

Standard Operating Procedures

Purchase

	Name	Date
Prepared By	Laxmिरaman	Feb'2025
Reviewed & Approved By	K Sumanth	Feb'2025

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HBL Procurement Policy

HBL and its External Providers are independent and HBL recognizes that mutually beneficial relationships enhance the ability of both to create value to our end Customers, Society and our Investors

Principles of Procurement activities are.....

- Legal
- Accountable and auditable
- Ethically, environmentally and socially responsible
- Economically effective
- Conducive to maintaining the organisation's ability to exploit appropriate technological, commercial and organisational developments as they arise
- Capable of identifying, minimising and managing risks that may threaten the supply chain or the wider organisation
- Open to continuous improvement and development
- Fair & Transparent to all

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Control Sheet

Rev	Section	Page	Revision Description	Revision		Remarks
				From	To	
1	5	6	Added paragraph (Responsiveness of External Provider) in section.5	3	4	
2	5	18	Changed supplier evaluation frequency in Table-2	4	5	
3	20	23	PPAP –Production part approval process defined and List of PPAP documents given	5	6	
4	07	16	Approved supplier list -Review frequency defined	6	7	
5	7	19	CHANGE MANAGEMENT	7	8	
6	7	19	Counterfeit information	7	8	
7	7	19	Conflict management	7	8	
8	5	10	Note: removed	7	8	
9	5	13	Cheque payment to finance paragraph changed to present scenario	7	8	
10	8	19	Sending RFQ's and Comparison of Quotations- paragraph changed as per Change Management	7	8	
11	9	19	Purchase order processing paragraph updated	7	8	
12	Last page		SOP for samples included (Monitor & Regularize Samples Receipt – IMPORTs Category)	7	8	
13	20	23	PPAP –Production part approval process as Level-2 updated	7	8	

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1.0 **Objective**

The objective of the SOP is to describe the complete process for procuring goods and services in the company, starting from the indenting stage to the receipt of the material/service, till release of final payment.

2.0 **Scope**

This SOP is applicable to all Domestic/Import purchases made in the company, thus includes purchases of all Raw Materials, Components, Packing material, Capex, All battery related purchases, Maintenance Items etc.

3.0 **Purchase Structure And Responsibilities**

In-charge Purchase is the process owner and responsible for all activities of purchasing process. Purchase organization structure is defined in **Annexure – I**.

4.0 **Procurement Process Cycle**

The procurement process cycle is described schematically in **Annexure-II** (attached).

5.0 **Definitions:**

Material Lead Time & MOQ for A & B Class Items:

Standard lead time and MOQ of the materials are to be maintained by Purchase dept. and shall be circulated to PPC/ User Dept. for their planning of the material.

External Provider approval and enlistment:

Vendor registration form:

For new External Providers, purchase department sends registration form to the External Providers for generates sufficient information about the capability of the External Provider with regard to their technical capabilities, machinery available etc.

Method of evaluation and re-evaluation of External Provider:

The External Provider Evaluation Team comprising Purchase & QA shall analyze the information available against registration form and visit such sources, which they consider suitable for the manufacture/supply of items in accordance with our specification and requirements. Based on approval criteria the External Provider is

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enlisted or rejected. Existing External Providers are revalidated based on their quarterly performance rating and periodicity of re-evaluation is fixed based on the score.

Responsiveness rating of External Provider:

Supplier responsiveness plays a key role in increasing procurement performance therefore the suppliers are rated between 1 to 10 Scale for aspects like response to

1. Enquiry
2. Change in delivery plan as per plant requirement
3. Increase or decrease in ordered Qty
4. After sales service
5. Handling of re-work and rejections
6. New Developments

External Provider approval for offshore External Provider:

External Provider evaluation /assessment is carried out by HBL Auditors/HBL designated 3rd party at offshore External Providers establishments.

List of Approved External Providers:

It is the list of approved External Providers. The External Provider is added in the approved External Providers list after External Provider registration and approval by evaluation team. A non performing External Provider is deleted from the list if their performance is below the rating.

Purchase Requisition (PR):

PR is the official indent for initiating any procurement. User releases online / Hard copy PR through SAP system duly approved by authorized approvers and sends to purchase for subsequent process.

Revenue Items -Purchase Requisition (PR)/Material requirement planning (MRP):

PPC/User shall raise SAP- PR based on the monthly MRP/user requirement(s) respectively. The PR should be approved through online release strategy. Purchase shall verify the PR for the correctness of pre-requisites like item description, delivery schedule as per lead time, MOQ, drawing No./Specification No. etc. and shall process thereafter.

Capital Items:

Items such as Plant and Machinery, test and measuring equipment, Office and industrial furniture etc. would come under Capital items. All Purchase Requisitions shall be raised against approved Acceptance of Necessity document (AON). The PR (Purchase Requisition) shall be raised by the respective departments and approved through SAP PR release strategy.

