

Raw Material Procurement by OFB on basis of Letter of Intent (LoI)

Ordnance Factory Board (OFB) was earlier authorised to initiate procurement of raw material only after receipt of formal indent from Army Head Quarters. Therefore, any delay in issue of indent used to cause delay in procurement of raw material procurement, thus resulting in slippages in delivery schedule of stores/items.

In order to resolve the issue, OFB has now been authorised to initiate procurement of raw material for 50% of quantity indicated in LoI, with an option clause of 100%, issued by the Army Head Quarter.

The office orders issued in this regard are attached below.

No. A-20039/OFB/MGO/DDG(Prod)/D(O-1)/2016
Government of India
Ministry of Defence
New Delhi-11011

Dated 10th August, 2016

Subject: Issuance of 'Letter of Intent' to OFB in respect of Class 'A' and Class 'B' Army Stores procured from OFB.

Sir,

The issue of slippages by OFB in the delivery timelines/targets fixed in the indent for Class 'A' and Class 'B' Army Stores was under consideration of the Govt. It has been brought out that as procurement of raw material is authorised to OFB only on receipt of formal Indents, their production cycles get delayed due to not placing of timely indents. Thus a need has been felt to devise a framework to expedite procurement/production process by OFB.

2. It has not been decided that on finalisation of APR deficiencies of the items which are planned to be procured ex-OFB (either out of OFB's own production range or through sourcing ex-trade), AHQ shall share the details with OFB through a 'Letter of Intent'(LoI), indicating the final quantity of indent may vary while going through the process of CFA approval. On the basis of LoI, OFB will be authorized to initiate procurement action for the input materials for 50% of the quantity indicated in LoI with 100% option clause. The LoI will be given at the level of MGO irrespective of value. Formal indents will be followed up with the approval of concerned CFAs.

3. This issues in consultation with Department of Defence Production vide their ID No. 11(17)/2016/D(Prod-II) dated 29th April, 2016/ 13th May, 2016 and with the concurrence of Ministry of Defence (Finance) vide their UO No. 1050 (DFA(O)) dated 27.8.16.

Sd/-
(Rajeev Jauhari)
Under Secretary to the Government of India
Tel. 23013696

Copy to

1. The Secretary (DP)
2. Chairman , OFB
3. CGDA
4. MGO

No. A-20039/OFB/MGO/DDG(Proc)/D(O-I)/2016
Government of India
Ministry of Defence
New Delhi-110011

23rd Sept., 2016

To

The Chief of Army Staff

Sub: Issuance of 'Letter of Intent' to OFB –amendment thereto

Sir,

The following amendment in second sentence of Para 2 of "Letter of Intent" issued vide letter of even number dated 10th August, 2016 is made as under:-

For:

"On the basis of LOI, OFB will be authorised to initiate procurement action for the input materials for 50% of the quantity indicated in LOI with 100% option clause."

Read:

"On the basis of LOI, OFB is authorised to procure the input materials for 50% of the quantity indicated inn LoI with 100% option clause for starting production."

3. This issues with concurrence of Ministry of Defence (Finance) vide their UO No. 1329/DFA(O)/2016 dated 23.09.2016.

Sd/-

(S.K. Tanwar)

Under Secretary to the Government of India

Tele No : 23013696

Copy to:

1. The Secretary (DP)
2. Chairman, OFB
3. CGDA
4. MGO

Copy for information also to:

1. PS to RM/RRM
2. SO to Defence Secretary
3. PPS to Addl. Secy(R)/JS(O/N)/JS (Army)/JS &AM(LS)
4. PPS to Addl. FA(AN) & JS

भारत सरकार
रक्षा मंत्रालय
आयुध निर्माणी बोर्ड, आयुध भवन
10-A, शाहीद खुदीराम बोस रोड,
कोलकाता - 700 001 T,



GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
ORDNANCE FACTORY BOARD
AYUDH BHAVAN
10A, SHAHEED KHUDIRAM BOSE ROAD
KOLKATA - 700 001

No. 903/Policy/P&P/2016

Date 13-10-2016

To
The Sr. General Manager/General Manager
Ordnance and Ordnance Equipment factories

Sub : Procurement of Raw material by OFB based on Letter of Intent.
Ref : (i) MOD ID No. A-20039/OFB/MGO/DDG(Proc)/D(O-I)/2016
dtd. 23.09.2016. (copy enclosed)
(ii) MOD ID No. A-20039/OFB/MGO/DDG(Proc)/D(O-I)/2016
dtd. 10.08.2016.

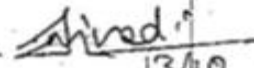
OFB has been projecting delay in receipt of indents as a cause for delay in procurement of material and thereby delay in production and issue of items indented by various indentors. Accordingly, the matter regarding enablement for procurement of Input materials against Letter of Intent (LOI) was initiated by MGO obtaining views of MoD/DDP. MoD/DDP vide I.D. under reference (ii) recommended Chief of Army Staff for authorizing OFB to initiate procurement action on the basis of LOI.

Consequently the matter was again taken up with MoD to incorporate suitable changes while issue of the directives on LOI enabling OFB to procure material and start production activities also. MoD vide I.D. dated 23-09-2016 has recommended under mentioned amendment to Chief of Army Staff for authorizing OFB to procure input materials against LOI:-

"On the basis of LOI, OFB is authorized to procure the input materials for 50% of the quantity indicated in LOI with 100 % option clause for starting production."

This is for information please.

Encl: a/a


13/10
(Sanjay Dwivedi)
DDG/P&P

For Director General, Ord.Fys

Copy to
Operating Divisions - For information please.