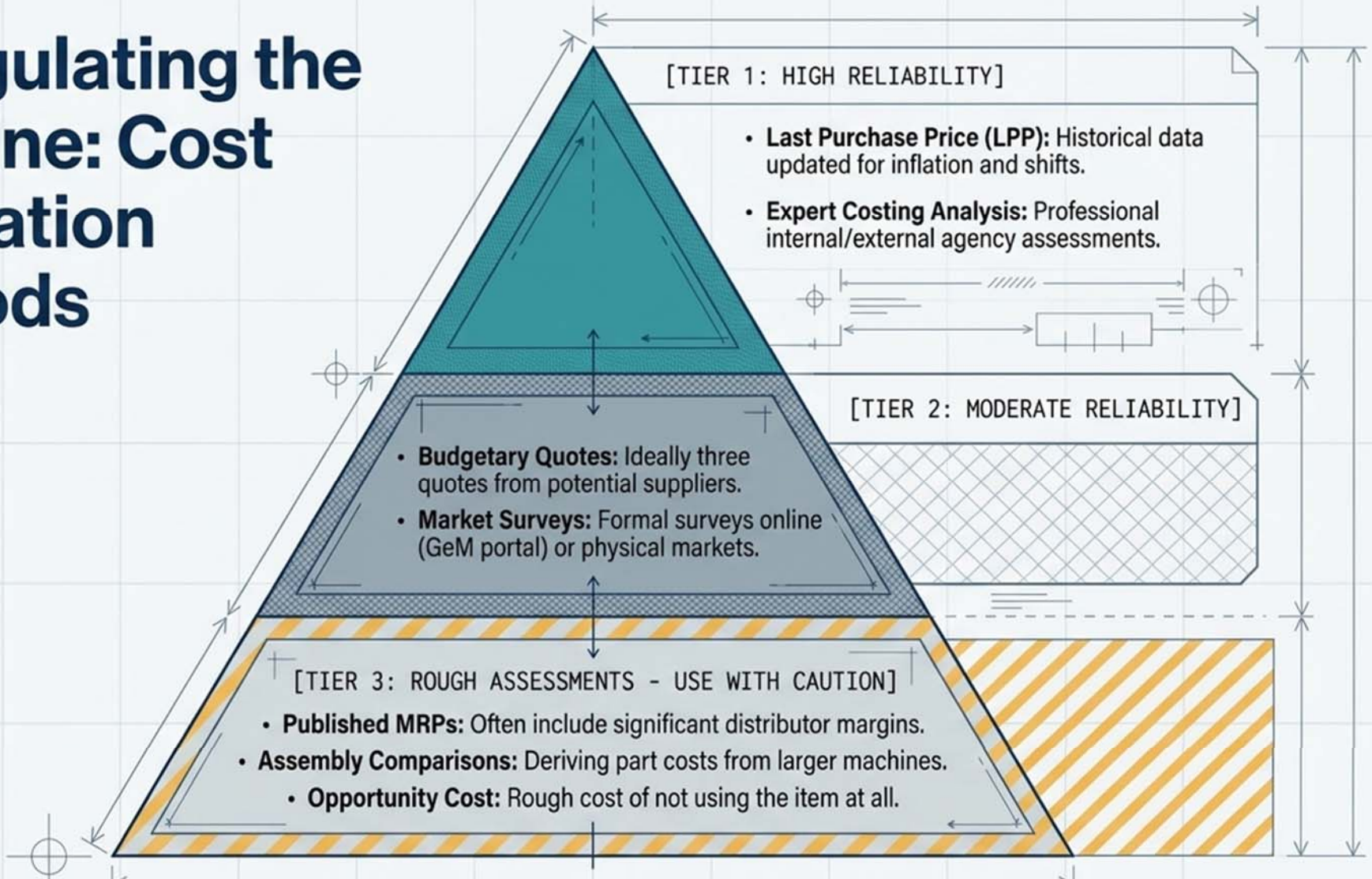
### Delayed Finalization

Poor estimates trigger protracted reviews and re-tendering cycles.

### Cartel Vulnerability

Blind reliance on market responses without an internal baseline exposes the buyer to collusive high pricing.

