

VVF (India) Limited – Taloja			
 VVF (India) Limited	Title:- Purchase Procedure & Policy	Doc. No.	EOHS/WI/PUR/01
		Issue No.	01 Date:- 03.04.2016
		Rev. No.	
	Ref.: ISO 14001:2004 & OHSAS 18001:2007 Cl. No. 4.2.2	Page	Page 1 of 7

1.0 **PURPOSE:**

The policy of VVF India Limited (OLEO) is to obtain the best value for the materials, goods, and services that it purchases from, and to maintain the highest ethical standards in dealing with, its suppliers. Value includes price, quality, and service.

BACKGROUND

At a cross business level purchased goods and services are VVF's largest expense area. Therefore, it is imperative that VVF India Limited (OLEO) use its purchasing leverage to ensure that goods and services are procured at the lowest cost, highest quality, and optimal service including delivery.

GUIDING PRINCIPLES

Purchase Team belonging to the Engineering Purchase Department is authorized on behalf of VVF India Limited (OLEO) for the procurement of Raw Materials, Packaging and Engineering items. All buying, including commitments to buy and related activities, will be handled by the Purchase Team.

Approved purchasing processes must be used in every case, to ensure that the supplier is selected objectively. Frequently, competitive quotes will be used in order to obtain best value. The following standard operating procedures (SOPs) is to be strictly followed.

2.0 **SCOPE:**

This WI is applicable to purchase activities /undertaken for operation as per organization requirement such as Raw Material (RM), Packing Material (PM), Engineering Goods and outsourced services.

3.0 **RESPONSIBILITY:**

- 3.1 HOD Purchase department is responsible for review and upgrading this WI.
- 3.2 Line functions person from Purchase, Stores & Security departs are responsible for implementation this WI viz. Purchase Manager, Stores Manager etc.


4.0 **PROCEDURE:**

4.1 Procedure for Raw Material & Packaging and Engineering items purchase:

- 4.1.1 Only Released Purchase Requisition Forms (PRFs) in SAP system shall be considered for further procurement process.
- 4.1.2 Purchase Team to refer to price / discount history before placing orders. Where this data giving details of formula (how pricing is worked out) the same to reflect in the Costing Sheets which should be reviewed before placing orders. These detailed Costing Sheets should be available with the Purchase Team. Any change approved by the HOD has to be saved under a new revision (Date or Month).

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- 4.1.3 Vendors are to be fixed item wise. For any additional source for an existing material or for introducing a new material from a new / existing vendor, a “SOP for Evaluation and Selection of Vendor” is to be followed.
- 4.1.4 For any change in rate / discount structure approval Purchase Head is required.
- 4.1.5 Tolerance limit for early or delayed delivery against scheduled delivery dates will be noted & forewarned and the same will have a bearing on the vendor’s final rating in the Vendor Evaluation Process.
- 4.1.6 As a general rule, items are to be procured from manufacturers or authorized dealers. Trader purchase is discouraged and should be done minimally.
- 4.1.7 All PO’s to be raised in SAP. Exceptions would be allowed only for specific cases.
- 4.1.8 Wherever possible a price / discount structure is to be worked out back calculating the excise component and working out profit margins.
- 4.1.9 Purchase Team to mention Deduction Clause in the Purchase Order wherever applicable. (For e.g. for short weight of bags, etc).
- 4.1.10 \For acceptance of material under deviation or for accepting rejected material, a formal “SOP for Acceptance of Rejected Item under Deviation” to be followed. Refer ‘List of other SOPs’.
- 4.1.11 Hard/Soft copies of correspondences with vendors for receipt of Purchase Order by the vendor in the form of e-mails or fax copies to be available for at least a year. Responsibility lies with the Purchase Team. Purchase Head to ensure strict conformance.
- 4.1.12 Pending PRFs in the systems, which are no longer relevant, to be cleaned up at least once at the beginning of every month.
- 4.1.13 Open Purchase orders to be reviewed every fortnight by all buyers and orders should be closed where deliveries are completed/or pending quantity is negligible/or where 30 days have elapsed from the delivery date. However, where there has been a deferment or cancellation of production plans the Po’s could be kept open.
- 4.1.14 Existing contracts developed by the Purchase Department and the Legal Department, including VVF India Limited’s Purchase Orders or approved templates, will only be used to ensure that the company’s:
- 4.1.14.1 Interests are fully protected
- 4.1.14.2 Purchase Department’s initiatives are appropriately implemented.
- 4.1.15 Only employees specifically authorized may sign purchase agreements on behalf of the company.
- 4.1.16 The current strategy for releasing all Purchase Orders in SAP is as below:
Applicable for Company: VVF India Ltd. & VVF Ltd

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4.1.16.1 Less than or equal to Rs. 10.0 Lakhs – Buyer – Head Engineering Purchase.

4.1.16.2 More than Rs. 10.0 Lakhs – Buyer – Head Engineering Purchase – Rayomand Mirzan

4.1.17 All rate differences (between PO price and vendor's Billing price) have to be approved by the HOD before payment.

4.1.18 Purchase Department will provide details to the statutory bodies, of contracts or purchase orders as required by these statutes, in support of compliance audits.

4.2 Procedure for Vendor Evaluation & Selection of Vendor:


4.2.1 All vendors existing as on 30th September, 2015 are automatically included in the Approved Vendors List in view of their satisfactory performance in the past. Refer Annexure 2 for the current Approved Vendor List.

