

Reverse Auction



Electronic Reverse Auction(e-RA)

- **Reverse auction is inverse of the process of auction.** In auction, a seller puts forward the product that he or she wishes to sell and the buyers have to bid or compete against each other for obtaining the product. The bidding occurs in terms of higher prices. But in case of a **reverse auction, the role of the buyers and sellers are reversed.**
- Reverse auctions are used by large corporations and government entities as a competitive procurement method for raw materials, supplies, and services like accounting and customer service.
- Software developed by CRIS: Centre for Railway Information Systems, New Delhi.

Reverse Auction



Selection Criterial for e RA route:

- As per previous guideline vide Railway board letter No. 2017/trans/01/Policy/Pt-S dated 28.03.2018 e-RA in 1st phase shall be followed for:
 - Stores tender value more than Rs. 10 Crore.
 - Works & Services tender value more than Rs. 50 Crore.
 - Earning for all tenders.
- Which is later modified vide Railway board letter No. 2019/RS/(G)/779/2 dated 08.08.2019 the police for e-RA was revised as:
 - Stores tender value more than Rs. 5 Crore.
 - Works & Services tender value more than Rs. 50 Crore.
- Reverse auction shall be followed only in case of tenders where there are at least three approved/proven/likely competitive sources are available.
- Financial Bids in single currency (INR) only shall be followed.
- For cases on Zonal Railway /PU personal approval of PHOD/CHOD shall be required for any exception in procurement method dully vetted by associate finance.

Procedure for award of contract through Reverse Auction:

- Procedure shall be Fully implemented through IREPS.
- Each tender should clearly specify essential technical and commercial parameters in transparent manner, no deviation to essential Technical & Commercial conditions shall be permitted.

Technical Bid and initial price offer:

- e-RA shall be adopted only for those cases where evaluation is on the basis of single parameter/Currency.
- Procuring authority shall decide the bid evaluation criteria in the tender itself, whether the evaluation shall be item wise, consignee wise or overall tender value wise.
- Bidder shall be simultaneously required to submit a technical & commercial bid and initial price offer.
- Offer found eligible for award of Contract/meeting eligibility criteria shall be categorized as qualified for award of contract for the purpose of eRA.
- Offer found eligible for bulk order shall be categorized as qualified for bulk order for the purpose of RA & offers found eligible for developmental order shall be categorized as qualified for developmental order for the purpose of RA.

Continue...

- Offer not complying with essential technical & commercial requirement of the tender shall be declared as ineligible for any order.
- Technical & commercial evaluation of bids shall be done by a Tender committee as per extent guidelines.
- Recommendation of tender committee shall be considered by tender accepting authority as per existing guidelines.
- In case, Initial price offer of only those bidders categorized as qualified for award of contract shall be opened and tabulated by the system separately.
- In case, Initial price offer of only those bidders categorized as qualified for Developmental order or qualified for bulk order, shall be opened and tabulated by system separately, category wise. Extent instruction for tabulation shall apply for tabulation of initial price offer.

Financial bid:

- Financial bid shall comprise of final price offer obtained through Reverse Auction. Following conditions and procedure shall be followed in selection of bidders for conduct of Reverse Auction.

Selection of vendors for Reverse Auction for bulk ordering.

Number of vendors qualified for bulk order	No . Of vendors to be selected for RA	Remarks
Less than 3	NIL*	The bids disallowed from participating in the RA shall be the highest bidders(s) in the tabulation of initial price offer. In case the highest bidders quote the same rate, the initial price offer received last, as per time log of IREPS, shall be removed first, on the principle of last in first out, by IREPS itself .
3 To 6	3	
More than 6	50% of vendors qualified for bulk order/award of contract (rounded off to next integer)	

Continue...

- (i)*if the number of tenderers qualified for bulk order/award of contract is less than 3, RA shall not be done and tender may be decided on the basis of initial price offer(s).
- (ii) All Bids found qualified for developmental order shall participate in Reverse Auction for developmental orders.
- (iii) MSE criteria (Not applicable for Works): All MSEs (Micro & Small Enterprises) found Qualified for Bulk/Development Order/Award of Contract but could not be selected for Reverse Auction as per criteria stipulated above, but are within the range of 15% of lowest Initial Price Offer of the bidder qualified for bulk order shall be permitted to participate in the Reverse Auction, irrespective of their inter-se ranking on the basis of Initial Price Offer. Such MSEs shall be over and above the number of vendors selected for Reverse Auction.

- Bulk Order
- L1 (non MSE) Basic rate Rs. 1000
- L2 (non MSE) Basic rate Rs. 1050
- L3 (MSE) Basic rate Rs. 1060
- L4 (non MSE) Basic rate Rs. 1070
- L5 (non MSE) Basic rate Rs. 1090
- L6 (MSE) Basic rate Rs. 1100
- L7 (MSE) Basic rate Rs. 1200
- L8 (non MSE) Basic rate Rs. 1300
- L9 (non MSE) Basic rate Rs. 1400
- No. of firmed qualified for RA: 5 firm +1 total 6 firm

Continue..