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Request for Quotation (RFQ):

Purchase shall float RFQ by E-mail to preferably minimum 3 External Providers with required drawing /specifications. For RM/BOM items, the External Providers are to be selected from HBL approved External Providers list.

Rolling Plan:

Minimum 3 months rolling plan is generally expected from PPC for critical raw materials and long lead items for purchase to provide projection to External Provider for their readiness.

Normal Purchase & Emergency Purchase:

Normal Purchase PR (Purchase Requisition) are generated based on the monthly MRP/Indent. Purchase department will arrange RFQ and release order (PO) on selected vendor based on the most suited commercial terms and lead time.

For express /emergency purchases shall have the approval of the Unit Head. The item(s) may be procured without following the usual procedure of collecting multi quotes and comparison. However the PR (Purchase Requisition) has to have duly justifiable reasons in writing for making such an express / emergency purchase

Costing & Price break-up:

A scientific / technical methodology of costing/ cost breakup is adopted, taking into account the material cost, labour, overheads and any other relevant factor etc. for arriving basis of the price of the material prior to the comparative statement.

Comparison of Quotations:

Based on the quotes received, a detailed comparative statement is made for the landed cost of the material along with the details of payment terms, delivery, freight etc. Price break-up shall be considered as the basis for further negotiation.

Purchase Order (PO) :

Based on the approved PR, PO is the official agreement which is released on the External Provider for the supply of ordered items as per the terms & conditions indicated there in.

Purchase Order Processing:

Based on comparative statement and subsequent negotiations, the price and terms & Conditions are mutually agreed upon for the processing of PO. PO is

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subsequently released after approval through release strategy and as per the following delegation of authority. The approved PO is forwarded to the External Provider through mail or a hard copy. General Terms & Conditions are made available in the HBL website.

Negotiation Strategies:

Price finalization through Negotiations:

For standard BOM items, RFQ is floated to the External Providers and preferably 3 quotes are collected and comparative statement is made, price is negotiated and PO Check list is prepared for the release of the order and approval.

ARC/AMC:

For standard items like general consumables & maintenance items potential External Providers like dealers/distributors/traders are identified, RFQ is floated, quotes are compared, price is finalized in purchase committee and ARC/AMC are released. Individual POs are released with reference to the ARC/AMC finalized, based on plant requirement.

Long Term Contracts / Annual Contract eg. Lead:

Long term contract/annual contract is awarded for A class items of bulk procurement (eg. Lead) on approved External Providers based on certain pricing formula linked with market index or on import parity price with fixed premium. Individual POs are thereafter released linking with the long term contract/annual contract.

E- Procurement:

For most of the Raw materials, BOM items , Standard Items like Crane, Pump, Motor etc. & Capital items the price is finalized through e-procurement platform. Few off line Quotes are collected to estimate the start price for conducting the e-bidding process.

Price finalization through Purchase Committee:

For any non –standard item / Item having no previous purchase history and valued generally more than 2 L - rates are reviewed and finalized by a committee comprising of members from Purchase, User department, Maintenance department and Finance, which is referred to as Purchase Committee. Generally items covered under the scope of purchase committee are - Project items, R&D items, First time procurement items, Job Work items of high value, Scarp items etc.

For these items purchase obtains quotes from preferably from minimum 3 External Providers and comparative statement is made, the price is finalized through negotiation in the presence of Purchase Committee.

Material Follow-up:

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Purchase conducts regular follow ups with External Providers (Over Phone/Mails/Vendor visit) in accordance with delivery time/completion time mentioned in the PO to ensure that the materials are delivered/services are completed as per the agreed schedule. All supplies shall be made as per PPC provided schedules keeping in mind lead time, MOQ etc. JIT is recommended for optimizing plant Inventory.

Transportation of purchased item from External Provider premises to factory
Local External Providers:

Where ever a External Provider does not deliver directly to our plant, the material shall be collected from the premises of External Providers either by our contract van or any other private vehicles.

Outstation External Providers:

In accordance with Purchase Order terms the material is transported through bank approved or our logistics empaneled transporters.

Offshore External Providers/CHA:

Approved Custom House Agents (CHA) & Freight Forwarders are engaged for clearing at customs and pickup of imported consignments. After receipt of shipping documents, Imports Purchase dept. forwards details to Imports Logistics group under EXIM for further clearing process and delivery to respective plant.

Incoterms:

The Incoterms rules or International Commercial Terms are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC). They are widely used in International commercial transactions or procurement processes. Like FOB(Free on Board), EX-Works, CIF (Cost Insurance Freight), C&F (Cost & Freight) etc.

Waybill:

Waybill is the mandatory document to be accompanied with the material from the External Provider during road transport within India. An online Way Bill will be issued by HBL against scanned Invoice copy/LR provided by the External Provider. The transporter has to carry the same with the material.

