

1 GENERAL

This manual is essentially designed to explain and facilitate understanding of the purchasing organization, its functions, policies and procedures as well as to serve as a tool in personnel training.

2 PURPOSE

- 2.1 To ensure that purchasing activities are carried out in accordance with the company policies, procedures and guidelines.
- 2.2 To provide general guidelines and procedures for smooth conduct of procurement activities in the purchasing process.
- 2.3 This manual is essentially designed to cover procurement guidelines with current procurement policies, practices and procedures to:
 - monitor the procurement process effectively,
 - serve as a tool in purchasing personnel training,
 - improve the accountability, integrity and transparency of the procurement process,
 - be consistent with generally accepted principles and practices,
 - Explain and facilitate purchasing functions,
 - Serve as a tool in personal training.

3 SCOPE

This manual is applicable for all corporate purchasing activities carried out within the organization.

5 DEFINITIONS

- 5.1 **BID:** Bid include all types of offers including tenders, proposals and quotations, by whatever name called.
- 5.2 **COMPANY:** XXXXXXXXXXXX sometimes also referred as corporate or organisation.
- 5.3 **MATERIAL:** Material includes all types of tangible goods, material, assets, plant, machinery and equipment by whatever name called.
- 5.4 **POLICIES:** Policies, as referred to in this manual, are pre-decisions made by management for the purpose of giving information and direction. Policies establish basic philosophies and climate and determine the major values upon which the purchasing functions operate.
- 5.5 **PROCEDURES:** Procedures are the prescribed means of accomplishing policy. Their intent is to provide company personnel with the guidelines and, where appropriate, the specific action sequence to ensure uniformity, compliance, and control of all policy-related activities.
- 5.6 **PURCHASING:** An art of acquiring material / services in exchange for money or other consideration. Identification and recognition of real needs for goods and services in all parts of the organization, and the assurance of satisfaction of those needs at the lowest possible cost, consistent with the best quality of material required. Purchasing section reflects the dual role of service department as well as profit maker and cost saver by serving as the primary contact between various functions of the company and its suppliers.
- 5.7 **SERVICE:** Service means and include all types of services whether visible or otherwise, including but not limited to consultancy, installation, repairs, maintenance, artwork,

- designing, engineering services, etc.
- 5.8 **SUPPLIER:** Supplier means and includes vendor, contractor or supplier by whatever name called, who are engaged in supplying material and services.
- 5.9 **TOTAL COST:** Elements of total cost, in addition to basic price, include sales tax and other levies (if any), transportation, rejection, service, technical assistance, the associated administrative costs and compatible terms of payment. Precisely, total cost includes all costs involved in acquiring the material or asset to its end user.
- 5.10 **SURPLUS:** Surplus is that equipment / material, which while still in good / usable condition, have no foreseeable use within the company operations. Examples include such regular stock items that, because of reduction in consumption, are now overstocked, obsolete and machinery, equipment, piping, vehicle, etc, which has been replaced by new one or has become redundant in operations.
- 5.11 **SCRAP:** Scrap identifies the material that is not usable in its present form, but still has some value. It should not be confused with TRASH, which has no value. Examples include residual pieces left from metal-cutting operations, other recyclable material, or any piping/ structure/ plant equipment that is not in usable condition in the present form.

6 DOCUMENT CONTROL

- 6.1 This Purchase Manual is a proprietary document of XXX Company Limited and should not be reproduced, changed, amend, used or copied within or outside the Company without written permission from
- 6.2 is the owner of this manual and responsible for any updates and control of change. Local & Foreign Purchase Advisors steward updates, review and distribution.

7 DOCUMENT UPDATE

The nature of change is identified in this document by replacing the page on which the change is made and also indicating the change on the cover page of the document, in the Change Record. Revision number for the updated page is also changed upward. Any change in the contents of this document (addition, deletion or change in procedures) shall be subject to the original review / approval and distribution system as mentioned in the Title of this manual.

1 OBJECTIVE

- 1.1 At XXX , it is the policy to ensure that sound principles and practices are followed throughout the organization.
- 1.2 Sound procurement policies and practices are among the essential elements of good management. Good practices reduce costs and produce timely results; poor practices lead to waste and delays. Good business practices for procurement are vital for quality, economy, effectiveness and timely delivery of material and services.

2 PURCHASING POLICY

- 2.1 It is the policy of the company to purchase goods and services at the most economical costs with timely deliveries without compromising on quality, reliability and controls.

- 2.2 Purchasing should be done through transactions with financially sound and reputable organizations that are capable of satisfying corporate needs.
- 2.3 Material and services that are not available within Pakistan should be imported strictly in accordance with GOP's import regulations.
- 2.4 To the greatest extent possible, business should be awarded on the basis of competition among qualified suppliers. Standard material should be purchased where possible.
- 2.5 Endeavor should be made to source the supplies directly from OEM or sole suppliers, whenever possible.

3 RESPONSIBILITY

- 3.1 The overall goal is to maintain at all times, and under all conditions, a continuous supply of materials and services necessary to support all customers within the organization. Purchasing should give prime consideration to company's interest while seeking to maintain and further long-term, mutually profitable ethical supplier relationships. Some segments of this responsibility are to:
 - 3.1.1 *ENSURE* obtaining and delivering of acceptable quality materials and services at the right time and economical total cost.
 - 3.1.2 *DEVELOP* reliable alternate source of supply to meet company's requirements.
 - 3.1.3 *TREAT* all prices and technical information submitted by suppliers as confidential in order to preserve a good business reputation and obtain competitive prices.
 - 3.1.4 *COMPLY*, in all respects, with all applicable laws without qualification or evasion.
 - 3.1.5 *PURCHASE* materials and services for the company's use at the maximum end-use value per rupee spent.
 - 3.1.6 *RESOLVE* complaints on matters relating to purchase of materials and services.
 - 3.1.7 *ASSIST* in the standardization of materials, supplies, equipment, service and policies.
 - 3.1.8 *ASSIST* in the management of inventories of materials and supplies so as to meet the requirements of the company at the lowest possible cost.
- 3.2 All purchases of goods and services are centralized at Admin Services department, Karachi. However, in certain circumstances, where expertise is available with related department, this function may be delegated to specified personnel i.e., computer services, consultancy services, product distribution, imported product, inspection services, fixed charges (rent, insurance, gas, water, etc), employment, advertising, and specified artwork, or where specifically delegated to other offices by management as per LOAM. In such cases, the relevant department's responsibilities are the same as that of Admin Services department in selecting suppliers, inviting bids, etc.
- 3.5 Purchasing Section has the responsibility for obligating the company and for making the final determination of sources of supply, selection of suppliers and price negotiations, except where others are so authorized by Admin Services Manager, Karachi. These decisions are made in conjunction with Operation, Marketing, Inventory Control, General Accounting, and other departments, as appropriate.
- 3.6 Purchasing Section is responsible for initiating and maintaining effective and professional relationships with suppliers, actual and potential.
- 3.7 Purchasing Section is to serve as the exclusive channel through which the requests regarding prices and products are handled who shall conduct all correspondence with suppliers involving prices or quotations. In cases, where technical details are necessary, the user department may correspond with suppliers regarding technical issues. However, PS

shall be provided with copies of all such correspondences. Close communication between Purchasing Section and the using department must occur and is mandatory.

- 3.8 All negotiations are to be handled by the appropriate purchasing personnel within their delegated authority.
- 3.9 All employees involved in purchasing activities shall work to maintain and enhance the company's image by their personal conduct and methods of doing business.
- 3.10 All employees engaged in purchasing activities shall recognize and practice good public relations by giving all callers and visitors courteous treatment.
- 3.11 Purchasing personnel shall endeavor to seek to obtain and purchase all goods at the lowest possible total end use cost, considering the guidelines of price, service, quality and delivery.
- 3.12 Purchasing personnel shall inform the requisitioner whenever they feel that the quantity or quality or specifications of material required are inconsistent with sound purchasing practices or market conditions.
- 3.14 Purchasing personnel shall negotiate the return of rejected material, equipment or supplies to suppliers.

4 RELATIONS WITH SUPPLIERS

- 4.1 *XXX* considers good supplier relations to be an indispensable requirement. It is the policy of the company to maintain and practice the highest possible standards of business ethics, professional courtesy and competence in all dealings.
- 4.2 At all times, applicable laws must be scrupulously observed. In this regard, the following should be observed when dealing with suppliers and their representatives:
 - 4.2.1 *Accord* prompt and courteous reception, as well as fair and equitable treatment to all suppliers and their representatives without any personal preferences, liking or disliking.
 - 4.2.2 *Comply* with all laws and company policies and guidelines and conduct business in a manner that enhances corporate image.
 - 4.2.3 *Extend* prompt and courteous reception to all suppliers' representatives in the same manner as is expected for the sale representatives of the company.
 - 4.2.4 *Treat* all information confidential and proprietary and not to divulge, either within or outside the organization, any information or quotation received from vendors, except under government regulations or to certain authorized employees.
 - 4.2.5 *Provide* equal opportunity to all selected vendors to quote and compete on equal terms.
 - 4.2.6 *Give* prompt and fair consideration to complaints from vendors.
 - 4.2.7 *Pursue* fair settlement of claims against suppliers. However, in case where vendor establishes a reasonable basis, to the satisfaction of the company, that a claim is not justified, an offer by the vendor to provide a settlement just to maintain the company's goodwill should be discouraged.
 - 4.2.8 *Avoid* petty claims about material or services and rejection of material/ services for trivial reasons.
 - 4.2.9 *Prohibit* acceptance of gifts and entertainment from vendors, other than advertising material and novelties covered under company's Gift Policy. Company employees must not become obligated to any supplier and shall not conclude any company transaction from which they or their families have a beneficial interest.
 - 4.2.10 *Decline* to take advantage of seller's errors and show consideration for seller's difficulties by cooperating whenever possible.