# Triangulating the Baseline: Cost Estimation Methods



## Step 4: The Price Reasonability Mandate

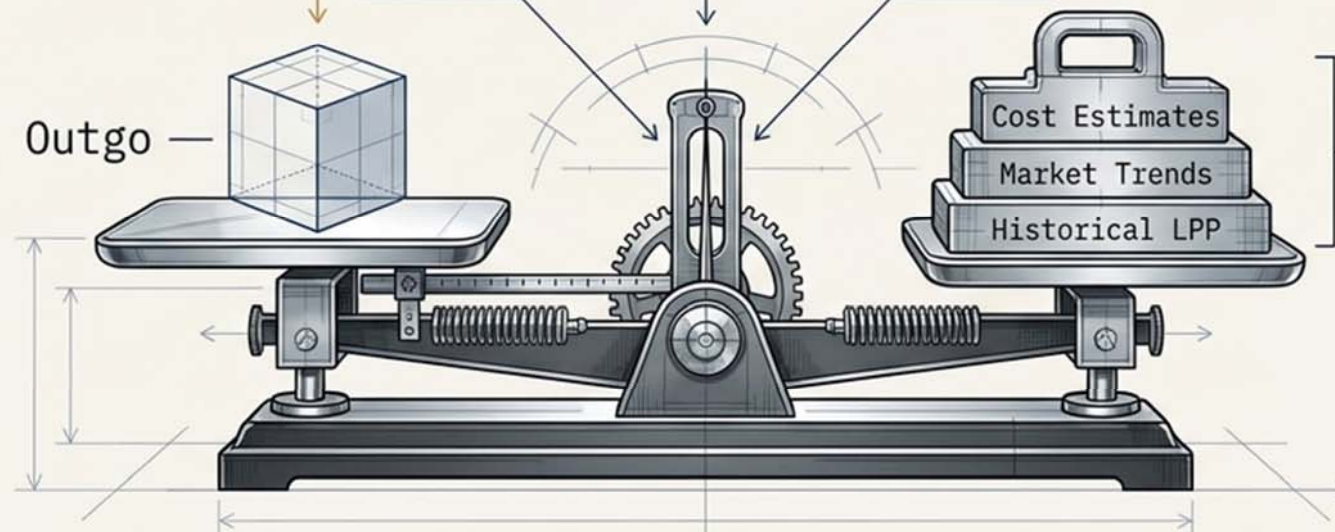
**THE GOLDEN RULE:** Being L1 is necessary, but not sufficient. Blind reliance on being the lowest bidder is prohibited.

**The TC's Obligation:**  
The Tender Committee must explicitly declare that the rates recommended are reasonable before any award can occur (Para 7.6.6).