Material receipt – Acceptance/Rejection:

Materials should be received with External Provider's test report along with other statutory documents. Inward Quality control team inspects the material at the inward stage in accordance with the inspection plan. Depending on the item, some of the items are inspected at the External Provider's works as well. However, the final acceptance/rejection is done at our works. Based on the quality inspection report, stores will generate the GRN (Goods Receipt Note).

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Accepted Material:

Material once accepted and cleared by the Quality control department shall be taken into the stock at stores and issued for production according to production plan.

Rejected Material:

If the material is rejected at inward stage, a rejection report with reasons for rejection will be forwarded to purchase department for onward communication to External Provider. The rejected material shall be stored separately in stores till further disposal.

Rejection Return:

Purchase department depending on the nature of defect, call the External Provider for rectification/re-work or send back the material for replacement.

External Provider Corrective Action Request (SCAR):

Based on the rejection report, QC generates SCAR for respective External Providers for their corrective actions. It is the responsibility of Purchase to obtain compliance from External Provider for closure of SCAR.

Sub Contract, Outsourcing & Service Orders:

For customized jobs, sub contract order shall be released from approved External Providers list or ancillary. The selection of the External Provider shall be done based on comparative quotations as well as evaluating the work content. The evaluation of work content and rate finalization shall be done by Purchase Department in consultation with HOD of user dept. The sub contract order apart from the rate shall contain the norms for conversion & the wastage allowed (Retrievable & Non-Retrievable) wherever applicable.

Outsourcing

Reasons for outsourcing

Cost savings
Focus on core business
Improve quality
Operational expertise

Product Realization

In the process of execution of a contract, the decision to transfer / outsource may be taken at any of the following stages -

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- a) At Design stage (outsourcing of design itself)
- b) At the time of submitting Quotation to the Customer
- c) At the time of planning for production after the contract is successfully won
- d) During the production at various stages.

The details in the Purchase Order / Job Work Order shall indicate the Controls/Specifications and the important quality Parameters / Specifications that should be met by the job worker/Sub Contractor. Contractor shall produce Input material/Component test certificates to HBL on demand

Wherever necessary and as indicated by the Functional Area In-Charges, First Article Inspection (**FAI**) shall be ensured by Purchase Department by coordinating with the Job Worker or External Provider and In-coming Inspection of QA/QC. Details of parameters to be checked shall be laid down by Design Department of HBL and shall be executed by QA/QC.

Planning for the Out sourced activity

The activities decided to be outsourced shall be intimated by PPC or users for necessary planning of outsourced activities like material movement etc., by purchase for further process as per the schedule.

Evaluation of out sourcing agency, feasibility study / risk analysis

For the items decided to be out sourced, in the process of selecting the sources for the purpose, purchase shall carry out feasibility study through External Provider registration format & External Provider evaluation.

Reports & MIS:

MIS report is generated through SAP for periodical review.

Vendor payment Indent to finance:

For Advance payments, "Down Payment" option is tagged in SAP system for finance to send advance / Down payment. For others/balance payments, Email to send to the finance with all required details for the process of Online payments

GST Compliance:

It is the responsibility of Purchase Department to check GST Compliance of all vendors in coordination with ITD.

Debit Note:

It is the responsibility of purchase department to monitor the debit balances with the External Providers and update finance on time to time basis against the debit note generated by the finance.

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Reconciliation of book of accounts:

Purchase department shall collect statements of book of accounts from all the External Providers and submit the same to finance for ledger reconciliation.

Purchase Department Conducts The Following Activities. Standard Operating Practices (SOPs) for each such activity is annexed.

6.0 Processing Of Purchase Requisitions

6.1 Purchase Requisitions (Domestic / Import)

Purchase Requisition is the basic document on which purchase activities are initiated. Purchase can refer the SAP soft copy or the signed hard copy.

Purchase shall carry out requisition review for the adequacy of the user requirements prior to sending enquiry to External Providers.

6.2 BOM Items

Production planning and control (PPC) Department shall raise Purchase Requisition for procurement of all the production related items as per bill of materials of the job under production/ MRP after considering stores stock and material in the pipe line. These Purchase Requisitions shall be approved by head PPC.

6.3 General Items, Consumables, Tools etc.

Concerned section IC shall raise requisitions for General & Consumable items based on average consumption levels and stores stock. These shall be approved by concerned division head or Plant Head.

6.4 Requirement Of Other Departments

For items required by all other departments like Maintenance, Finance, engineering/design, Administration, R & D etc., the requisitions shall be raised by respective departments, which shall be approved by In charge of the respective departments or Plant Head.

6.5 Capital Items

All requisitions shall be based on approved budget for capital items. AON – Acceptance On Necessity Document is generally approved by

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CMD/Director/COO. The requisitions shall be raised by respective departments approved by Plant Head.