4.2.11 Avoid putting seller to unnecessary expense or inconvenience on returned goods or otherwise.

5 ENDORSEMENT OF EQUIPMENT AND SERVICES

- 5.1 Generally, it is the policy of the company to refrain from endorsing equipment, products or services. Any request for use of the company name, or for photographs of equipment in company services must be cleared by the Admin Services, Legal and Public Affairs departments.
- 5.2 A formal written request will be made to Admin Services Manager by the external/ outside agency or individual. Admin. Services Manager has the authority of accepting /rejecting of the request, without assigning any reason. Such authorities shall be exercised after consulting with Legal, Public Affairs and / or HR Departments.

6 PERSONAL RELATIONSHIP

All employees specially those who conduct or participate in purchasing activities or who are in a position to influence purchasing decisions, should adhere to company's policies governing Conflicts of Interest, Business Ethics and Anti-Restrictive Trade Practices. The company's purchasing power should not be used as an aid to obtaining products, services, contracts, etc, for the benefit of employees, family members, friends or relatives.

7 PURCHASES FOR CORPORATE EMPLOYEES

It is the practice of the company not to purchase for or on behalf of company employees except those covered by established policy e.g. items of safety and work clothing.

8 EXCEPTIONS

As a general rule, all exceptions to the purchasing procedures have to be documented and approved by one level above the normal approving authority, within PS or ADM(K).

9 RECORD RETENTION AND DISPOSAL

- 9.1 Record retention and disposal shall be an on going and continuous process.
- 9.2 The purchasing personnel, as per the following guidelines, shall maintain all purchasing related records.

9.3 Imports & Shipping Section

- 9.3.1 Following documents shall be treated as '*Permanent Record*', and shall be retained permanently regardless of their age;
 - All Bills of Entry
 - All Import Licenses
 - Canceled Indemnity Bonds/ Undertakings
- 9.3.2 Following documents shall be retained for a period of *twelve (12) years*;
 - Letters of Credit
 - Purchase Orders
 - Bills of Lading/ Packing Lists/ Commercial Invoices

- General correspondence and other miscellaneous documents

9.3.3 Following documents shall be retained for a period of *three (3) years*;

- Freight forwarders' (Express Movers) challans in respect of inland transportation of goods

- Other miscellaneous documents pertaining to inland transportation of goods

9.3.4 Supplier's data base shall be maintained in a current status at all times.

9.3.5 All other records shall be maintained which, from time to time, are deemed necessary.

1 GENERAL

The policy statements contained herein represent the basic intentions and goals of the company. They represent the permanent foundation upon which the company operates, and are independent of the changing technologies and methods to carry them out.

2 POLICY STATEMENT ON BUSINESS ETHICS

2.1 The policy of XXX Company Limited (XXX), as stated over the years by the Board of Directors, is one of strict observance of all laws applicable to its business.

2.2 The policy does not stop there. Even where the law is permissive, XXX chooses the course of highest integrity. Local customs, traditions and mores differ from place to place, and this must be recognized. But honesty is not subject to criticism in any culture. Shades of dishonesty simply invite demoralizing and reprehensible judgements. A well-founded reputation for scrupulous dealing is itself a priceless company asset.

2.3 An overly ambitious employee might have the mistaken idea that we do not care how results are obtained, as long as he gets results. He might think it best not to tell higher management all that he is doing, not to record all transactions accurately in his books and records, and to deceive the Company's internal and external auditors. He would be wrong on all counts.

2.4 We do care how we get results. We expect compliance with our standards of integrity throughout the organization. We will not tolerate an employee who achieves results at the cost of violation of laws or unscrupulous dealing. By the same token, we will support and we expect you to support, an employee who passes up an opportunity or advantage which can only be secured at the sacrifice of principle.

2.5 Equally important, we expect candor from all employees of XXX and compliance with accounting rules and controls. We don't want liars for employees, whether they are lying in a mistaken effort to protect us or to make themselves look good. One of the kinds of harm which results when an employee conceals information from higher management and the auditors is that other employees within his organization think they are being given a signal that company policies and rules, including accounting and control rules, can be ignored whenever inconvenient. This can result in corruption and demoralization of an organization. Our system of management will not work without honesty, including honest bookkeeping, honest budget proposals, and honest economic evaluation of projects.

2.6 It has been and continues to be XXX 's policy that all transactions shall be accurately reflected in its books and records. This, of course, means that falsification of its books and records and any off-the-record bank accounts are strictly prohibited.

3 POLICY GOVERNING CONFLICTS OF INTEREST

- 3.1 The policy of XXX with respect to conflicts of interest requires that officers and employees avoid any conflict between their own interests and the interests of the Company, in dealing with suppliers, customers, and all other organizations or individuals doing or seeking to do business with the Company or any affiliate. Moreover, policy requires that all such person should avoid any conflict between their own interests and the interests of the Company in the conduct of their personal affairs, including transactions in securities of the Company, of any affiliate, or of any unaffiliated organization having a business relationship with Company's interests.
- 3.2 While it is not practicable to enumerate all situations which might give rise to a violation of this policy, the examples given below indicate some which, while perhaps, justifiable, involve the appearance of conflict of interests and they should be carefully weighed. It is considered to be in conflict with Company's interests:
 - 3.2.1 for an employee or any dependent member of his or her family to have an interest in any organization which has, or is seeking to have, business dealings with the Company or any affiliate where there is an opportunity for preferential treatment to be given or received, except
 - with the knowledge and consent of top management, or
 - in any case where such an interest comprises securities in widely held companies, which are quoted and sold on the open market, or in private companies where the interest is not material, subject to the Section: 3.2.4, below
 - 3.2.2 for an employee or any dependent member of his or her family to buy, sell or lease any kind of property, facilities or equipment from or to the Company or any affiliate or to any company, firm or individual who is or is seeking to become a contractor, supplier or customer, except with the knowledge of top management.
 - 3.2.3 for an employee to serve as an officer or director of any other company, or in any management capacity for, or as a consultant to any individual, firm or other company doing or seeking to do business with the Company or any affiliate, except with the knowledge and consent of top management.
 - 3.2.4 for an employee, without proper authority, to give or release to anyone not employed by the Company any data or information of a confidential nature concerning the Company or any affiliate, such as that relating to decisions, plans, earnings, financial or business forecasts, discoveries or competitive bids or otherwise use such information which is not generally known to the public for personal advantage and not in the best interest of the Company, as, for example, by acquiring or selling, or inducing others to acquire or sell, any interest in securities of the Company or any other company involved in, or which may become involved in, any transactions with the Company or any affiliate.
 - 3.2.5 for any employee or any dependent member of his or her family to accept commissions; a share in profits; gifts in cash; gift certificates; travel or other payments; loans or advances (other than from established banking or financial institutions on normal commercial terms); materials, services, repairs or improvement at no cost or unreasonably low prices; excessive or extravagant entertainment; or gifts of merchandise of more than nominal value from any organization, firm or individual doing or seeking to do business with the Company or any affiliate, or, for personal advantage and not in the best interest of the Company, to provide any of the foregoing to any such organization, firm or individual.

3.2.6 Administration

It is recognized that circumstances may arise where compliance with the policy may be achieved without strict adherence to the guidelines, and such adherence would be unreasonable irresolute in undue hardship for an employee. If an employee wishes approval for an exception or if an employee is in doubt about the acceptability for any situation, the full circumstances should be communicated to the employee's Department Manager or Vice President as appropriate. Dptt. Manager or Vice President should endorse those requests, which they consider to be acceptable and submit their endorsements to the Chief Legal Advisor with a written statement of pertinent facts. The President will make a final written decision after reviewing the circumstances with the Chief Legal Advisor, Vice President Finance and other appropriate staff departments. Written Presidential approval assures appropriate management awareness of the circumstances and provides the employee with documentation of disclosure. A copy of the written decision will be placed in the employee's personnel file.

2 LOCAL PURCHASE

2.1 Responsibilities

Local Purchase Section is responsible for all corporate local procurement of material and services (except for those specified in Section: 1, above) as well as to develop and implement sound policies and procedures for acquiring quality material and services at most economical total cost.

