

## Public information

### **Banning of business relationship with Bhatia International and Maheswari Brothers Coal Limited**

Nalco has banned these firms by stopping business relationship with them, with effect from 04 May,2012 and after completion of five years, after due legal examination, has continued with the banning, withholding business relationship with these firms and the same has been communicated vide IOM no. NBC/MM/ED(MAT)/2017/1068, dated 07 Oct,2017. Besides, Nalco has also challenged, the arbitration award on compensation won by the parties, in Court of law. The matter is now sub-judice.

### **System of procurement of critical raw material in NALCO**

Nalco is a highly technology oriented company with plant and equipment costing more than Rs. 15,000 Cr. In the Aluminium value chain, Nalco requires certain critical raw material like 'caustic soda', 'Aluminium fluoride' etc. for processing. These raw material need to be tested for technical suitability before its full scale use in operation. Therefore Nalco's procurement guidelines provide for system of procurement that is technologically compatible and procedurally in line with Supreme Court guidelines on Public procurement, CVC guidelines and industry wide practices.

There are two systems of procurement complying with the above guidelines:

1) **Global tender with two bid system**, i.e. techno-commercial bid and price bid. In the said tender a small quantity (up to 20%) is earmarked for development tender. In the above system new supplier's samples are tested and if found suitable, they are included in the list of techno-commercially suitable suppliers in respect of which price bids are opened. However sometime the testing takes some time due to technical reasons, hence the delay in procurement.

**2) Global tender with two stage tendering**, i.e. (i) Global tender for empanelment of techno-commercially qualified vendors, (ii) Open tender (LTE) amongst the empanelled vendors. Annual development tender separately for updation of supplier's list with new vendors. This gives opportunity to all techno-commercially qualified suppliers and obviates any delay on account of testing samples of new vendors. In Nalco, up to 2013, the first system of procurement involving Global tender with two bid system and development tender embedded in it was followed. In 2014-15, there was delay due to testing and difficulty faced. Hence Materials department adopted the system at para 2, i.e. Global open tender with two stage tendering and separate Global tender for empanelment of new suppliers. The process resulted in time bound placement of order meeting the requirements. Nalco followed this system in 2014-15 and 2015-16. In 2016, with a view to compare the results of both the system of tendering, Nalco Materials department adopted system at para 1: Global tender with two bid system and the same is now continuing. The results of both the tendering system, which are in conformity with Hon. Supreme Court and CVC guidelines, are by and large same in matters of opportunity to suppliers and competition.

Some vested interests have resorted to mudslinging on Nalco Materials department, distorting the facts that Nalco has changed the system to Limited tendering in place of Open tendering, which is factually wrong and complete falsehood, with malafide intention to dent the image of the company. Nalco is planning to take legal action in the court of law against such falsehood and image-damaging complaints etc.