7.0 Selection of External Provider

External Provider Registration

Purchase department can obtain the information of source / External Provider through following ways :

Information from other departments / divisions / sister concerns, through web search, Newspaper advertisements, Magazine/ Journals /Yellow pages / Business Catalogue & Exhibitions, Seminars, Electronic Media etc. Customer / Collaborator / Existing External Provider's recommendations.

After identification / introduction of the External Provider through any of the above methods, the purchase department shall send a registration form and start initiating for External Provider evaluation if needed. All External Providers must be ISO 90001certified. Vendor registration is done as per Standard format

Planning for External Provider Evaluation

The External Provider selection for evaluation shall be done based on the contents of the External Provider registration form collected.

- 1) Suitability of the infrastructure to suit HBL's requirement , Financial strength, Competent Manpower, Machinery availability etc.
- 2) Product Range of External Provider meeting HBL's requirement.

External Provider Evaluation

Evaluation of the selected External Providers for enlistment shall be carried out as per mutually agreed dates between the External Provider and HBL. The External Provider Evaluation Team consists of representatives from Purchase, QA and Others (Expert group such as representative from D&D, Stores etc.) The team shall analyze the information gathered from Registration form and visit such sources which they consider suitable for the manufacture of items in accordance with our specification and requirements.

However for outstation External Providers, visit shall be decided based on merit of each case. In specific cases where required, representative from Design & Development may accompany the team. This is applicable for Job Work External Providers also. Evaluation format also includes requirements of EHS & Social responsibility at External Provider's end.

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Enlistment of External Provider – Approved External Provider’s List

A numerical External Provider’s rating systems/audit Score is followed. Based on the External Provider ratings/ score, the External Provider shall be enlisted or asked for corrective actions. Following are the criteria’s :-

#	Score obtained by External Provider	Approval of External Provider	Remarks
1	0% to 59%<=	Disapproved	Corrective action shall be requested from the external provider to be carried out within 30 days for registration and approval.
2	>=60% to 74%<=	Conditionally Approved	External provider shall be registered and conditionally approved for supply. Further improvements shall be recommended.
3	75% >=	75% and above	Approved for enlistment. Suggestion for Continual improvement in the systems / processes.

On closure of all SCAR (open issues if any - except mutually agreed for/ extended issues with clear action plan to close them) HBL External Provider Evaluation Team shall recommend the External Provider for enlistment in the approved External Provider List (Refer Serial Nos 2 & 3 of above criteria).

Master Data Team is requested through HOD purchase by mail for addition of a new External Provider in SAP. Other changes like External Provider Name, Address, Commercial details, deletion or blocking of a External Provider in SAP etc. are also informed to Master data team through mails. Subsequently External Provider code and “External Provider Master” in SAP is created / changed / deleted / blocked.

After a new External Provider is registered he is asked to forward the sample as per our Specifications/Drawings for evaluation.

First Article Inspection

After receiving the initial samples from the External Provider, it is verified by QC department as per drawing or specification. A report, which is called as First Article Inspection (FAI) is made on basis of Dimensional inspection, Physical appearance, and Chemical analysis etc. FAI reports are sent to the External Provider for their reference and compliance.

PPAP

In case of any changes at suppliers end like Process, Location & Critical Raw Material, PPAP to be conducted prior to approving supplies. Suppliers to inform HBL in advance about any changes for initiating PPAP.

Approved External Provider List / APPROVED SUPPLIER LIST

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It is the responsibility of Purchase Department / D&D to maintain approved External Provider list for BOM items that are directly used in the manufacture of the product. Approved External Provider list are updated Every three years for addition or deletion of the External Provider.

Additionally, External Provider qualified and approved by sister concern of the group as per their standard procurement procedures may also be included in the approved External Providers list. But, copy of the External Provider approval documents shall be obtained and maintained.

Bought Out Items/Services

Purchase of bought out items/Services which are directly used in the manufacture of our Product, accessories and spares to be supplied to customer are made based on any one of the following criteria.

- (a) Products are on the approved list of major consultants/reputed External Provider.
- (b) Recommended by our Customers or Consultants.
- (c) Product has ISI Certification or any other Quality Certification Bureau.
- (d) Internal testing of samples and trials.
- (e) Past continuous usage by us without any major quality problems.
- (f) The above bought out items could be supplied by any of the following types of External Providers:
 - (a) Manufacturer
 - (b) Authorized Dealer
 - (c) Trader
 - (d) ERP/Business process service providers (e.g. SAP)

The performance of these External Providers is judged based on recommendation of Quality control department/user / IC Production until and unless a report for poor performance is given by user / IC Production, the performance is deemed to be satisfactory and supplies shall continue.

The organization shall determine and apply criteria for the evaluation, selection, monitoring of performance, and re-evaluation of external providers, based on their ability to provide processes or products and services in accordance with requirements. The organization shall retain documented information of these activities and any necessary actions arising from the evaluations. Type and extent of control on external service providers shall be decided by the organization and to be monitored by a dedicated team member representing all functions.