- **Make in India criteria:** All bidders eligible for benefits under Public Procurement (Preference to Make in India) Order-2017, found qualified for Bulk/Developmental Order/Award of Contract and are within the specified range of price preference, under the Make in India Policy, of lowest Initial Price offer of the vendor qualified for bulk order shall be permitted to participate in the Reverse Auction, irrespective of their inter-se ranking on the basis of initial Price offer.

Continue...

- During reverse auction process, bidders shall not be allowed to bid a rate higher than the lowest initial price offer.
- Reverse Auction among bidders categorized as Qualified for Developmental order and Qualified for Bulk Order shall be conducted concurrently on IREPS/Suitable platform in Stores tenders.
- Qualified Bidders shall be able to see both the auction screens i.e. auction screen of Reverse Auction amongst bidders qualified for bulk order and auction screen of Reverse Auction amongst bidders qualified for developmental order.
- However, bidder shall only be permitted to bid on the respective screens relevant to them as per their qualification.

Continue...

- Quantity to be covered on Developmental orders shall be limited to 20% of net procurable quantity. Developmental Order shall be placed in terms of Railway Board's letter no.99/RS(G)/709/t/pt dt.13.01.2015.
- After obtaining the final price offers through Reverse Auction, the lowest bid of only those bidders who had participated in the Reverse Auction shall be tabulated and considered for ordering.
- The offers of bidders which were eliminated from Reverse Auction shall be tabulated separately and shall not be considered for any ordering.
- All the relevant policies of Government of India at the relevant time shall be applicable.

Continue...

- MSME criteria of considering offers from MSEs quoting within L-1+ 15% for 20% of NPQ is to be followed for all goods and services tenders vide Railway Board's letter No. 2017/trans/01/ Policy/Pt-S dated 28.03.2018 .
- Make in India preference order is to be followed for all goods, services and works tenders wherever applicable as per guidelines. RB letter no. 2015/RS(G)/779/5 dated 27.12.2017.
- withdrawal of L1 offer: in case of withdrawal of offer of L1 bidder, the tender need not necessarily be discharged subject to conditions mentioned in RB letter 2017/Trans/01/Policy dated 17.11.2017 being fulfilled.

Selection of vendors for Reverse auction for developmental order:

- Maximum time allowed for Reverse auction, both for bulk ordering or developmental ordering shall be 05 days.
- Purchaser shall be permitted to see the auction screen for both categories on line.
- Qty covered on developmental orders may be within or out side NPQ, may be decided by TC/TAA . This aspect has to be decided before conduct of Reverse auction.

Continue...

- The level of tender committee to consider the final price offer shall be determined on the basis of lowest initial price offer of bid qualified for bulk order as opened to Reverse Auction.
- In case the level of tender committee which evaluated technical & commercial bids was higher than the level of TC competent to consider lowest initial price offer of bid qualified for bulk order, the higher level TC shall continue to finalize such tender cases.
- Zonal Railways/Pus shall incorporate appropriate conditions in the tender documents.

Continue....

- As per Railway Board's letter No. 2020/RS(G)/779/17 dated 21.11.2024:
 - e-RA shall not be the preferred method of procurement in Stores tenders. e-RA shall be one of the possible method of procurement available with the procuring entities.
 - There shall not be any Negotiation after the e-reverse auction process is closed. In case the rates obtained after e-RA are unreasonable, the case shall be re-tendered.

1. NIT HEADER

Bidding type	Two Stage Reverse Auction	Template	Normal
Contract type	Mixed (Goods/Service/AMC)	Contract Category	Expenditure
Tender No	TestTender-2105	Tender Type	Open - Indigenous
Evaluation Criteria	Groupwise	Bidding System	Two Packet Systems
Pre-Bid Conference Required	No	Pre-Bid Conference Date Time	Not Applicable
Tendering Section	PURCHASE1		
Inspection Agency	RITES	Publishing Date / Time	18/05/2018 16:07
Procure From Approved Sources	No	Approving Agency	Not Applicable
		Closing Date Time	15/05/2018 15:45
Validity of Offer (Days)	90	Ranking Order for Bids	Lowest to Highest
Tender Doc. Cost (INR)	0.00	Earnest Money (INR)	0.00
Obtain Initial Financial Offer	Yes	Auto Elimination rules applicable	No
Initial Cooling Off Period (HH:MM)	02:00	Subsequent Cooling Off Period (HH:MM)	00:30
Succesive Lots Closing Interval (Min.)	30	Minimum Decrement (%)	0.20
Vendor Categories	Bulk/Non Bulk	Item Category	General
Allow Next Bid Lower Than	Current Lowest Bid (Subject to Min. Decrement)		
Tender Title	Supply, Installation and Commissioning of		