**If scale tips too far:**  
Trigger Abnormally Low Bid diagnostics.


**If scale is too heavy:**  
Trigger Unreasonably High Bid diagnostics.

L1 Total Outgo



Triangulated  
Baseline

# Diagnostic Matrix: Unreasonably High Bids & Cartels



**THE SCENARIO**  
The L1 price vastly exceeds the triangulated estimate or suggests cartelization.

**THE RISK**  
Overspending public funds, validating collusive bidding.

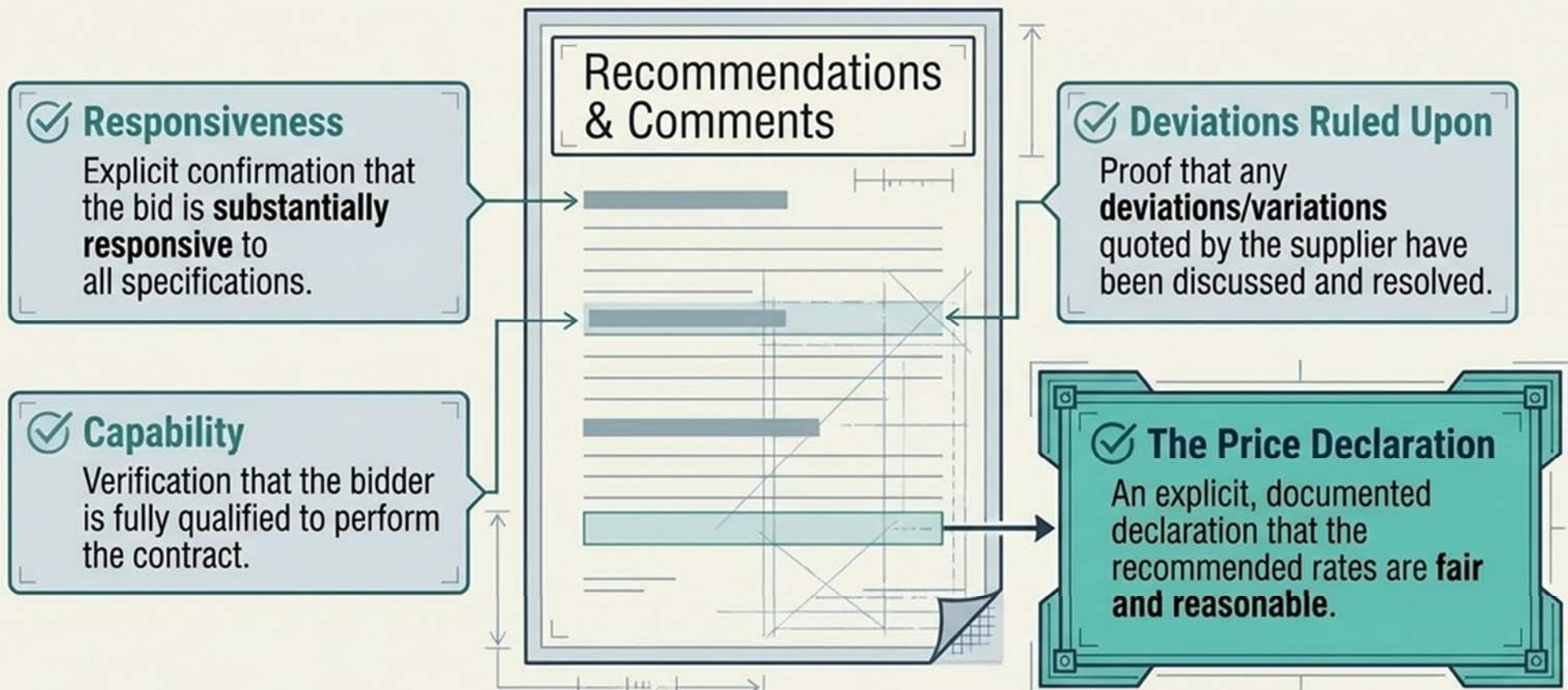
**THE DEFAULT ACTION**  
Investigate unreasonableness. If justified, scrap the tender and re-tender the bulk requirement (Para 7.6.9).