Services

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Services related to calibration, Testing etc shall be evaluated once to form a part of Approved Service providers List wherever applicable.

Enlisted Periodic External Provider's Performance Rating & Classification

Analysis and Review of the approved External Providers is done on quarterly basis through SAP based on their performance for the supplied lots (BOM items) and update.

Performance rating is carried out based on average of the rating of the quality, delivery & Price.

Evaluation Criteria	% of Weighted avg.
Quality	50
Delivery	40
Price	10

External Provider's Performance Rating Classification

#	Grade	Score	Approval Status	Classification	Remarks
1	A	>=75 – <=100	Approved	Excellent	Should maintain the performance
2	B	>=60 – <=74	Conditionally Approved	Good	Improve Performance
3	C	< 59	Disapproved	Disqualified and on HOLD	To be warned

Approved External Provider's Re-Evaluation Audit Process

The approved External Providers shall be evaluated by HBL Trained External Provider evaluation team periodically as per the following guide lines.

#	Classification of Goods	Frequency of Re-Evaluation Audits
1	A	Every Three Years
2	B	As and When required based on performance ratings (IF VENDOR RATING FALLS UNDER C RATING)
3	C	As and When required based on performance ratings (IF VENDOR RATING FALLS UNDER C RATING)

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Urgent Supplies

In case of urgent requirement of BOM material for production, if material is not available with approved External Provider, procurement can be initiated from sources other than approved External Provider list. However the items purchased shall be of approved make and grade or equivalent grade certified by the user/D&D. Such purchases shall be regularized against External Provider registration and subsequent External Provider evaluation. These External Providers shall be added to the Approved External Provider list as per periodicity laid down in this procedure.

Items For Other Requirements

Items or services required for areas other than those related to product i.e. maintenance, administration, welfare, stationary, house keeping etc, the purchases shall be made from External Providers on case to case basis depending on the type of item and urgency and these need not form a part of Approved External Providers List.

Disqualification of External Providers

In case of persistent failures in terms of quality and delivery and also based on the performance rating criteria, the External Provider can be disqualified and removed from approved External Providers List. However on case to case basis External Provider can be granted three more chances for improvement, beyond which HOD Purchase is authorized to disqualify such External Providers.

-The External Providers shall also be black listed under following additional circumstances

Bankrupt , insolvent , closure of business or dissolved

- i. Violation of statutory & regulatory requirements
- ii. If the External Provider or partners or representatives are found indulged in fraud , malpractice etc.....

The information on banned / black listed External Providers shall be circulated to all HODs.

Procedure to be followed by vendor to avoid Counterfeit Products at Vendor end.

1. Identification of Counterfeit Products:

- Train personnel on the identification of counterfeit products, including common signs of counterfeiting such as suspicious packaging, labeling discrepancies, and unusual appearance or markings.
- Implement procedures for inspecting incoming shipments for signs of counterfeiting, including verification of product authenticity through available resources such as manufacturer databases or authentication technologies.

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2. **Quarantine and Segregation:**
 - **If counterfeit products are suspected or identified,**

CHANGE MANAGEMENT: Introduced New Vendor Portal
<https://avinya.hbl.in/ezLogin.jsp>

All Purchase Initiation process will be done through Avinya vendor Portal

Conflict management is the process of limiting the negative aspects of [conflict](#) while increasing the positive aspects of conflict in the workplace. Conflict with Vendor – begin by clearly communicating the issue and understanding their perspective. Review the contract for relevant clauses and document all interactions. Explore negotiation and alternative dispute resolution methods to find a mutually beneficial solution

8.0 Request For Quotation
Sending RFQ

Against Purchase requisitions, request for quotations (RFQ) for supply of goods and services are generated through Avinya vendor Portal and are sent to the approved External Providers through Avinya vendor Portal.

Comparison of Quotations

Quotes received are automatically updated in Avinya vendor Portal for the generation of comparative statement. However comparative statement is checked by Buyer on the basis landed cost and other influencing parameters like lead time, payment terms and after sales services etc.

Risk assessment/Analysis/Impacts & Controls

It is a process to identify & analyze risks involved prior to procurement (Import & Domestic). Risk factors like price, delivery, service, payment status, No. of sources etc. shall be updated and reviewed regularly for major critical production items.

Also to study criticality of parameters involved with the purchased product, their Impacts and subsequent impact categorization (like minor, Safe & High) are specified for the critical items (BOM/CAPEX). The same to be communicated to the respective External Providers for better control.

Negotiation with External Providers

With reference to the comparative statement, negotiations with External Provider is carried out.

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9.0 Purchase Order Processing

After negotiation QCF is generated in Avinya vendor Portal and will be forwarded to Approving Authority for further approval as per the value of the purchase order and approval strategy set in Avinya vendor Portal.