2.2 Functions

To fulfill its responsibilities, Local Purchase Section shall:

- 2.2.1 Maintain staff having sufficient knowledge of local sources of supply, grade and quality of locally manufactured supplies, terms of purchase, company policy and procedures, skill to use CMMS on line, etc.
- 2.2.2 Prepare and process POs for all valid purchase requisitions received.
- 2.2.3 Maintain adequate control over requisitions received and follow up on missing requisitions.
- 2.2.4 Maintain open PR files and follow up to ensure receipt of material/ services as per delivery schedule.
- 2.2.5 Maintain close contact with suppliers, keeping in touch with new sources of supply, and seek alternatives/ substitutes.
- 2.2.6 Maintain record of suppliers (See Chapter: 6, Section: 4).
- 2.2.7 File all correspondences and applicable forms in relevant requisition files and maintain these according to record retention schedule (See Chapter: 2, Section: 9).
- 2.2.8 Prepare and process claims against local suppliers for all short / damaged receipts.

3 FOREIGN PURCHASE (IMPORTS & SHIPPING)

3.1 Foreign Purchase Section is subdivided into following groups:

- Imports
- Shipping

3.2 Responsibilities

The Foreign Purchase Section is responsible for all corporate foreign purchases of material/ services as well as to develop and review contracts for purchases.

3.3 Functions

Following functions are performed by the three groups of Foreign Purchase Section to fulfill its responsibilities.

IMPORTS

- 3.3.1 Maintain staff of trained employees, with detailed knowledge of Pakistan Import Trade Policy, Foreign Exchange Regulations and procedures, involved in placing foreign POs.
- 3.3.2 Prepare and process orders for valid foreign purchase requisitions received to ensure proper classification and LC procedures.
- 3.3.3 Maintain adequate control over numerical sequence of Purchase Requisitions (CMMS generated or others) received and follow up on any missing Requisitions.
- 3.3.4 Maintain contact with suppliers, review in detail the current Import Trade Policy and examine each publication of the CBR, MOC & SBP to keep abreast of changes that occur from time to time.
- 3.3.5 Place all orders for import of equipment, materials and supplies into Pakistan by air or ocean / sea.
- 3.3.6 Arrange all applicable licenses, permits and LC, remittances, NOCs from GOP, etc.
- 3.3.7 Deal with any other matters connected with procurement of material/ services from abroad, or disposal of material where Government approval is required.
- 3.3.8 Maintain contact with offices/ agencies concerned to ensure proper processing of all Import Licenses/ Permits and LCs.
- 3.3.9 Maintain an Import File of each order placed. File all correspondence and applicable forms in these files. Retain these files in record as per department's Policy and criteria for Record Retention and Disposal.
- 3.3.10 Arrange to obtain approval from the GOP for disposal of imported items, whenever necessary.
- 3.3.11 In case of any disputes with Customs on the import classification of any item, assist the Shipping Group in justifying the classification. If necessary, represent the Company before the Collector of Customs on matters pertaining to import classification.
- 3.3.12 Maintain close contact with suppliers, continue exploring new suppliers/ OEMs and alternatives/ substitutes.
- 3.3.13 Maintain and update Supplier's Record on CMMS.
- 3.3.14 Maintain and update the complete record of procurement (from Foreign Purchase Requisition to the time material is delivered to Unknown Location) on CMMS or a custom made software as appropriate.
- 3.3.15 For special projects, a similar record (as mentioned above) should be maintained and updated till the time the project is finished.
- 3.3.16 Custody of original shipping documents & Bank Guarantees in case of advance payments.
- 3.3.17 Distribute and dispatch of Purchase Orders.
- 3.3.18 Comparison of Purchase Order with the Pro forma Invoice to ensure accuracy.
- 3.3.19 Selection of appropriate and closest HS Codes that best defines the material for imports.
- 3.3.20 Filling LC application form.
- 3.3.21 Prepare the relevant attachments.

- 3.3.22 Have the complete set sent to authorized signatories.
- 3.3.23 Ensure that the required copies are made.
- 3.3.24 Maintain an LC Register.
- 3.3.25 Do the required paper work in case of amendments.
- 3.3.26 Obtain NOC from SBP and Customs in cases where certain equipment is sent for repairing purposes outside Pakistan.
- 3.3.27 Coordinate with F&P.
- 3.3.28 Custody of original shipping documents & Bank Guarantees in case of advance payments.
- 3.3.29 Resolve all LC related issues and problem arising out of remittances.
- 3.3.30 Follow up with banks and suppliers in areas pertaining to the LC and the amendments.
- 3.3.31 For export cum import cases, custody of original documents.
- 3.3.32 Maintain records of all LCs and related transactions in a register, CMMS or customized software as appropriate.

SHIPPING

- 3.3.33 Clearing from Customs of all imported items.
- 3.3.34 Processing payment of all Customs Duties & Taxes on imported goods.
- 3.3.35 Shipping all imported and local materials to their destinations, excluding those handled by Office Services courier service.
- 3.3.36 Shipment of XXX's office equipment and furniture.
- 3.3.37 Movement of employee's personal and household effects.
- 3.3.38 Keep an updated list of clearing agents.
- 3.3.39 Supervise XXX's clearing agent.
- 3.3.40 Maintain files of all shipments in transit, following up to ensure that shipping documents are collected and submitted for custom clearing promptly.
- 3.3.41 Check and verify all Customs duty bills.
- 3.3.42 Ensure expeditious clearance of incoming consignments.
- 3.3.43 Process claims for damages and short receipt against the concerned agency.
- 3.3.44 Check and verify all clearing agents and local forwarding agent's bills.
- 3.3.45 Maintain control over short/ damaged receipts, as set forth in Chapter: 10.
- 3.3.46 Maintain all shipping records, then disposed off only after review of open insurance claims with F&P (special case files e.g. export cum re-import to be retained indefinitely).
- 3.3.47 Maintain record of all duties and taxes paid against each order in CMMS or a custom made software as appropriate. Document all information pertaining to the shipment of the material (FOB date, mode of shipment, name of ship, flight details, date at which material is dispatched to Unknown Location, etc).
- 3.3.48 Similar information should be entered onto custom-made software.
- 3.3.49 Ensure with vendors that shipments are made on time. For critical items, negotiate with vendors to expedite the shipment date.
- 3.3.50 Process claims of all refundable amounts against concerned agencies (Government Authorities) and maintains records.
- 3.3.51 Short list Clearing Agents/ Transporters and award/renew Contracts.

1 GENERAL

- 1.1 XXX's basic objective is to establish permanent business relationship with reputable suppliers. Since XXX wants to obtain as good a value as the bargaining position permits, endeavor should be made to seek benefits that come from long associations with firms and ethical suppliers. However, opportunity may be given to new suppliers, if the condition permit/require, so that qualified, reliable and ethical suppliers are encouraged. It is a spur for improvement in the quality of material / services and reduction in ultimate cost and time that result in greater efficiency and economy of corporate operations.
- 1.2 Purchasing personnel shall endeavor to place orders with regard to the dependability and reliability of the supplier, the nature of guaranty and warranty of the product, its price, payment terms, delivery time and the quality. Preference (no priority is intended) shall be given to the following types of suppliers, provided this involves no sacrifice in quality, service, price or payment terms, etc:
 - suppliers who are developing new and improved products or equipment, or designing and developing a special product for the company's exclusive use;
 - suppliers located near the company's principal office or place of operation;
 - suppliers with adequate financial strength who also have a reputation for adhering to specifications and delivery schedules.
- 1.3 In order to have
 - healthy competition in price, services and quality &
 - assurance of adequate sources of supply,bids shall be solicited from suppliers who qualify to meet requirements as detailed in this chapter. Maintenance of approved suppliers' list is not mandatory. Nevertheless, suppliers' record (directory) shall be maintained and updated from time to time on CMMS, for inventory replenishment items stored at Material Warehouse, Unknown Location.
- 1.4 Purchase orders shall preferably be placed with suppliers that appear in suppliers' record (directory). Where such suppliers are unable to supply the required material / services, orders may be placed with suppliers that are not available on supplier's record.

3 EVALUATION AND ENLISTMENT

- 3.1 PS shall continuously endeavor to seek quality suppliers by maintaining close contact with market. The process includes, but not limited to market visits, review of supplier's catalogues, journals, newspapers, yellow pages directory and conducting interviews with the potential suppliers. In the event supplies are required which are not readily available, PS may by its discretion resort to commercial advertisement.
- 3.2 A new supplier shall be selected and enlisted on the following basis, wherever applicable:
 - Past experience
 - Sample testing, trial orders
 - Technical capability
 - Market reference
 - Visit to the supplier's premises / outlet
 - OEM, authorized distributor or agent, etc.
- 3.3 The potential supplier shall be interviewed by the Purchase Officer and if required, by the

relevant department / section for evaluation on the aforementioned criteria. Purchase Officer shall document the results of such interview and investigation

- 3.4 Evaluation and assessment of the potential suppliers shall be carried out on the basis of the trial orders, if applicable, using a CMMS tool, Performance Assessment of Suppliers (See Attachment: 4) or any other mode applicable. Results of such assessment shall be documented on the Enlistment Form, with references and factual information recorded against such trial orders. Recommendations, based on these results shall be forwarded to PrA, who may approve / disapprove inclusion of the supplier in the supplier's record.