**THE STRICT EXCEPTION  
(WHEN TO NEGOTIATE)**

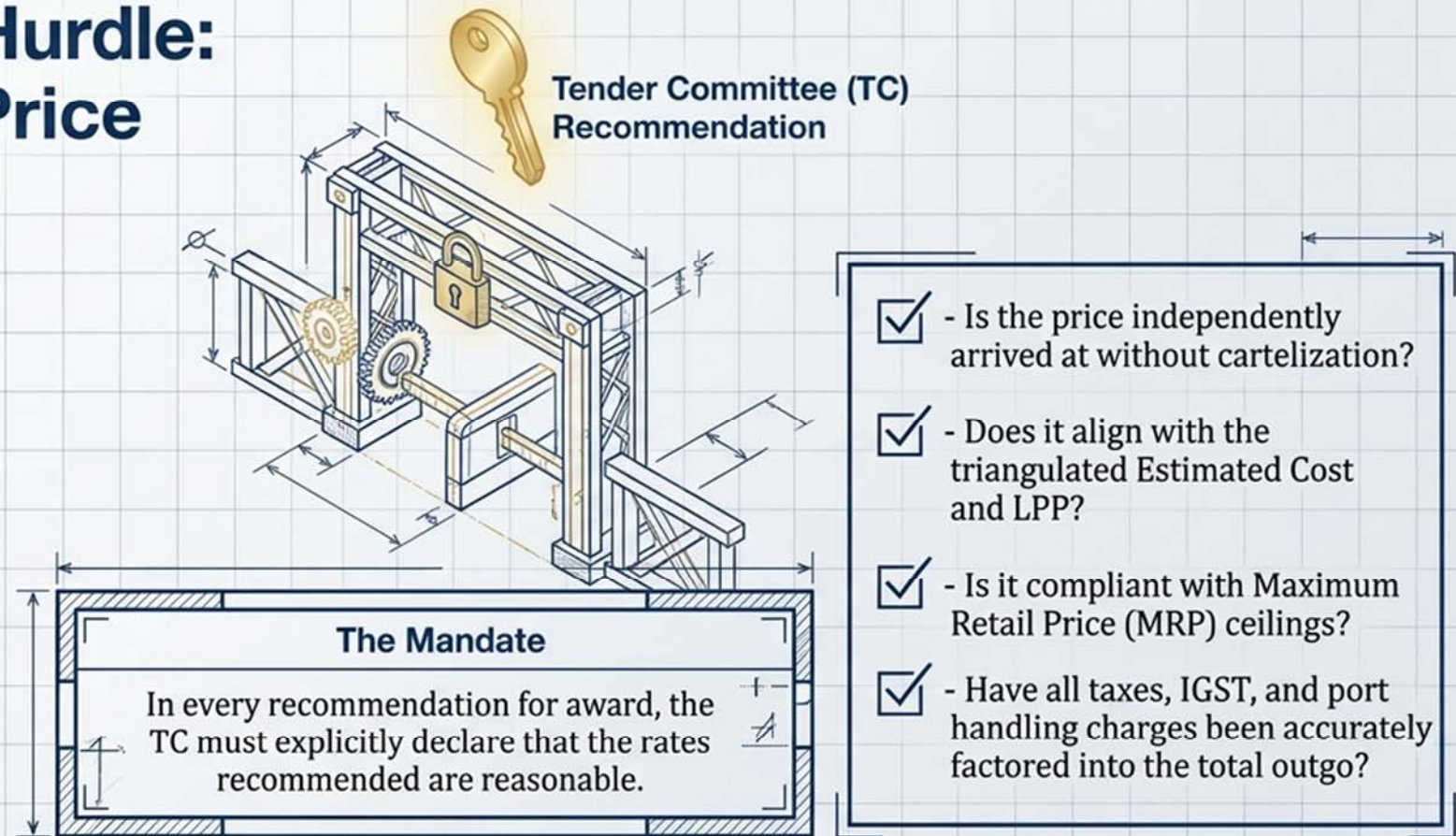
- Negotiation with L1 is permitted **ONLY** if scrapping the tender would **jeopardize essential operations, maintenance, or safety**.
- **CONSTRAINT:**  
Even then, negotiate only for the **bare minimum immediate requirement**, while re-tendering the balance.

# Step 5: The Defensible TC Recommendation

**The Audit-Ready Report:** The final TC output (Para 7.6.14) is a **comprehensive justification** featuring four mandatory declarations:

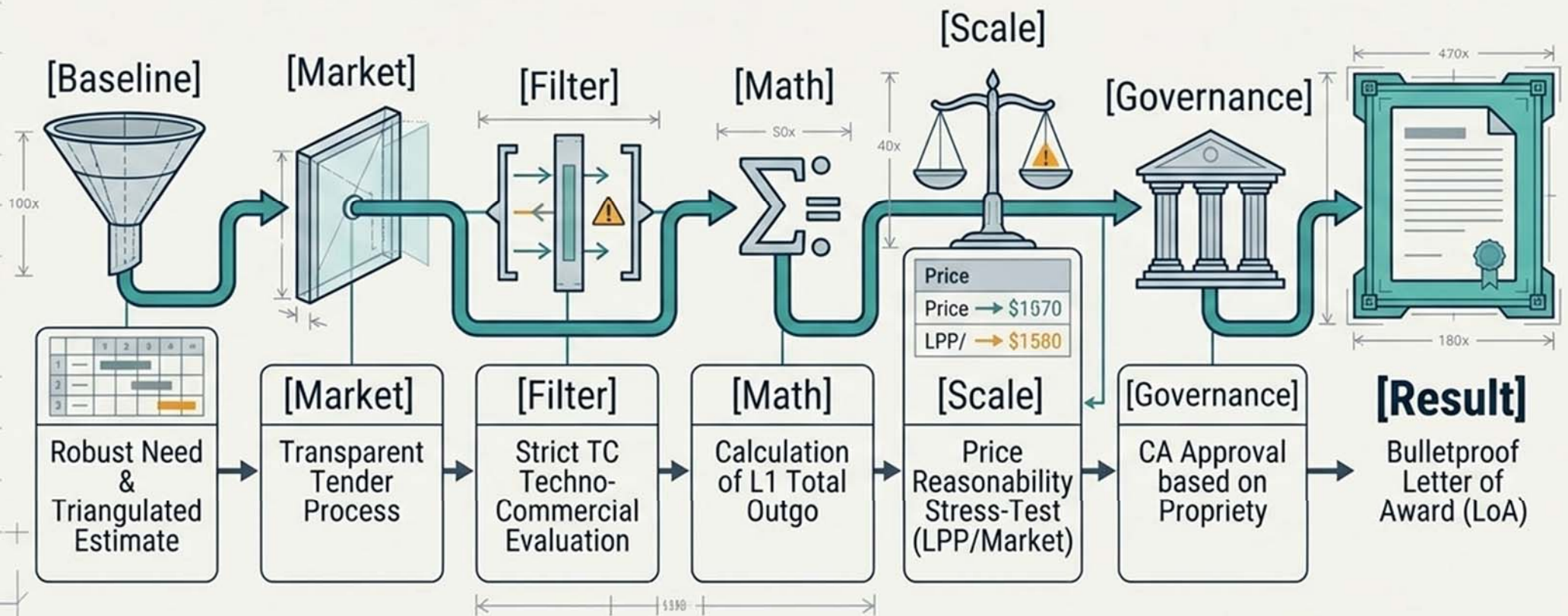


# The Ultimate Hurdle: Ascertaining Price Reasonability

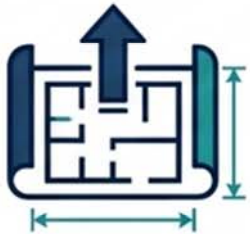


**Insight:** Price reasonability is not just checking if the bid is L1. If L1 is abnormally low, it risks contract failure; if unreasonably high, it requires negotiation or retendering.

# Synthesis: The Blueprint for Defensible Procurement



# Key Takeaways & Golden Rules



## Rule 1: Price Doesn't Equal Value

Being L1 is the starting line, not the finish line. Price alone never guarantees an award without explicit proof of reasonability.



## Rule 2: Triangulate the Truth

Never rely on a single data point. Cross-reference L1 against historical LPP, expert costing, and market realities to find the true baseline.



## Rule 3: Document the 'Why'

Audit-readiness lives in the justification. Every deviation ruled upon, every ALB investigated, and every rate declared reasonable must be meticulously documented.



# Hiring Services & Outsourcing



## Consulting Services

Intellectual or advisory services (e.g., specialized research analysis).

Evaluated via QCBS (GFR Rule 194).



## Non-Consulting Services

Measurable physical tasks or outsourcing (e.g., lab maintenance).

For >₹50 Lakhs, advertise on GeM/CPPP (Rule 201).

**QCBS:** Quality and Cost Based Selection.  
Balances technical expertise against price.

# Rules for Advance Payments



**Standard Rule: Pay only AFTER successful delivery (Manual 6.2).**

| Private Firms                                                                                   | Government Agencies                                     |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| <p>Max 25% advance permitted<br/>(UFP Manual 6.2)</p> <p><b>BANK GUARANTEE<br/>REQUIRED</b></p> | <p>Up to 40% advance permitted<br/>(State/Central).</p> |

**Exception:** Advance payments for Annual Maintenance Contracts (AMCs) are routinely allowed if dictated by standard market practices.

# Global Tenders & Border Restrictions



## Mandatory Foreign Compliance Checks

- No Global Tender Enquiry (GTE)** under **₹200 Crores** without top-level Competent Authority approval (**Rule 161**).
- Bidders from **land-border sharing countries** **MUST** have **prior registration** with the Competent Authority (**Rule 144 xi**).
- Sub-contracting** to border-country entities is strictly prohibited without official registration.
- Exemptions** exist for certain medical and closed-system spares (**Manual 1.11.3**).

# Lifecycle Management: Inventory & Disposal



## Condemnation & Disposal

Condemn when obsolete or beyond economic repair (GFR Rule 217).  
Dispose via GeM, auction, or scrap to recover residual value (Manual 10.4).

**Accountability continues until the equipment leaves the lab.**



## Receipt & Inspection

Conduct physical verification of assets at least annually (GFR Rule 213).



## Dead Stock Register

Mandatory recording of all fixed capital assets (GFR Rule 211).



Mandatory recording of fixed capital assets

*Thank  
You!*

