

e-Procurement at Mahanadi Coalfields Limited (MCL) : A Success Story

The e-Procurement for Works and Services was started in MCL on the 63rd Independence Day of the Nation and with this MCL entered into a new era of e-Governance. August 15th 2009 will be marked with golden letters in the history of MCL as on this auspicious day MCL became the first subsidiary of Coal India Limited to implement e-Procurement for Works & Services and also became the first Central PSU Company of the country to avail e-Procurement services of National Informatics Centre (NIC), Government of India with auto technical evaluation. The e-Procurement was made mandatory for all areas of MCL w.e.f. 15th September'2009. Here we have an Exclusive Talk with Chief Vigilance Officer, Sh. N. K. Pradhan, IRS, Mahanadi Coal Fields Limited, Govt. of India Undertaking.

i Our heartiest congratulation for successfully implementing e-procurement in MCL. Would like to hear more from you.

N.K.P: Thank you for the same and my sincere thanks to NIC for providing such an excellent cost effective solution. I extend the same to all the team members who have been working day and night for the success of the project. This has been a vital project for us and is a major initiative of MCL in the direction of e-Governance. e-Procurement for works and services was inaugurated on 15th August 2009 by Sh. S.R. Upadhyay, CMD, MCL. The guidance and encouragement given by Sh. Upadhyay all along could lead to the successful implementation of e-Procurement in MCL. Sh. B. Mahapatra, Director (Finance), Sh. A.K. Singh Director (Tech./Project & Planning), Sh. A.K. Tiwari, Director (Tech./Operation) and Sh. S.C. Padhy, Director (Personnel), MCL gave regular guidance and

encouragement to the e-Procurement cell. In fact the e-Procurement cell in MCL functions under the direct supervision of Sh. A.K. Singh, Director (Technical/Project & Planning). To make the transformation gradually but surely, three pilot tenders were hosted on the inaugural day along with a systematic roll out plan. As you are aware, this is a project which has direct impact on the efficiency of the organization and results in an efficient and transparent tender management with better feedback to the Bidders at each stage.

i What were the initial thoughts regarding e-Procurement at MCL?

N.K.P: We have been very enthusiastic to implement e-Procurement at MCL and to take up works and services through on line tendering process in a phased manner. Moreover, the emphasis was on making a generic module to cater to the tendering process in coal



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producing companies.

In December 2007, the process was initiated by MCL Board and we have examined the services provided by various e-Procurement service providers. In letter F.No. 8(5) E.II(A)/2006 dated 10.1.2007 issued by Department of Expenditure, Ministry of Finance, in reference to OM No. 8(5)E.II(A)/2006 dated 5th July 2006 conveying the directives on the subject "Introduction of Mandatory e-Procurement" there is a reference of National Informatics Center (NIC) at Para-5(viii). We felt that, NIC being a Central Government department, security of the bid data is ensured. So we approached NIC being the nodal agency for e-Procurement for

government departments. After going through the GePNIC (Govt. e-Procurement System of NIC) our team observed that the e-Procurement system of NIC is quite flexible to accommodate the requirement of MCL with some customization and addition of auto-technical evaluation module.

i What about the financial implications of proposal submitted by NIC?

N.K.P: In most of the e-Procurement system being provided by the service providers, the bidders have to pay transaction fee in terms of certain percentage of the tendered value for each tender. But in the e-Procurement system developed by NIC, neither the bidders nor the department has to pay any transaction fee. There is only one time investment to be made by MCL and the major part of investment will be for the creation of infrastructure like Servers, OS software etc. which will be owned by MCL and can accommodate any number of tenders to come in future. There will be some recurring expenditure by MCL towards maintenance of hardware, software and other support services rendered by NIC.

Subsequently in the impact analysis we have evaluated that MCL has recovered the investment done under this project, within the first few tenders finalized on this e-Procurement portal.

i What are the Change management steps initiated by MCL?

N.K.P: The business process re-engineering exercise was carried out with the help of National Informatics Centre. For the purpose, a core team was formed with experts from Systems Department, Contract Management Cell and Vigilance Department of MCL. They framed the desired system requirement keeping in view the directives of the MCL Board, guidelines from CVC and relevant manuals of CIL. MCL Board accorded its approval on 13.06.2009.

The objective is to automate the entire tendering process including tender creation, floating of NIT, bid submission, bid evaluation in an on-line web based real

time environment and to eliminate or minimize the human intervention in tender evaluation. The bid validity period has been reduced from 120 days in manual tendering to 60 days in e-Procurement that would lead to reduction in quoted bid prices and will also increase the bidder base.

i You have been the main driving force behind the success of this project. Please tell us the major challenges you have dealt with?