Important terms:

- **Bidding Type:** In case of a reverse auction tender, the value of this field shall be **Two Stage Reverse Auction**. In a two stage reverse auction, submission of Techno-commercial offer / financial offer will constitute the 1st stage, and submission of bids during reverse auction shall constitute the 2nd stage. The 2nd stage may not take place if the number of approved technical bids is less than the threshold limit as defined in the tender conditions.
- **Evaluation Criteria:** Item-wise, Group-wise and Total Value wise evaluation criteria are presently allowed for Two Stage Reverse Auction.
- **Bidding System:** Two packet system shall be followed for 1st stage of Two Stage Reverse Auction, which means that Techno-commercial bid will be opened first, and after deciding the suitability or otherwise of the technical bids, the financial bids of only those firms will be opened whose technical bid is found to be suitable. While adjudging suitability of the technical bids, the category (Bulk order/ Developmental order or Bulk/ Non Bulk etc.) for which firm submitting the technical bid is considered suitable shall also be declared.

Continue...

- **Initial Financial Offer Required:** This field indicates whether the bidders are required to submit their financial offer along with the Techno-commercial offer in the 1st stage of bidding.
- **Auto Elimination Rules Applicable:** This is a new field, which indicates whether one or more of the technically suitable offers shall be eliminated from participation in reverse auction process or not. Please see the tender conditions for further details on elimination rules.

Continue....

Lot:

- In case of item wise evaluation criteria every item included in Reverse Auction constitute a separate lot.
- In case of group wise evaluation criteria every group constitute a separate lot.
- In case of total value wise evaluation criteria the entire tender constitute a separate lot.
- **Initial Cooling off period:** it is the minimum time period to be stipulated for closing of the 1st lot (or the only lot in case there is only one lot). This parameters defines the minimum time for which the reverse auction shall remain open for bidding.

Continue...

- **Subsequent cooling off period:** This parameter defines the time period immediately prior to the closing date/ time for a lot during which:
 - Submission of a fresh bid shall lead to automatic extension of closing date / time for the lot,
 - Non-receipt of a fresh bid against the lot shall lead to closure of auction for that lot.
- Every time an offer is received during this time interval, the closing time of the lot is extended automatically and is set equal to the time of submission of the last bid + Subsequent Cooling Off Period.

Continue....

- **Successive Lots Closing Interval:** If there are multiple lots (items or groups, as the case may be) in a tender, this parameter defines the time period between closure of two successive lots at the time of scheduling of Reverse auction.
- **Allow Next Bid Lower Than:** The options available for this field, and their relevance are detailed below:
 - **Current Lowest Bid:** In this case the bidder shall be allowed to submit a fresh bid equal to or lower than the current lowest bid submitted against the lot by any bidder in the same category (Bulk / Development etc.) **minus** Minimum Decrement stipulated in the tender.
 - **Firm's Lowest Bid:** In this case the bidder shall be allowed to improve his own offer i.e. he can submit a fresh bid equal to or lower than his own last bid (Initial Financial Offer Bid or Reverse Auction Bid) **minus** Minimum Decrement stipulated in the tender.

Continue...

- **Minimum Decrement:** This is the minimum reduction in rate in percentage terms vis-à-vis the Current Lowest Bid or Firm's Lowest Bid (as the case may be) that is required for submission of a fresh bid by any bidder.
- **Vendor Categories:** This field of the tender document describes the categories under which a technical bid can be approved while adjudging the suitability of technical bids. At present the permitted values for this field are **Bulk/Development** or **Bulk/Non Bulk**.
- **Item Category:** This field has been introduced to take care of those items which have special requirements. At the moment only two options are available for this field viz. **General** and **High Speed Diesel**.

Advantages of eRA:

- Saving in cost due to increased competition.
- Ease of doing business.
- Eliminates human intervention.
- Paperless transactions.
- Easy to operate the software by all without charging any fees.
- Entire process becomes online and digital.
- Lot of saving in procurement/purchasing costs.
- Saving in time, thus resulting timely and speedy procurements. completes in 3 to 8 hours instead of 6 weeks duration in traditional auction.
- More transparency.
- Negotiations through multiple rounds of bidding are eliminated.
- Suppliers are able to see the bids of others and thus buyers benefit from the vendors "fighting the price out".
- It removes geographical limitations, since same is online process.
- Provides a level playing field among the vendors.

Question:

Q1. Reverse auction shall be followed only in case of tenders where there are at least ----- approved/proven/likely competitive sources are available.

- A. Two
- B. Three
- C. Four
- D. Five

Question:

Q1. Reverse auction shall be followed only in case of tenders where there are at least ----- approved/proven/likely competitive sources are available.