The Approved PO is then sent to External Provider with the latest print of drawing / specifications by e-mail or post. The superseded drawing / specification shall be withdrawn from External Provider to make sure that the External Provider does not produce / supply as per old drawing / specification. Any special requirement e.g. Vendor's compliance on quality, safety requirements (EMS/OHSAS), joint Inspection at External Provider's premises or any other controls shall be specifically mentioned in the PO in line with requirement. External Provider shall send Order Acceptance (OA) after receipt of order from HBL and send Certificate of Conformity (CoC) wherever applicable.

Every PO has a validity (Time specific) which is mentioned in the PO terms.

Repeat Purchase Order :

When there is no change in the price and other terms, the old PO reference may be considered for approval and release of repeat purchase order.

PO approval / Release Strategy in Avinya vendor Portal

Approver	Value in INR
PPC HEAD	<50000
PLANT FIN	<999999
PURCHASE HEAD	<1999999
PRODUCTION HEAD	<4999999
PLANT HEAD	<9999999
CORP FIN	<=10000000
SCM HEAD	>10000001

Amendment to Purchase order

The purchase order once issued can be amended for price/qty./ payment terms / change of address, change in commercial tax or on any other terms depending on mutual acceptability.

Purchase Order amendment are approved as per PO approval strategy.

Cash Purchases

Cash purchase is normally done in case of emergency requirements and generally for a total value up to Rs.5000.00, after due approval of respective heads. Any such procurement related to BOM items are mandatorily regularized in SAP through regular process.

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10.0 Processing of Work Orders

Production Items

For customized jobs, job orders shall be awarded to successful subcontractors from approved External Providers list or ancillary. In other cases, the selection of the External Provider is done based on comparative quotations as well as evaluating the work content. The evaluation of this work content shall be done by Purchase Department in consultation with IC of the concerned user department. The job order apart from the rate shall contain the norms for conversion, the wastage allowed (retrievable and non-retrievable) wherever applicable.

Maintenance Items

For services required by other Departments like Maintenance, R&D etc., the Service Requisition is raised by respective users and approved by Department Head. Service orders are released after study of quotations, comparisons and due approval of user dept. Other ordering process shall be as described in SI. No 8.1.

11.0 Follow-Up of Delivery Schedule

Delivery schedule in purchase order are followed up for adherence:

The delivery schedule given in Purchase Order is a probable date based on supply lead time/mutually agreed delivery schedule. However considering our type of business which is totally customer dependent, delivery schedule is likely to change considering following reasons:

- (1) Change in production schedule in accordance with Marketing & Sales Department/Customers revised requirements.
- (2) Design changes.
- (3) Better inventory control.
- (4) Customer Order put on Hold/ Cancellation

12.0 Inspection at External Provider's premises

HBL reserves the right to inspect any material prior to dispatch at External Provider's premises to check in- process quality.
External Providers shall be notified in advance for such inspection/audit.
HBL may also accompany with Customer's for such inspection/audit.

13.0 Transportation of Purchased Material to factory

Outstation External Providers

The material is transported through reputed or mutually acceptable transporter as per INCO terms mentioned in the order.

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Local External Providers

The material from External Provider's premises, are collected by our contract van. At times, local External Providers also arranges delivery to respective plants as per their own arrangement on freight prepaid/ to pay basis.

14.0 Goods Receipt and GRN

Upon receipt of material along with bill / Delivery Challan / Cash memo, inbound entry at gate is generated in SAP and on further quantity verification, documentation GRN is created in SAP.

15.0 Acceptance & Rejection

Acceptance

Materials are inspected by Quality control department at the inward stage in accordance with the inspection plan decided by them. Depending on the item, some of the items are inspected at the External Provider's works. However, the final acceptance/rejection is done at our works. In case of different test results found between External Provider test and HBL test, a third party (NABL Accredited Lab) is referred to for Acceptance/Rejection. Quality control department will maintain the reports regarding the quality of the item(s). Material once accepted and cleared by the Quality control department shall be deposited in stores and issued for production according to production plan.

All measuring instruments used for testing and measuring shall be calibrated by NABL Accredited laboratories only.

Rejection

If the material is rejected at inward stage, a rejection report with reasons for rejection shall be forwarded by the quality control department to purchase department. The rejected material shall be stored separately in stores. The purchase department depending on the nature of defects call the External Provider and request the External Provider for the corrective action report against relevant request (SCAR/CAR). Decision shall be taken for rectification/re-work or for sending back the material for replacement.

Documentation

External Provider shall follow HBL's laid down procedures on documentation. Generally HBL is providing warrantee for 10 Years or more. Hence External Providers must maintain record for 10 Years after a supply is made to HBL.

16.0 External Provider's Corrective Action Request (SCAR/CAR)

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Where the entire lot/ frequent rejections are observed, a Corrective Action Request form will be raised and sent to External Provider through purchase.