N.K.P: The major challenge was the adoption of the system by both the internal (employees) as well as the external stakeholders (bidders). Winning the trust of both stakeholders is the success mantra of e-Procurement implementation in any Organization. For Capacity Building, extensive training was jointly conducted by MCL and NIC officials to train internal users for tender publishing, opening, evaluating and to train a large number of bidders to use the system for online bidding.

i You are a Vigilance man. Please enlighten us in this angle with respect to e-Tendering.

N.K.P: I was keen on the implementation of (1) OM No.8(5)/E.II(A)/2006 dated July 5, 2006 of Ministry of Finance on “National e-Governance Plan (NeGP) Implementation of e-Procurement in Ministries/ Departments” (2) Letter F.No.8(5)/E.II(A)/2006 dated January 10th, 2007 of Ministry of Finance on “Introduction of Mandatory e-procurement” (3) CVC Office Order No.46/9/03 dated 11.09.2003 on “E-procurement/Reverse Auction” and (4) CVC Circular No.29/9/09 dated 17.09.2009 on “Implementation of e-tendering solutions.”

With the introduction of e-Procurement system, there will be drastic reduction in the complaints relating to Tender finalization due to better data security and transparency of the system.

However, with the implementation of GePNIC many of the objectives like wider web publishing, on line bidding, time bound completion of tender process to avoid cost

over run, non-discrimination among bidders, elimination of subjective judgment in the evaluation of Tenders have been fulfilled.

I would rather say it has substantially improved Vigilance Administration with greater transparency in procurement by eliminating unhealthy business practices. I strongly believe that this is a gigantic step towards better Corporate Governance.

i MCL have signed a MoU with NIC/NICSI for the implementation of e-Procurement system. What are future plans?

N.K.P: On 22nd January'2009, Sh. S.R.Upadhyay CMD, MCL and myself visited NIC, New Delhi and had a meeting with Dr. B. K. Gairola, DG, NIC. Dr. Gairola extended his kind support to provide e-Procurement services to MCL. I express my sincere gratitude to Dr. B. K. Gairola, DG, NIC, Dr. Y. K. Sharma, DDG, NIC, Sh. A. Mohan, DDG, NIC, Smt. J.R.D. Kailay, MD, NICSI and Sh. S. K. Panda, SIO, Orissa for extending full co-operation.

MCL and NIC have partnered and have committed to take forward this project to new heights bringing in new features for fast decision making and added convenience to the users without compromising with the transparency in tendering process. NIC / NICSI has taken responsibility of Server Management at their Data Centres, providing Digital Signature Certificate to MCL officials, training the Trainers, Help desk set up and other aspects of this software project.



MOU sign with MCL by MD, NICSI

We are also interested to implement Contract Management (Post Tender activities) system. A module for Online Payment Gateway integration to receive tender application fee & EMD from bidders electronically and to refund EMD to bidders are also underway.

i How do you articulate the success of this project and any other important factor?

N.K.P : I am very optimistic about the future of this project, the way it has made a holistic change in the procurement system. A comparative study of e-Procurement vis-a-vis Manual system of tendering reveals that average cycle time from floating of NIT to opening of Price Bids has been drastically reduced to 31 Days. The minimum cycle time from floating of NIT to award of work has been recorded so far as 21 days. Considerable savings resulted to MCL in terms of reduced cost of procurement of works and services.

For the successful GePNIC rollout at MCL, I convey my deep sense of gratitude to all the members who have contributed significantly to this project namely Sh. S.K. Panda, SIO, NIC Orissa, Sh. P.Krishna Prasad, SIO, NIC Tamilnadu, Sh. M. Manivannan, Sr. T. D. and Sh. K.S. Raghavan, Sr.T.D. from NIC, Chennai, Sh. A.K. Hota, T.D., Sh. T.P. Ray, Scientist-D and Sh. Nihar Ranjan Biswal, Scientist-C, from NIC, Bhubaneswar, Sh. R.P. Dash, DIO, Sambalpur, Sh. Rajeev Chauhan from NICSI, New Delhi, Sh. Malay Pattnaik from NICSI, Orissa, Sh. S.K. Bhanja, Project Manager (e-Procurement), Sh. O.P. Mishra, Supdt. Engineer (Civil), e-Procurement Cell and Sh. S.K. Shrivastava, Supdt. Engineer (Civil) of Vigilance department of MCL. It is their initiative, sincerity, and positive approach with spirited well coordinated teamwork that has brought this project to this level of success. **i**

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