A. Two

B. Three

C. Four

D. Five

Question:

Q2. Electronic Reverse Auction is preferred method of purchase for stores tenders valued more than Rs.-----

- A. Rs. 1 Crore
- B. Rs. 5 Crore
- C. Rs. 10 Crore
- D. Rs. 15 Crore

Question:

Q2. Electronic Reverse Auction is preferred method of purchase for stores tenders valued more than Rs.-----

- A. Rs. 1 Crore
- B. Rs. 5 Crore
- C. Rs. 10 Crore
- D. Rs. 15 Crore

Question:

Q3. If 3 to 6 vendor qualified for bulk order then no. of vendor selected for RA is:

- A. 2
- B. 3
- C. 4
- D. 6

Question:

Q3. If 3 to 6 vendor qualified for bulk order then
no. of vendor selected for RA is:

A. 2

B. 3

C. 4

D. 6

Question:

Q4. Maximum time allowed for Reverse auction, both for bulk ordering or developmental ordering shall be days

- A. 2
- B. 3
- C. 4
- D. 5

Question:

Q4. Maximum time allowed for Reverse auction, both for bulk ordering or developmental ordering shall be days

A. 2

B. 3

C. 4

D. 5

Question:

Q5. in case of e-RA, the bidder shall be allowed to submit a fresh bid:

- A. equal to or less than the current lowest bid submitted against the lot by any bidder in the any category minus Minimum Decrement stipulated in the tender.
- B. more than the current lowest bid submitted against the lot by any bidder in the same category minus Minimum Decrement stipulated in the tender.
- C. equal to the current lowest bid submitted against the lot by any bidder in the same category minus Minimum Decrement stipulated in the tender.
- D. equal to or less than the current lowest bid submitted against the lot by any bidder in the same category minus Minimum Decrement stipulated in the tender.

Question:

Q5. in case of e-RA, the bidder shall be allowed to submit a fresh bid:

- A. equal to or less than the current lowest bid submitted against the lot by any bidder in the any category minus Minimum Decrement stipulated in the tender.
- B. more than the current lowest bid submitted against the lot by any bidder in the same category minus Minimum Decrement stipulated in the tender.
- C. equal to the current lowest bid submitted against the lot by any bidder in the same category minus Minimum Decrement stipulated in the tender.
- D. equal to or less than the current lowest bid submitted against the lot by any bidder in the same category minus Minimum Decrement stipulated in the tender.

Question:

Q6. Consider the following statements regarding conduct of e-RA on IREPS portal - (i) It can be done only in stores tenders (ii) Make in India policy is not applicable for e-RA (iii) This is a two stage process. Which of the statement(s) given above is/are correct ?

- A. Only (i)
- B. Only (iii)
- C. Only (i) & (ii)
- D. Only (i) & (iii)

Question:

Q6. Consider the following statements regarding conduct of e-RA on IREPS portal - (i) It can be done only in stores tenders (ii) Make in India policy is not applicable for e-RA (iii) This is a two stage process. Which of the statement(s) given above is/are correct ?

A. Only (i)

B. Only (iii)

C. Only (i) & (ii)

D. Only (i) & (iii)

Question:

Q7. In a tender case for procurement of Quad cables, 8 bidders qualify for award of bulk order for the purpose of e-RA. How many of them will be allowed to participate in reverse auction on IREPS portal?

- A. All 8 bidders
- B. Lowest 6 bidders
- C. Lowest 4 bidders
- D. It is discretion of Tender committee

Question:

Q7. In a tender case for procurement of Quad cables, 8 bidders qualify for award of bulk order for the purpose of e-RA. How many of them will be allowed to participate in reverse auction on IREPS portal?

- A. All 8 bidders
- B. Lowest 6 bidders
- C. Lowest 4 bidders
- D. It is discretion of Tender committee

Question:

Q8. During electronic reverse auction process on IREPS, bidders are allowed to.....

- A. Increase price
- B. Decrease or increase as per choice
- C. Only decrease their price than the lowest IPO
- D. Make any counter offer including all terms and conditions

Question:

Q8. During electronic reverse auction process on IREPS, bidders are allowed to.....

- A. Increase price
- B. Decrease or increase as per choice
- C. Only decrease their price than the lowest IPO
- D. Make any counter offer including all terms and conditions

Question

Q9. Tenders invited with two bid system are those where ----- .

- A. Only two bidders are invited.
- B. Technical and commercial bids are invited separately.
- C. Techno-commercial bids and Financial bids are invited separately.
- D. None of the given option is correct

Question

Q9. Tenders invited with two bid system are those where ----- .

- A. Only two bidders are invited.
- B. Technical and commercial bids are invited separately.
- C. Techno-commercial bids and Financial bids are invited separately.
- D. None of the given option is correct

Thankx