External Provider shall fill-up the CAR/SACR form and sent to purchase indicating corrective actions taken by them.

17.0 Invoice Verification

The invoice verification is done by Finance. However before Invoice Verification is carried out by Finance, following steps are followed.

- a) Inbound Delivery is done by stores after receipt of material, thereby tallying with PO.
- b) Based on Inbound delivery MIGO is created in SAP by stores after verifying duties.
- c) The MIGO number created is subsequently forwarded to Commercial for duty credit. Commercial informs stores the duty credit No. created thereafter.
- d) Stores forward the original Invoice along with MIGO No. and Credit No. to Finance for Invoice Verification (MIRO).

18.0 Processing of payment

Once the Invoice verification is done and posted by Finance, the payments to the External Providers/Service Providers are processed as per the payment terms indicated in the PO.

19.0 Checks & Controls - MIS

Following are SAP transaction codes are used for various Checks & Controls

- a. ZPOHISTORY – PO to MIRO
- b. ZPURDELIVERY – Delivery Tracking
- c. ZPRICE – PO price Tracking
- d. ZPR2GR – PR to GR

Following are various monthly reviews for additional checks and controls.

- a. Debit balance review
- b. Credit balance review
- c. Job works review
- d. Open POs
- e. Review of SCARS

20.0

PPAP defines the approval process for new or revised parts, or parts produced from new or significantly revised production methods. – LEVEL 2

The PPAP process verifies that the supplier understands all customer engineering design specifications and requirements and that the process is capable of consistently producing product meeting those requirements during an actual production run at the quoted production rate. A PPAP is required for any new part submission as well as for approval of any change to an existing part or process.

List of documents –

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1. Engineering drawing
2. Process flow diagrams
3. Control plan
4. Dimensional results
5. Material performance test results
6. Qualified Laboratory Documentation
7. Sample product
8. Master sample
9. Checking Aids

Annexure - I

Purchase Organization:

The structure of the organization generally conforms to the following based on product categorization.

1. Central Purchase Team (Domestic and Imports) sitting at Banja Hill Road No. 11 office deals generally with all A, B & selectively C class Items and all Project /Capex Items.
2. Local Purchase Team sitting at respective Plants deals generally with all C class Items, Maintenance/Emergency Items, Consumable Items, Cash Purchases and Service Orders.

Note: Items handled by respective team is shown in the following table.

Categorization & Classification of Items with Procurement strategy:

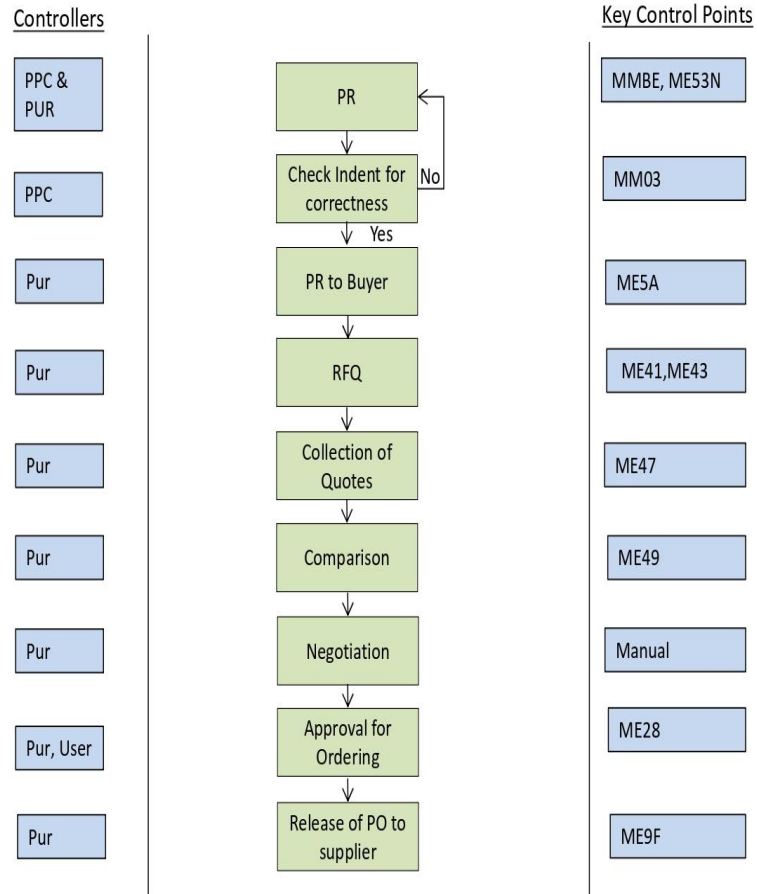
Items are categorized and classified into A= Critical, B= Important, C=General as follows:

Categorization & Classification			Price finalization location & Strategy		
	Categorization	Classification	CPT-BH	Local Purchase Team	Remarks
1	Raw Material	A	Negotiation	-	Preferably min. 3 Quotes
			E-Proc		
			Contracts		
2	BOM	B	Negotiation	-	Preferably min. 3 Quotes
			E-Proc		
3	Capital Items	Capex	Negotiation	-	Preferably min. 3 Quotes
			E-Proc.		
4	Standard Bought out Items, consumables, general items, Packing	B & C	Negotiation	PO based on Nego/ ARC/AMC by local team	(General consumables, PPE & Maint)
			ARC/AMC by Pur Comm		

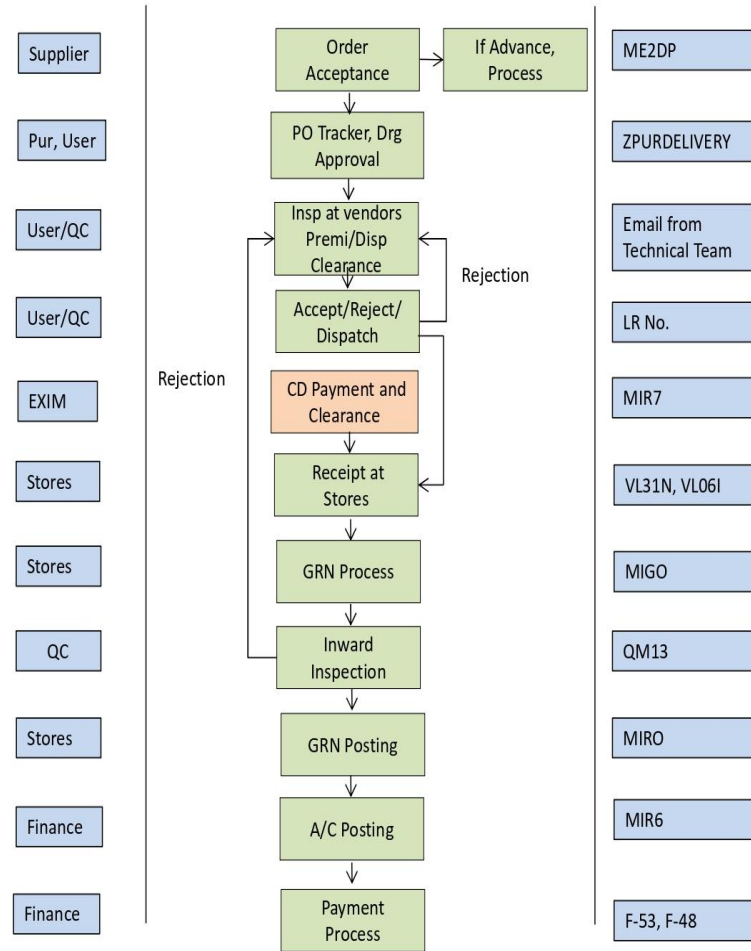
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5	Non Standard Items	Projects and R&D	-	Purchase Committee	(R&D)	


Annexure - II

PURCHASE PROCESS FLOW CHART



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STANDARD OPERATING PROCEDURE
(Monitor & Regularize Samples Receipt – IMPORTs Category)

Step Wise Procedure (Regularization Method):

1. User Team (D&D) will book the Samples (preferably FREE) from OEM / Authorised Distributor thru vendor online mechanism.
2. Once Samples Booking Confirmed by vendor “Booking Confirmation Notification” received by user team & Exim team.
3. Once Samples handed over to Freight Forwarder by vendor “Shipment Details Notification” will be received by user team & Exim team.
4. Once Shipment is successfully moved from Forwarder from booking location “Tracking Details” against Shipment Notification will be received by user team.
5. All samples booked / sent by vendors should be 100% on **DDP** (Delivered Duty Paid) basis only.
6. All the samples received at plants, the Gate entry to be made and advise the SCM of location to prepare work order / PO. SAP team to create a Common code for raising indent.
7. All samples across HBL to have work order/PO on receipt of goods only. This PO/Work Order to **have SAP common code with location cost centre, PPC to raise indent required for PO/work order to be made by plant SCM.**
9. Based on raised Internal GRN by Division level Stores team, all relevant Documents to be handed over to F&A team.
10. F&A team to book the paid duty amount (other than DDP) against to the expenses occurred to the division.
11. User to get records updated in Samples Tracking Review Sheet.
12. The user department/Indenter should make sure that the sample value **not** more than Foreign Currency **10 (USD/GBP/EURO/any other Currency)**.
13. The same sheet has to get reconciled by EXIM team, procurement team, Stores team, F&A team of designated divisions periodically preferably Monthly once.
14. This will be considered to be immediate reference document from Division level for any review of Statutory requirements such as RBI guidelines, EXIM guidelines, any other Indian laws, Rules & Regulations etc.

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	Purchase-Battery Group	SOP	01	Rev.8	A