4 SUPPLIERS RECORD (DIRECTORY)

- 4.1 PS shall maintain a record (directory) for sufficient number of suppliers.

- 4.2 The record contains the following basic information:

- Company Name.
- Address, Phone #, Fax #.
- Supplier Code
- Category of material / services
- Contact Person(s)

- 4.3 Record of suppliers shall be updated from time to time to keep it healthy and current.

5 PERFORMANCE ASSESSMENT

- 5.1 PS shall carry out an order-to-order performance assessment of suppliers, except for low-value orders. A supplier shall be evaluated on the basis of the following criteria:

- Price competitiveness / payment terms
- Delivery time
- Cooperation, coordination
- Delivery completion
- Adhering to specified requirements / quality and XXX standards

- 5.2 For each PO, the assessment shall be transformed into PRI (Performance Rating Index) ranging from 1 (for best supplier) to 4 (for worst supplier).

- 5.3 The Indices shall be averaged for a supplier, to see his overall performance for the period. This would assist PS in deciding about the continuation of business in future or otherwise.

- 5.4 For a new supplier the Indices shall be averaged for trial orders, if any, to portray a fair picture of his performance, thus helping PS to decide about enlistment of a supplier in the supplier's record or otherwise.

6 DELISTMENT

- 6.1 A supplier may be delisted for one of the following reasons:

- 6.1.1 On account of his non-cooperative behavior towards XXX .

- 6.1.2 The supplier may go out of business, may change his business, or may take in partners or recommend sources not acceptable to XXX .

- 6.1.3 The supplier does not submit bids continuously.

- 6.1.4 The supplier may default on contract terms for material / services with XXX , e.g.:

- supply of inferior quality material / services
- fail to replace rejected material on time

- regularly default on order completion schedule / date
 - revises description of material / services mentioned in his quote after issuance of the PO
 - asking for unjustified increase in price after receiving PO.
- 6.2 In the event such condition(s) occur, which make it unreasonable to continue business with a supplier, Purchase Officer shall fill in the Supplier's Delistment Form (Attachment: 5) with supporting evidence and forward the same to the PrA with recommendation for removing the supplier from the record (directory).

1 GENERAL

- 1.1 Competitive bidding is employed to ensure reasonable and firm proposals. Generally, bids from three or more suppliers shall be solicited. However, where lesser number of suppliers is listed in the respective category in the supplier's record, bids may be obtained from less than three suppliers.
- 1.2 Request for Quotation (RFQ) shall be made, using the standard form of Request for Quotation wherever possible. Attachments to such forms may not be typed and photocopy of PR may be used in order to save time and costs. In exceptional cases, e.g., fax bids, the standard form may not be used. Complete information shall be provided including, but not limited to, quantity, description (quality requirements, place and date of delivery, special conditions, drawings, specifications), due date of quotation, etc. Extreme care should be exercised to ensure that the estimated value remains highly confidential.
- 1.3 Generally, quotation shall not be solicited from prospective suppliers unless it is intended that an order shall be placed with the supplier, if that supplier is responsive and meet requirements detailed on RFQ. However, Purchase Section has the discretion to seek bids from other suppliers in order to compare quality, price or other commercial terms.
- 1.4 Where quotations are invited to test the supplier for trial order or to determine the reasonability of price or other commercial terms, such facts shall preferably be documented and recorded on the requisition action plan before dispatch of request for quotation.
- 1.5 In exceptional cases, where circumstances justify, competitive bidding may be waived by one level above the normal approving authority. Bid waiver requests should be documented and initiated by originator and such purchase requisition should be approved by department manager or above, as explained in Section: 6, below.
- 1.6 Quotations from suppliers shall be in response to a request from Purchasing. Unsolicited bids shall not be considered.
- 1.7 The requisitioner should provide response to technical queries arising during the bidding process, especially where procurements are made for special projects. PS shall coordinate the reply and ensure that all the potential suppliers are provided the same information and equal opportunity.
- 1.8 Soliciting quotations involves considerable time and cost for all the parties. Therefore, requesting for quotation(s) should be avoided, if it is intended for any reason not to give its proposal equal consideration with those of other suppliers competing for business. However, if it is deemed essential to seek bids to compare quality, price or other commercial factors, the fact shall be documented as a note to file.
- 1.9 In exceptional circumstances, where the requisitioner recommends a particular source of

supply or in cases where requisition stipulates ‘DO NOT SUBSTITUTE SUPPLIER’, PS at its discretion, can obtain bids from other than recommended source(s) for comparison of quality, rate, discount, delivery schedule, other commercial terms, etc. Justification for seeking such bids shall be documented.

- 1.10 All quotations / prices, technical or any other information, shall strictly be treated as confidential and not to be divulged to competitors, outsiders, unauthorized persons, or others, whatsoever, except under government regulations.
- 1.11 Bids are generally opened not later than five (5) working days after the due date to allow for mailing time and other contingencies. In order to save time and costs, at times when sufficient responses are not received, suppliers are reminded to submit bids. The delay may occur due to unavoidable circumstances, e.g. strikes, extended holidays, abnormal weather conditions, etc. In such exceptional cases, the Local Purchase Section may defer opening of bids to allow additional time for suppliers to submit bids. Therefore, as a general rule, all bids / quotations received before or at the time of opening of bids, are deemed to be received on or before due time. However, quotations received after the opening of bids are considered LATE BIDS. Acceptance of late bids shall be made in exceptional circumstance, and order be placed against late bids, if there is an apparent benefit to the company in efficiency, economy, performance, after sales service, quality, time or commercial terms / conditions, etc. Awarding of POs against late bids shall be documented and approved by one level above the normal approving authority (within PS) or ADM(K).
- 1.12 As a general rule, late bids and revised bids submitted after the opening of bids shall not be entertained without prior consent from Purchasing Section. However, in exceptional circumstances, i.e. where only one solo late bid is received, which meet all requirements, it may be considered after seeking approval from one level above the normal approving authority (within purchase Section) or ADM(K). Suppliers shall be advised and reminded to submit their best quotation the first time and within the period specified. Nevertheless, due to obvious error, clarification, or misunderstanding or time extensions, etc, a supplier can submit late bid or a revised bid with or without prior consent of PS. All other competitive bidders on the same request shall be given an equal opportunity. If any change is made in the requirements or specifications or other conditions by XXX after the submission of the quotation, all suppliers shall be given equal opportunity to rebid, if circumstances justify. Revised bid must be clearly reconcilable with the original bid in respect of quantity, quality and price and should be marked “Revised”.
- 1.13 While soliciting quotations, suppliers shall be encouraged to offer any alternate brands / makes that might improve the offer, better or substitute material, services or terms & conditions that would be of benefit to XXX , in efficiency, economy, performance, delivery, etc. When a supplier submits an attractive alternate material, service or idea which is accepted by XXX , the supplier may be rewarded by awarding the business without soliciting bids for the alternate offer, provided equal opportunity was given to all the vendors for submitting alternate proposal. The accepted alternate material or service should be incorporated in future bid requests, wherever applicable or feasible, and the originator’s consent obtained.
- 1.14 The price and other commercial or technical terms and conditions agreed between the supplier and XXX shall not be disclosed at all, to those firms who failed to get the business, outsiders or others, except under government regulations.

2 SELECTION OF SUPPLIERS

- 2.1 The selection of suppliers requires consideration of several factors. In making the selection, PS shall coordinate closely with the relevant department to obtain adequate and reasonable specifications. Wherever possible, identification of brand names, or sufficient details, shall be obtained to ensure proper selection of suppliers.
- 2.2 Suppliers shall be selected with regard to their performance record and dependability, the nature of the guarantee and warranty of the material / services required, its price and the quality.
- 2.3 Quotations shall preferably be solicited only from suppliers who, are known to PS as qualified or can be qualified to meet all requirements. Maintenance of an approved supplier list is not mandatory. In exceptional circumstances, where such suppliers are unable to supply the required goods/services or where a specified item does not exist in the supplier's record, bids / quotations may be invited from suppliers other than those appearing in the record. PS may use its discretion to seek bids from general order suppliers or others, if found economical. Supplier's ability to perform and its facilities shall be considered as part of the criteria for selection of suppliers.
- 2.4 Where the requisition is marked DO NOT SUBSTITUTE SOURCE, purchases may be made from suppliers not on record. Such purchases shall be approved by one level above the normal approving authority (within Purchasing Section).
- 2.5 For requisitions raised for key material / services, or for material / services required for a key project, the selection of potential supplier(s) shall be made jointly by Project Engineer, PS Representative and Area Engineer. Such joint effort shall adequately scrutinize the suppliers based on the requirements of the project, before selection is made and adequately documented in the Project Engineering or Purchase Section's file.

