

भारतसरकारBHARAT SARKAR
रेलमंत्रालयMINISTRY OF RAILWAYS
रेलवेबोर्डRAILWAY BOARD

No: 2021/RS(G)/779/5

New Delhi, dated: 13-05-2021

The General Managers, All Indian Railways/PUs, NF(C), CORE
DG/RDSO/Lucknow, NAIR/Vadodara,
PCAO, DMW/Patiala, COFMOW
CAO, WPO/Patna, RWP/ Bela.

Subject:: Operation of Option Clause in Stores Contract

- Ref:**
1. Railway Board's letter No.99/RS(G)/779/5 dated 12.03.2010
 2. Railway Board's letter No.99/RS(G)/779/5 dated 20.05.2010
 3. Railway Board's letter No.99/RS(G)/779/5 dated 09.01.2015
 4. Railway Board's letter No.99/RS(G)/779/5 dated 16.01.2015
 5. Railway Board's letter No.99/RS(G)/779/5 dated 15.04.2015
 6. Railway Board's letter No.2017/Trans/01/Policy dated 18.10.17 (Para 8)

Vide Railway Board's letter No.99/RS(G)/779/5 dated 12.03.2010, Board had issued consolidated instructions on the subject. Since then, many amendments have been issued vide letters referred above. Also, enhanced powers have been delegated to field units. Therefore, superseding all earlier instructions, comprehensive circular on the subject of dealing with quantity option clause in stores tenders is being issued.

1. Insertion of Option Clause:

1.1 The provision of + 30% Option Clause shall be inserted in tenders as a Special Condition of Contract with a minimum purchase value of Rs.75 lakhs, for fixed quantity contracts, for procurements of materials of which the requirements are of continuing nature. However railways are not debarred from inclusion of quantity option clause in tenders for fixed quantity contracts valuing below Rs 75 lakhs, wherever so required in the railways own interest provided the requirements of such material are of continuing nature.
For running contracts, Para 3800 of IRS Conditions of Contract on contractual quantity variations will apply.

2. Approval for Option Clause:

2.1 While deciding the acceptability of tenders/contracts, the value of quantity under "+.30% Option Clause" will be excluded from the value of tenders for determining the level of competency of acceptance.

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3. Operation of Option Clause:

3.1 Option Clause may be operated by the Competent Authority within his powers of Tender Acceptance (for original quantity + quantity under Option Clause). For Non-TC cases, Finance concurrence would be required for those purchase orders, where with option clause quantity, the value of contract is within vetting limit of purchase order. However, Operation of 30% option Clause in TC cases to be done without Finance Concurrence and only Modification Advice to be vetted by Finance.

- (a) The Competent authority for operating +30% option clause shall be determined on the value of entire quantity (i.e, original tender quantity +30% option clause quantity):
- (b) Competent authority for operating minus 30% option clause shall be the original tender accepting authority

3.2 Where the 30% quantity option leads to fractional quantities, these may be rounded off to the next higher number, if the fraction obtained is 0.5 or more.

3.3 Option Clause may be operated only where there is clear demand for additional quantities and benefits accrue to Railways in terms of existing contractual rates being reasonable/ lower than newly opened Tendered rates, if available.

3.4 While exercising Option Clause on firm/ firms, it must be ensured that the performance of the firm/ firms on whom option is proposed to be exercised is satisfactory in the present contract vis-a-vis the firm/firms on whom also the orders have been placed in the same tender for the same item.

3.5 Option Clause can be exercised anytime within the Delivery period, by giving reasonable notice.

3.5.1 'Reasonable notice' as mentioned above is only for the purpose of allowing the contractor suitable time to make necessary arrangements for the supplies and not for seeking any consent from the contractor towards exercise of the contractual option clause. To this end, a reasonable delivery schedule for the enhanced ordered quantity stipulated in the relevant Modification Advice to the contract will suffice.

3.5.2 The purpose of 'reasonable notice for exercise of (-) 30 % Option clause consequent to decrease in prices subsequent to the placement of contract should be served by giving a reasonable opportunity to the contractor to unconditionally agree to accept such lower rates for the quantity unsupplied on the date of reduction /decrease of prices or the (-) 30 % quantity, whichever is less. Where the contractor does not unconditionally agree to accept such lower rate, no further consent from the contractor is necessary for exercise of (-) 30 % quantity option clause.

3.5.3 In a contract that provides for quantity option clause, in case Delivery Period is extended either for the full ordered quantity or a part quantity which remained unsupplied on the date of expiry of the original delivery period, then during the extended delivery period also, quantity variations can be made on the total ordered quantities.

3.6 Cases involving exercise of Option Clause must be processed well in advance of expiry of DP/extended DP. In Non-TC cases, the proposal for concurrence including the Modification Advice

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must be concurred/vetted simultaneously by Finance. In TC cases, only Modification Advice is to be vetted by Finance.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

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(Chandan Kumar)
Director Railway Stores(1C)
Railway Board

No: 2021/RS(G)/779/5

New Delhi, dated 13/05/2021.

1. PFAs, All Indian Railways & Production Units.
2. The ADAI (Railways), New Delhi.
3. The Directors of Audit, All Indian Railways.

for Member (Finance) /Railway Board.

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