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

Sub.: Misclassification of Goods as Works in procurement.

Ref.: i. Railway Board letter No. 2005/SIG/CA-I/26 dated 18/08/2005
ii. Railway Board letter No. 2005/RS(G)/779/12 dated 19/04/2006
iii. Railway Board letter No 2001/SIG/SGF/12(LED) dated 18/06/2007
iv. Railway Board letter No. 2007/SIG/PROCUREMENT dated 15/02/2010
v. Railway Board letter No 2010/RS(G)/363/1 dated 27/04/2017

Procurement by all units under the administrative control of Ministry of Railways is governed by the General Financial Rules, issued by the Ministry of Finance. The rules, inter alia, clearly define 'works', 'goods' and 'services. It has, however, been observed that these instructions/guidelines are not being followed in right spirit.

2. Accordingly, Board has deliberated on the issue of classification of procurement as Works, Goods and Services and following instructions on the subject are issued to be followed by all units/PSUs/autonomous bodies under Ministry of Railways:

   a. The proposals shall be examined strictly as per the definition of goods, services and works as per GFR Rules 130, 143, 177 and 197 and procured accordingly.

   b. Wherever the aggregate value of goods component forms the major part (70% i.e. seventy percent) of the estimated value of the procurement proposal, the procurement in such cases shall be considered as goods procurement and procured accordingly.

   c. For some specific items, Board has already issued instructions for procuring them as goods and not to include in works (ref. i to iv above). Items covered in these instructions are LED signals, IPS, Signaling cables, Telecommunication cables, and Electrical cables. Procurement of such items shall continue to be governed as per these instructions. In addition, goods as per Annexure A should be procured only as goods contract and not as part of works procurement.

   d. Classification of procurement as 'goods', 'works', or 'service' shall be part of a standard check list of finance while concurring in all procurement proposals for works and services to avoid any misclassification. For this purpose, Executive/indenter shall provide value wise break up of estimate of tender into components of works, goods and services and give justification accordingly. Work and services which are incidental or consequential to the supply of goods
such as transportation, insurance, installation, commissioning, training, and maintenance, testing, AMC, CMC etc. shall be considered constituent of goods portion only.

e. For the Signaling items as per Annexure A, for which vendors are approved by vendor approving agencies, in case bidder is not the approved source, the bidder shall submit the authorization of approved source, from which the item is being taken, along with commitment of the approved source for warranty /AMC support as per contract.

Please acknowledge receipt and ensure compliance.

This is issued with the approval of Board (M/TRS, MI, MF and CRB & CEO).

(Anurag Grover)
Deputy Director Railway Stores/G3
Railway Board

No. 2020/RS(G)/779/12

Dated: 18/02/2021.

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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Sr. Prof. (Material Management), NAIR, Vadodara,
Executive Director (Stores), RDSO, Lucknow
Chief Commissioner, Railway Safety, Lucknow
Zonal Railway Training Institute, Sukadia Circle, Udaipur

Copy to:
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The Secy. Genl., IRPOF, Room No. 268, FROA, Room No. 256-D &AIRPOA, Room No. 256-D Rail Bhavan.

Copy to:- PSOs/Sr. PPSs / PPSs / PSs/APSs to :
MR, MoS(R)
CRB & CEO, M/TRS, M/Infra, M/OBD, MF, SECY., DG (RHS), DG (RPF), DG(HR)
All AMs, PEDs & Executive Directors of Railway Board.
Annexure A to Railway Board letter No.2020/RS(G)/779/12 Dated 18/02/2021

List of items as per Para 2(c)

All types of –

1. Air conditioners
2. Transformers
3. Bio-toilets
4. Vacuum toilets
5. DG sets
6. M&P
7. UFSBI
8. Axle Counters
9. Lifts and Escalators
10. SCADA systems
11. Supply and fitting/fixing/apply contracts in Production units/ZRs