3 LOW VALUE PURCHASES (ESTIMATED VALUE UPTO Rs 10k)

- 3.1 Low Value purchases should be for one time need, infrequent, of non-capital nature and be for materials not required frequently. Such low value purchases can be made directly by the user's departments. However, a department may utilize the services, knowledge and expertise of PS in arranging such low value purchases. Repeat requirements shall be routed through PS.
- 3.2 PS shall not obtain bids for requisition where estimated value is up to Rs 10k for items listed in the PR, since the amounts involved are small and the possibility of price saving is minimal, the cost of seeking and evaluating bids offsets such savings. Nevertheless, oral quotes may be obtained to compare price and other terms.
- 3.3 However, purchasing personnel may obtain competitive prices, written or verbal, if they so desire, to verify reasonability of the price, quality and other commercial terms being offered by the suppliers.
- 3.4 Even if quotations are not obtained, PS shall preferably procure all such items from suppliers who appear in the record. In exceptional cases, where suppliers on the record are unable to supply, purchases can be made from other sources.

4 ESTIMATED VALUE EXCEEDS Rs 10k

For purchases exceeding Rs 10k, following process shall be followed:

- 4.1 Minimum of four or more suppliers (if available) shall be selected from the supplier's

record for soliciting bids. However, if more than four suppliers are available in the relevant category, PS may utilize its best judgement, based on past experience, to rotate the suppliers so as to provide equal opportunity to all the suppliers and not restrict to same suppliers, each time. The suppliers' selection for RFQs against each PR, is documented on the Requisition Action Plan (Attachment: 7). If a supplier is given a trial inquiry (order), it shall be documented on the action plan (recap sheet).

4.2 RFQ shall be prepared giving the following information, wherever applicable:

- Purchase requisition reference No.
- Date of issue
- Supplier's name/title and address
- Date and time of expected delivery
- Place and mode of delivery
- Due date by which quotation is to be received
- Quantity, unit of measurement and complete description
- Name of contact person in PS
- Special considerations, if any

4.3 RFQs computer generated need not be signed individually after approving action plan

4.4 The dispatch of RFQ shall be routed through CAD. Master copy, listing all the suppliers to whom sealed bids are sent, duly initialed by CAD representative, shall be returned to Purchasing Section the same day. The envelopes containing signed RFQ are forwarded by CAD to mail room for onward dispatch to the suppliers.

4.5 The responses to RFQs shall be received in tender box, placed at the 8th floor reception, key to which shall be in custody of CAD.

4.6 Not later than five (5) working days after the due date, Local Purchase representative shall open the bids in the presence of CAD representative. All bids opened shall immediately be numbered serially, requisition-wise and signed by both the representatives, with the date of opening.

4.7 Any changes, over-writings, scribbling, pencil quotes, etc, shall be encircled / rewritten and signed by both the representatives without overwriting. The opened bids shall be handed over by CAD to PS for onward processing of orders.

6 EXCEPTIONS TO BIDDING PROCESS

6.1 Exceptions to bidding process shall be made only in unique situations where bidding process will result in no apparent benefit to the company. Bidding procedure may be bypassed or competitive bidding may not be carried out under the following exceptional circumstances:

6.1.1 In case of genuine emergency, purchase may be made without recourse to competitive bidding. Justification for waiving the competitive bidding should be adequately documented.

6.1.2 Where there is single source of supply, e.g. OEM, manufacturer, sole supplier, or authorized dealer, etc.

6.1.3 Where the requisition specifies nonstandard product like those based on specific selection, e.g. curtains, carpets, paintings, furniture, decoration items, gifts, awards, prizes,

specialized services, items of artistic value, etc or requisitions marked ‘DO NOT SUBSTITUTE’ and approved by department manager or above.

- 6.1.4 If source of supply is restricted to only one or two suppliers, sole distributor or manufacturer or in cases where repeat purchases (up-to 100 days) are made and the supplier is willing to supply at same rates / terms and conditions, bids need not necessarily be solicited. However, efforts should be made to satisfy economics and records should be available to indicate this fact.
- 6.1.5 If the PR is Confirmatory (see Chapter: 8, Section: 9)
- 6.1.6 Where the purchase falls within the low value limit (see Chapter: 7, Section: 3 & Chapter: 9)
- 6.2 PR having bid waiver requests should be forwarded with precise justification and recommendation from department manager or above in the originating department on the face of requisition. ADM(K) or his designate shall approve such requests on merit.
- 6.3 Exceptions to low price basis for ordering not to go one step above normal approving authority, unless specified for certain cases such as single source, confirmatory, etc.

7 NEGOTIATIONS

- 7.1 Negotiation of price, terms and conditions is permissible where one or more of the following circumstances apply:
 - 7.1.1 Cost beneficial and economical.
 - 7.1.2 Material / service is available from only one supplier and the cost involved warrants such action.
 - 7.1.3 One or more quotations are considered to be unreasonable.
 - 7.1.4 Alteration in specification or requirement after issuance of purchase orders. Reasons for not rebidding and carrying out negotiations should be adequately documented and approved as per LOAM.
 - 7.1.5 It is considered advisable to extend the period of an agreement in order to retain clearly established attractive prices and/or terms, the price and terms of renewal may be negotiated subject to cost variance not exceeding 10% over the previous or existing agreement.
 - 7.1.6 Similar material is purchased simultaneously from more than one supplier in that category.
 - 7.1.7 It is suspected or doubted that certain suppliers have ganged up or made a cartel sort of arrangement.
- 7.2 Price and other commercial terms shall generally be negotiated with the lowest bidder. However, if circumstances warrant, negotiations may be carried with more than one supplier, to avail best discounts, delivery period, quality, payment terms, etc. Nevertheless, equal opportunity shall be given to all the suppliers who participated in the bidding process. Those who did not participate in the bidding should be avoided unless there is a substantial change in the original requirements specified in RFQ.
- 7.3 Price negotiations shall preferably be carried out by more than one representative from XXX .

8 EARNEST MONEY (BID SECURITY)

- 8.1 In order to ensure seriousness of suppliers or that they do not back out after submission of bid, PS, may at its discretion, seek earnest money for certain purchases.
- 8.2 Where earnest money is required, the following conditions shall apply:

- 8.2.1 Earnest money or bid security shall be in the form of a pay order or bank draft, or a bid bond issued by a bank acceptable to XXX . In exceptional circumstances, cheque (crossed in favor of XXX) may be accepted while securing bids, which should be replaced by the above form within ten working days of the issuance of purchase order.
- 8.2.2 The amount of earnest money or bid security shall be uniform for all bidders invited for a particular purchase and refund thereof shall be clearly stipulated in the RFQ.
- 8.2.3 Earnest money shall be retained by ASD till the issuance of the PO. However, where earnest money is to be exchanged with bank guarantee, the refund should be made after obtaining the required guarantee or bond document.
- 8.2.4 Conditions under which earnest money can be forfeited shall be specified on the RFQ.

1 GENERAL

- 1.1 This chapter covers the procedural aspects relating to Local Purchase Orders. Matters relating to Foreign Purchase Orders are covered in Chapter: 10 (IMPORTS AND SHIPPING).
- 1.2 Formal PO (Attachment: 8-A, 8-B), is necessary for all cases other than low value purchases for non-225 items.
- 1.3 Formal purchase order is not required for low value purchase, other than repeat purchase. However, if the supplier insists and the PS feels necessary, a PO can be raised.
- 1.4 Before approving PO, the approver shall ensure that justification for selection of supplier for awarding the PO has been adequately documented and the bid recapitulation / buyer's work sheet has been appropriately filled.

2 ELEMENTS OF A PURCHASE ORDER

- 2.1 Following are the basic elements of a formal PO:

- Name & address of the supplier to whom the PO is awarded.
- PO number.
- PO Date.
- Purchase requisition reference number.
- Delivery schedule / completion date.
- Complete description / specification of the material / services to be procured.
- Quantity and unit of measurement for each item.
- Unit / total price of each item.
- Sales tax, if applicable.
- Any other associated levies.
- Total value of the PO, in figures as well as in words.
- Place of delivery.
- Payment terms.
- Other applicable terms & conditions, like, earnest money, bank guarantee, penalty clause, etc., wherever applicable.
- Warranties, guarantees, retention, etc, wherever applicable.
- Inspection provisions, if applicable.

- Where applicable, vendor quotation number may be referenced.

3 BASIC STANDARDS

The following guidelines from the Basic Standards Manual - System of Management Control are reproduced and shall be followed, wherever applicable:

- 3.1 Parties to the contract are to be clearly specified.
- 3.2 The elements of the business arrangements are to be readily evident and none of the clauses are to be in conflict with these elements.
- 3.3 The commencement and termination dates and any provisions for extensions or options for renewal are to be specified, wherever applicable.
- 3.4 Specifications and quality / quantity variations or adjustments are to be well defined and identified.
- 3.5 The financial terms are to be detailed, including, amounts (advances/progress payments/ retainage) timing, place and currency of payment, late payment charges, interest charges.
- 3.6 Inspection provisions, place and condition for title transfer are to be adequately defined, wherever applicable.
- 3.7 PO addresses changes, price escalation protection, recourse for non-availability of goods or services, changes in scope, government intervention, force majeure, bankruptcy, liquidated damages for nonperformance, warranties, guarantees, reporting requirements, supplier's responsibilities and liabilities, supplier's independent status and safety.
- 3.8 Secrecy provisions are to be included to protect proprietary and technical information, patents, trademarks and copyrights.
- 3.9 Consideration is to be given to applicable tax and other laws, including commodity, fuel, sales, property, income, duty, excise and applicable withholding.
- 3.10 Appropriate insurance or indemnity agreements are to be included to safeguard XXX assets.
- 3.11 Financial terms, accounting provisions and related factors are to be clearly defined, including:
 - direct cost, imputed costs, overheads, payroll burdens fees, and other cost determinations.
 - product measurement, methodology, samples, assays and production specifications.
- 3.12 The supplier is to be informed formally in PO provisions or in an otherwise appropriate way that the supplier is expected to conduct activities in compliance with XXX Conflicts of Interest and Business Ethics policies specifically:
 - All financial settlements, reports and billing rendered to XXX are to properly reflect the facts about all activities and transactions handled for the account of the Company.
 - All applicable laws and regulations are to be complied with when conducting business in the name of or otherwise on behalf of the Company.

4 PAYMENT TERMS

- 4.1 Payment terms may vary from case to case depending on a number of factors such as type of material / services required, supplier's reputation, market environment and other business factors such as availability, timeliness, costs, etc However, PS shall negotiate and secure terms best suited for the particular procurement, while protecting XXX 's best interest.

4.2 Payment terms on purchase order should invariably be "*Payment within 30 days of receipt of material / services, if accepted by the owner or receipt of invoice from the vendor, whichever is later. Delivery of material / services shall not be considered as acceptance of the same*". However, PS may vary the terms of payment to accommodate:

- Payment time, less than 30 days
- Part delivery / part payment
- Payment against delivery
- Advance payment in full or part

Note: Advance payment to suppliers should be strictly discouraged. However, in certain exceptional cases, where circumstances warrant advance payment, the guidelines set forth shall be followed.

4.4 Advance Payment

4.4.1 In the following situations, progressive or advance payment in full or part may be made:

4.4.1.1 To suppliers requiring initial working capital for mobilizing resources and / or to procure material and components necessary to manufacture equipment specifically made to suit XXX requirement.

4.4.1.2 To suppliers having standard sales policy, triggering deliveries only upon receipt of advance payment.

4.4.1.3 To suppliers importing specialized equipment / material dedicated to suit XXX requirements.

4.4.1.4 To reputable companies who supply prime quality material / services with proven track record of meeting commitments.

4.4.1.5 To public sector companies such as manufacturers of automobile, suppliers of POL products, cement, etc.

4.4.1.6 To reputable private sector organizations supplying prime quality material / services with proven track record of meeting commitments.

4.4.1.7 To any other suppliers, where circumstances warrant.

4.4.2 Nevertheless, PS shall use its best negotiating skills to make the potential suppliers agree on:

4.4.2.1 hundred percent (100%) payment after delivery and acceptance of goods or services.

4.4.2.2 part delivery / part payment, or

4.4.2.3 partial secured advance

4.4.3 If at all necessary to make advance payment in order to procure material / services of the desired quality, at the best price, from the most reliable / reputable supplier, amount of partial advance shall be negotiated at minimum possible quantum.

4.4.4 Advance payment shall be made on the following terms in the order of preference:

4.4.4.1 Secured Advances

- Advance against bank guarantee (Attachment: 9) of equal amount is deemed 'secured advance.' The bank guarantee must be valid for a period beyond the agreed final delivery date. The bank guarantee must be from a scheduled bank acceptable to XXX , in the form and substance provided in XXX 's standard specimen. List of acceptable banks is available with F&P.
- Advance payment against bank guarantee shall be stipulated in the PO.
- Guarantee against advance payment issued by institutions other than scheduled banks approved by XXX , e.g. insurance companies, shall be avoided.

- Similarly, partial advances made against part deliveries of material and services are deemed to be secured advances. These are termed as mobilization advances or progressive payments.

4.4.4.2 Insecure Advances

- Payments whether in full or part thereof, are deemed ‘insecure advances’ if not covered through a bank guarantee , and if made in the following situations:
- Payment made before ‘delivery’ and ‘acceptance’ of material / services.
- Payment made at the time of ‘delivery’ of material / services by the suppliers, but before ‘acceptance’ by XXX i.e. advance against delivery.
- Insecure advances shall be made only in cases where XXX has no reasonable alternative for procurement of material / services from suppliers.

4.5 Partial Payments Against Partial Deliveries

- POs (other than Blanket Purchase Orders) shall preferably be cleared in one delivery, unless otherwise specified.
- Partial payment against partial delivery and acceptance of material and services can be made where deliveries of material / services are staggered over a period of time and are not anticipated in one go.
- Where partial payments against partial deliveries have been arranged prior to issuance of PO, then the payment terms shall indicate such an arrangement.
- In the event where there is a need to amend terms of payment for inclusion of partial payment, PS shall adequately justify the same and shall prepare a change order to revise payment terms.
- In case of partial payments against partial deliveries, the receiver of material / services shall forward acceptance or RMR / supplier’s delivery challan, duly acknowledged to General Accounting on the strength of which partial payment to the supplier shall be made. However the requisitioner shall retain the acknowledgment (See Section: 6, below) copy of the PO, noting on the form the contents of the partial shipment and only on acceptance of the full and final delivery, the acknowledgment (yellow) copy of PO be sent to General Accounting for final payment.
- Purchasing Section shall review outstanding advances preferably on a monthly basis and pursue recoveries or adjustments. For this purpose General Accounting shall provide PS proof sheet of outstanding advances on a monthly basis.

5 AWARDING OF PURCHASE ORDER

5.1 Bid Evaluation:

- The primary objective of PS is the timely acquisition of materials and services at the lowest *total* cost. Elements of total cost, in addition to basic price, include sales tax and if applicable other levies (if any), transportation, rejection, service, technical assistance, the associated administrative costs and compatible terms of payment.
- If the products offered by each of the bidding suppliers are of equal quality, with same delivery period and payment terms, and there are no other apparent conditions, the order shall be awarded to the lowest bidder. However, where all these factors are not equal, the order can be placed with other than the lowest bidder for good reasons. The act of selecting the bid that best suits the need of the company, shall be made based on experience and judgment of PS. Justification for such selection shall be documented.
- In cases where the relative importance of delivery period, quality, price and payment terms

have already been established during execution of prior orders, the available information and experience shall be used, reviewed and considered while placing the order with a supplier.

- 5.1.4 In cases where PS wishes to maintain alternative source of supply, the order may be awarded to the alternative supplier who is not the lowest. The use of alternative sources for this purpose and the volume of purchase to be procured from each supplier involved should be reviewed.
- 5.1.5 If an order is being placed with a new supplier, who is the lowest bidder and PS is not comfortable to rely entirely on an untried supplier, the order may be split between the new supplier and a supplier previously used to assure that at least the minimum quantity required is available, in case the new supplier is unable to deliver the acceptable material on schedule.
- 5.1.6 Where a supplier, not the ‘lowest’ or ‘best’ as determined from the evaluation of bids, provides the company significant technical assistance in developing a new material or process, the efforts should be recognized and such a supplier has the right to recover the cost of this service. Therefore, the first order for the new material may be awarded to that supplier. However, subsequent requirements should be routed through the normal competitive bidding process, if further developments are not required.
- 5.1.7 In reciprocal situation, where a potential supplier is also an important customer of the company or sister concern, orders may be given to such suppliers on this basis, if their quality and price are close to the market. Reciprocity, of course should not be used to accomplish unfair competition or price discrimination, which are forbidden under the antitrust laws.
- 5.1.8 Special consideration may be given to local suppliers to have a better control over order execution and to maintain community goodwill provided their delivery schedule, payment terms, quality and price are comparable to the ‘best’ supplier.

5.2 Criteria For Awarding PO:

Following criteria shall be adopted for awarding POs

- Past Performance and Reputation of the supplier
- Quality and Specification
- Delivery time and arrangements
- Payment terms
- Price
- Any other basis, which the PS / Originating Section deem necessary.

5.3 Processing Purchase Orders:

After receiving quotations from the potential suppliers, PS shall perform following steps:

- Review all quotations received.
- Tabulate all quotations on the Recapitulation / Buyer’s Work Sheet (Attachment: 10) for evaluation.
- Evaluate quotes.
- Select the lowest bidder who meets XXX requirements of quality, specifications, make, availability, delivery, payment terms.
- Seek approval on the Recap sheet in accordance with LOAM.
- Print PO, with complete specifications of the material / services to be procured, quantity, unit price and total price, G.S.T (if applicable), Payment Terms, Date & Place of Delivery, etc.

- Seek approval on the face of PO as per LOAM.

6 DISTRIBUTION OF PURCHASE ORDER

- 6.1 Separate sequential numbers shall be used for purchase orders covering items stored at Materials Warehouse (225) since these are automated. All other POs are prepared manually, unless computerized.

8 PRICE ADJUSTMENTS TO FIXED PURCHASE ORDERS

In exceptional circumstances, there may be a need for price change on a fixed priced PO. As a general rule, XXX should insist that the supplier complies with the terms of the original PO. Price adjustments should only be made on an exceptional basis. Price changes should be cost justified and given only under unforeseen circumstances. Negotiations may be carried out with the relevant supplier to determine the exact cause and impact of additional cost incurred by him. If circumstance warrant, fresh quotations may be obtained to evaluate the price change impact, with a view that the supplier is not incurring a profit / loss or is out of pocket while meeting the demands of XXX . All changes in the total value of the PO, arising out of price adjustment, shall be approved as per LOAM.

9 CONFIRMATORY PURCHASE ORDER

- 9.1 Confirmatory purchases are those that are made directly by the users bypassing the purchasing process. In order to regularize the same, Confirmatory Purchase Requisitions are raised for issuance of POs and documentation thereof.
- 9.2 As a general rule, the use of Confirmatory Purchase Requisition / Order shall be avoided as far as possible. Since the purchase has already been made directly by the user, it is equivalent to cash purchase or unsupported purchase, whereby all the purchasing procedures have been by-passed. Such purchases (requisitions) shall therefore be approved under unsupported payment as per LOAM. Efforts should be made to send the bills for such confirmatory purchases, directly to General Accounting for process of payment, unless circumstances justify otherwise, e.g., to seek after sales service, maintain audit trail, etc.
- 9.3 Confirmatory purchase orders shall be raised for confirmatory purchases made under exceptional circumstances. Such cases include, but not limited to, urgency, emergency, items of selected nature, gifts and purchases for items stored at WHSE (225 items) in order to fully document the transaction and follow the built in audit trail in the CMMS system. In such cases:
- 9.3.1 PR should always be marked “CONFIRMATORY” and approved at least by department manager or above as unsupported payment.
- 9.3.2 Supported with acknowledged delivery challans and invoice / bill from the supplier.
- 9.3.3 Justification for raising confirmatory requisition should be adequately documented on the PR.
- 9.4 In exceptional cases, where circumstances justify, procurement of material / services may be made directly by the user. This practice constitutes bypassing the normal purchasing process. If these are not one time, frequent and repeat purchases, the use of confirmatory purchase requisition should be avoided. Payment for such procurement should directly be

made by seeking the invoice or bill from the vendor and sending it directly to General Accounting after authorizing approval as per LOAM, treating this as unsupported payment.

2 DIRECT PURCHASE BY DEPARTMENTS

- 2.1 The departments may arrange for local purchase of low value items directly from suppliers without raising a requisition through ASD. Such direct purchases should be infrequent and of non-capital nature and be for material not required repeatedly. However, if departments prefer they may utilize the services and/or knowledge of ASD. Such purchases shall be in accordance with the limits delegated under LOAM.
- 2.2 **Cash Purchases**
Where purchases are made against cash payment by the user's department, reimbursement shall be claimed from cashier by presenting a duly approved payment order / DES supported with all cash memos or invoices, coded to appropriate charge account, and certified for material received.
- 2.3 In case a cash advance is required, a duly approved payment order shall be made to seek cash advance from the cashier. The advance should be cleared within seven days of the achievement of the purpose for which such advance was obtained by presenting to the cashier, a duly approved expense statement. Any excess / deficit amount shall be deposited / obtained from the Cashier against this statement.

3 PURCHASING PROCESS

- 3.1 Where the estimated value on a PR is within low value purchase limit (see Chapter: 7, Section: 3), or where price inquiries made in accordance with Chapter: 7 (Competitive Bidding), reveal that the requisition is of low value category, PS may place a verbal order to the selected supplier. In such cases, purchase requisition number shall be advised to suppliers which must be quoted on delivery challans, bills / cash memos and a PO shall not be raised. Nevertheless, in order to complete audit trail and record transactions in the CMMS (MAXIMO), all low value purchases shall be documented through PO.
- 3.2 Where low value purchases are made under approved PR, PS shall receive material along with three copies of supplier's delivery challan indicating PR reference and description of items and value.
- 3.3 PS forwards two copies of supplier's delivery challan to WHSE / requisitioner along with the desired material. A copy of such delivery challan is signed by the recipient for acknowledgment of material and returned to PS within ten working days. The requisitioner retains the other copy of delivery challan.
- 3.4 For purchases other than Unknown Location, where purchases are estimated within low value category, a job order shall be raised and forwarded to Services Section in ASD. While PO is not to be generally raised, it is necessary that proper records be maintained. The completed job order, after purchases are made and material / services accepted shall be supported by bills / invoices and sent to General Accounting for processing payments.
- 3.5 PS forwards periodically duly approved invoice / bills supported by receipted supplier's delivery challan to General Accounting for processing payment.
- 3.6 While sending the low value invoices to General Accounting it should be ensured that the

challans and invoices are properly referred to the PR. PR should also be crossed reference to the supplier's bills giving the challan and bill number, quantity and the amount.

4 PURCHASE AGAINST CASH

- 4.1 In cases where purchase is to be paid for in cash, XX may obtain temporary cash advance or through cheque in favour of supplier against a duly approved payment order.

1 GENERAL

- 1.1 Imports of all goods and services are controlled and regulated by the GOP. The general policy for imports is announced by GOP through Import Policy every year and subsequent notifications issued from time to time. Besides the Import Policy, all imports and exports are subject to the provisions of the Import & Export (Control) Act, 1950, which can be referred to legal department read with amendments issued from time to time, and Exchange Control Regulation Act 1947 and notification issued thereunder from time to time.
- 1.2 Since GOP closely monitors foreign exchange matters, special care should be taken that personnel responsible for imports and shipping should be abreast of all laws, rules and regulations in connection with import trade. Further, all efforts should be made to adhere to the relevant laws, rules and regulations.

2 REVIEW OF FOREIGN PURCHASE REQUISITION

2.1 Requisition Approval

It is the prime responsibility of the requisitioner to ensure that the purchase requisition is approved in accordance with the LOAM. The estimated value on the requisition shall indicate the landed cost of the material indented in the requisition. Landed cost includes all the cost incurred in making the material available, to the end user, viz. C&F, custom duty, Sales Tax and other import levies, LC (Attachment: 12), insurance and clearing charges etc. If the requisition lacks approval in accordance with the LOAM, it shall be returned for authorization by proper level of authority.

2.2 Importability

- 2.2.1 On receipt of import requisition, Imports Section, after indexing and entering the requisition in the Requisition Control Register, shall determine its import ability. If needed, guidance of MOC or other governmental authority may be obtained. If importable, then the requisition shall be processed in the manner specified hereafter.
- 2.2.2 However, for any particular category, if an item is not importable against an industrial importer's license, as in XXX 's case, then the item may be imported through a commercial importer wherever possible.
- 2.2.3 If an item is importable subject to prior permission from the GOP, the Imports Section with the support of XXX Resident Manager in Islamabad shall obtain necessary import authorization, prior to import.
- 2.2.4 When an item cannot be imported, either against our own license or through a commercial importer, then this information should be conveyed to the requisitioners to enable them to make alternate arrangement.

2.3 Specification

- 2.3.1 Determine if the requisition is complete in all respects regarding pertinent details and description / specification. Incomplete information can be obtained by fax / e-mail.
- 2.3.2 Following pertinent information should be included:
 - Manufacturer's name.
 - Equipment.
 - Model Number.
 - Equipment Serial Number.
 - Correct part description / number.
 - Quantity to be ordered.
 - Mode of Shipment.
 - Requisition Number.
 - Date on which the material is required in the field.
- 2.4 Maintain PR record in numerical sequence on CMMS and follow up for any missing requisitions.
- 2.5 After identification of the suppliers, done by the Purchase Officer, the requisition is passed to the Purchase Assistant who prepares the RFQ on CMMS.

5.

7 RELEASE INSTRUCTIONS

Issuance of Release Instruction (Attachment: 17) is a critical step in Imports. Release Instructions essentially contains LC particulars against which shipment is made.

8 LETTER OF CREDIT (LC)

9 SHIPMENT

- 9.3 Shipping Documents
- 9.4 Clearing Documents
- 9.5 Distribution of Work Order
- 9.12 Payment of Duty & Taxes
- 9.14 Dispatch
- 9.15 Receiving Activity - Action by Shipping Group
- 9.16 Clearing Agents' Invoice Processing
- 9.17 Record Keeping
- 9.18 Expediter

10 COMMERCIAL IMPORTERS

There are certain categories of items that are although on the free list for imports into Pakistan, cannot be imported against XXX license due to their classification in commercial category. In such cases the I&S negotiates with the Commercial Importer and advises the requisitioner to cancel the Foreign Purchase Requisition and issue an appropriate Local Purchase Requisition. It shall then be handled as Local Purchases.

1 GENERAL

- 1.1 Material / services provided by suppliers should conform to the description detailed in the PO or subsequent amendments made through change orders. Acceptance or rejection shall be made by the recipient of material / services immediately upon receipt thereof but not later than ten working days. It is considered to be unethical to hold material beyond a reasonable time without accepting or rejecting the same as supplier's payments are delayed due to unreasonable holding of material.
- 1.2 Every loss or damage to material / services purchased, shall be properly documented and reported as if a claim will be processed, even though the claim may be limited by law, bill of lading, contract, etc.
- 1.3 A claim shall be lodged with the concerned party, if the value of loss or damage exceeds the amount specified in the LOAM. The claim shall be processed immediately upon the discovery of loss or damage. The concerned functions should keep themselves abreast of time limits for lodging various types of claims and process these within the specified time limit, in order to avoid time bar claims.
- 1.4 Where the total amount of claim is not ascertainable at the time of receipt of material / services, the claim shall be booked at a token value, pending adjustment at a later stage.
- 1.5 Claims which remains unsettled for an unreasonable long period and after exhausting all efforts towards favorable settlements, the concerned department shall seek management approval for write-off of the unsettled and or unrecoverable amount.
- 1.6 General Accounting shall provide a list of outstanding claims to the concerned departments for review and follow-up. On a quarterly basis, claims outstanding for more than reasonable settlement period shall be brought to the notice of concerned divisional manager for necessary action.

3 RECEIPTS OF MATERIAL / SERVICES - LOCAL

- 3.1 Purchased material is dispatched to destinations (Unknown Location or other field locations) through various modes.
 - 3.1.1 XXX personnel collect material from the supplier's premises and send the same to destination through company courier.
 - 3.1.2 Supplier delivers the material at XXX Head Office or XXX 's authorized forwarding agent or the authorized forwarding agent collects the material from the supplier's premises for onward delivery to destination.
 - 3.1.3 Direct delivery by suppliers to destination.
- 3.2 Procedures relating to dispatch, receipt and damages have been outlined in the following sections. These sections have been divided according to the application of mode of delivery.
- 3.3 **Collection Of Material By Authorized Company Representative**
 - 3.3.1 An XXX authorized representative receives material from the supplier.
 - 3.3.2 The representative while acknowledging, shall physically examine the open contents for quality and quantity, count bulky and sealed packages (but does not conduct physical testing of the contents within the sealed packages), and sign the supplier's delivery challan as acknowledgment of receipt of material.
 - 3.3.3 The material shall be delivered to the Office Services for onward dispatch through courier, along with two copies of the supplier's delivery challan.
 - 3.3.4 The company courier shall physically verify the package or items against the supplier's delivery challan and sign for acknowledgment.

3.3.5 All suppliers' delivery challans are consolidated on courier delivery challan

- 3.3.6 On arrival at destination, if the material is in accordance with the courier delivery challan, the acknowledgment copy of the challan shall be signed by WHSE and forwarded to PS, the same day.
- 3.3.7 Should there be a variance in quantity and / or general conditions of the items, apparent by visual inspection, the recipient shall note the same on the courier delivery challan. Subsequently, after detailed inspection of material an MER is raised. This is important. If the delivery challan does not contain the same comments as shown on the MER, claim may not be made against the proper parties and the company may have to stand the loss.
- 3.3.8 On receipt of material, the recipient shall immediately (within ten days) conduct a complete physical inspection of the items received by opening sealed packages, verifying quantity, quality and other specifications as per the corresponding PO.
- 3.3.9 Upon receipt and physical verification of the material, the recipient shall immediately sign the respective acknowledgment (yellow) copy of the PO and forward the same to General Accounting for processing payment. In case of low value purchases, receipt of material / services shall be acknowledged on original invoice / delivery challan, immediately upon receipt of material / services.
- 3.3.10 On receipt of MER, PS shall determine responsibility for the shortage / damage, in order to lodge a claim, if necessary.
- 3.3.12 The supplier, in this situation, can only be responsible if shortages found in sealed containers. If such is the case, PS shall send a request to the Accounts Payable Section to withhold the payment until satisfactory settlement of the claim is made.

3.4 Deliveries By Suppliers To XXX Authorized Forwarding Agent

- 3.4.1 The Purchase Section, while placing order with the supplier, shall advise the supplier to deliver the material direct to the local warehouse of XXX's authorized forwarder, or shall request the Shipping Group to have the forwarders pick the order from the supplier's premises.
- 3.4.2 On delivery to the authorized forwarding agent, the supplier shall obtain a receipt on two copies of his delivery challan, from the forwarder. Where shortage or damage is visible, the forwarder shall insert on all copies of the supplier's delivery challan comments as to any damage which is evident or as to shortages / overages based on physical count of items not packed. Sealed packages shall not be opened, but receipt of number of packages shall be acknowledged.
- 3.4.3 In cases, where material is delivered at forwarder's warehouse, the forwarder shall obtain the approval signature of the supplier's representative on all (at least five) copies of delivery challan listing exceptions, and shall retain all three copies of the delivery challan. One copy shall be kept in his files and two copies dispatched with the material to the WHSE.
- 3.4.4 The two copies of the supplier delivery challan duly acknowledged by the forwarder, shall be distributed as :
 - XXX purchase officer
 - Retained by supplier
- 3.4.5 In cases where the damage to the order is considered by the forwarders to be serious, or if description or count do not match, or the contents are questionable, etc the forwarder shall call XXX Shipping Group directly on receipt, to advise discrepancy. The Shipping Group shall advise PS for appropriate action.
- 3.4.6 A PS representative shall examine the material received and make a decision as to whether the order be returned to the supplier, or delivered, as is, to its destination. PS shall also decide whether to contact the supplier to request his participation in the examination.

- 3.4.7 In cases where a shortage / damaged material is accepted, an adjustment in invoice price is also agreed with the supplier, the PS shall request General Accounting to deduct from the invoice, the value of any loss as determined after obtaining consent from the supplier's representative. However, a change order to price shall be raised if the variance exceeds 10% of the value of material, in which the discrepancy occurred. If the value of loss is not determinable before receipt and examination at destination, PS shall advise the General Accounting to hold on the payment pending resolution.
- 3.4.8 The Purchase representative shall decide, on damaged containers, whether to accept or reject the material. In cases where re-packing is to be carried out, PS shall determine who should repack - the supplier or the forwarder.
- 3.4.9 On arrival at destination, the WHSE or the recipient at other location, shall examine the material, and verify the receipt of items in accordance with the forwarder's delivery challan. Exception shall be noted on the forwarder's delivery challan before acknowledgment. Within ten days, the recipient must examine the shipment in detail, opening all containers, etc, and acknowledge acceptance, rejection or in case of any exceptions, raise an MER.
- 3.4.10 If the damage or shortage noted on the supplier's delivery challan is the same on arrival at destination, the responsibility is of the suppliers to make up for the damage / shortages. The damage / shortage shall be noted on the MER exactly as noted on the delivery challan.
- 3.4.11 If the shipment is received in damaged containers, any damage or shortage not covered on the forwarder's delivery challan is chargeable to the forwarder. Physically damaged containers must be noted on the forwarder's delivery challan regardless of the fact that the contents may not have been examined in detail.
- 3.4.12 If no damage or shortage is noted on the forwarder's delivery challan, but damage / shortage is discovered on opening the undamaged containers, the responsibility for damage may not be clearly designated. However, responsibility for shortage would normally to the supplier's account unless, by the nature of the contents, the forwarder can be held responsible.
- 3.4.13 Upon receipt of a copy of MER, PS shall ascertain the value of the damage, by referral to the supplier's invoice (with the General Accounting) and to the supplier, if necessary. If the supplier is responsible, PS shall ask General Accounting to deduct the amount of loss from the supplier's invoice. If the forwarder is responsible, PS shall send the applicable MER to the Shipping Group, noting on it the amount of the loss to be claimed. Shipping Group shall contact the forwarder to arrange for the reimbursement. In instances where the forwarder's delivery challan does not clearly designate the loss claimed for, arbitration may be necessary, but every effort shall be made to recover the amount of loss.
- 3.4.14 In cases where it is found feasible to carry out repair of the damaged material at destination, for shipments received in repairable condition, the MER prepared shall mention this fact. In such a case the Accounts shall hold the supplier's invoice until all repair charges have been communicated and adjust the same from suppliers payment. Recipient shall advise this cost to General Accounting and Purchasing cross-referencing the MER.
- 3.4.15 In order to exercise control over undispatched material, the Shipping Group shall seek a weekly report from the forwarder listing items undelivered as of the date of the report.