4.2.2 Vendor Development as a process is done on an 'as and when' basis depending on Business needs.

4.2.3 Whenever, new vendors are to be introduced, or old approved vendors have to be introduced to a new product code, they should be assessed before placing order on them for procurement of materials. Assessment is carried out by approving samples, reviewing Test Certificates and Specification Sheets provided by vendors, concluding tests either in-house or at independent laboratories and by visiting vendors, as appropriate. Vendors for sundry items and services, statutory compliance items and services, spares parts, engineering goods and services, branded engineering items like bearing etc are chosen based on availability, commercial reputation, past experience, OEM recommendation may not be audited, but listed based on purchase department interaction and understanding of the vendor reliability and capacity. However as general rule manufacturers or authorized dealers should be introduced as new vendor. Introduction of New Trader should be discouraged and done minimally. VVF Engineering Purchase Committee comprising the following representatives:

Purchase Head and respective purchaser	HOD – Engg Purchase / Respective buyer from Engg Purchaser dept
Technical Team for RM / PM items	HOD – Quality / QC-In charge /Respective User
Technical Team for Engineering	HOD Project / Engineering

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	items	/Respective User	

The Committee or the concerned group or the Head Engineering Purchase has the authority to waive this assessment in case they deem fit depending on exigencies or for reasons such as Vendor Status, Item Category, Monopoly Items, Govt. Approved Vendors etc. PO release as per release strategy would automatically mean waiver approved. Vendors who have not been audited by us would be known as Pre-approved Vendors.

4.2.4 For approval of New Vendor, New Vendor is requested to fill up the Vendor Evaluation Form (EOHS/PUR/FT 01) and if required it is verified by VVF representative by visiting new vendor manufacturing location / office. If required, new Vendor is requested to submit sample along with the technical specification / Certificate of Analysis of material to User / QC. In case of traders, only sample / COA will be requested to submit. Based on details provided in the Vendor Evaluation Form and / or feedback on Sample, the new vendor is approved by the Engineering Purchase Committee. If required, Trial Order is given new vendor, if any changes in specification are required as a result of trial the same is conveyed to the vendor.

4.2.5 The Approved Vendor List is updated once every Year. A vendor appearing in preapproved vendor list will automatically be treated as an approved vendor on completion of six months from the date of the first approved consignment. This vendor to be updated in the soft copy of Approved Vendors list in the following cycle. For Critical Packing items (HDPE Drum, MS Drum, Poly Bags, Paper Bags, HDPE Bags, Jumbo Bags and Drum Liner) Suppliers are visited once in three year by QC team and

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details are documented in Vendor Evaluation Form. Based on result of visit the vendor is allowed to be in approved list.

4.2.6 Vendor performances are to be done for identified list and monitored through yearly Vendor Rating as per Vendor performance Form Vendor Performance Form (EOHS/PUR/FT 02). Please refer enclosed list of for which vendor rating shall be done.

4.2.6 Vendors are rated on Delivery, Quality and Service parameters.

4.2.7 The following parameters will be taken into reckoning for evaluating vendor performance by Awarding marks as indicated below.

4.2.7.1 Vendor Performance will be monitored for Delivery, Quality and Service.

4.2.7.2 Vendor to be given marks as per the following table:

*Delivery :		45 marks
a. For delivery on time	45 marks	
b. For delivery within 1 week beyond delivery period.	30 marks	
c. For delivery within 1-2 weeks beyond delivery period.	15 marks	
d. For delivery within 2 weeks beyond delivery period.	0 marks	

Quality :		30 marks
a. For pass / fail of Quality during inspection.	15/0 marks	
b. For pass / fail of Quality on line usage.	15/0 marks	

Service :		25 marks
On discretion of the Purchase Team.	25/0 marks	100 marks

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* When delivery schedules are given by the plant, the dates of the delivery mentioned in the PO will not apply.

4.2.7.3 Vendor performance is monitored once a year based on the above categories and stores to give appropriate monthly Ratings for Delivery and Quality.

4.2.7.3.1 Purchase to complete rating for the service category.

4.2.7.4 In case the vendor rating falls below 50 marks, the vendor will be informed and kept under observation.

4.2.7.4.1 If still the vendor rating does not improve then the vendor may be considered to be removed from the approved vendor list.

4.3 Procedure for change / determining rate / discount structure:

4.3.1 All vendors item wise as of Dec 2015 specified in the approved vendor list will have a buying rate / discount attached to it which would be automatically treated as an approved buying rate / discount. Any revision of rates / discount structure / other terms will have to be authorized by the Engineering Purchase Head and Mr. Rayomand Mirzan (as per release strategy).

4.3.2 For any change in the rate or discount structure to be done, Purchase team to give reasons justifying the same. On concurrence, Engineering Purchase Head and / or Mr. Rayomand Mirzan to approve the same for RM/PM/Engg items.

4.3.3 To fix a rate / discount for any new item, Purchase Team to take multiple quotes, justify their basis, do a comparative analysis and then take approval of the Engineering Purchase Head for further processing.

4.3.4 Rate finalization and Purchase Order release based on single vendor basis shall be acceptable in case of Original Equipment Manufacturer (OEM) or

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its authorized dealer, Statutory requirement, urgency, user specific recommendation, Monopoly, lack of information on alternate vendor etc. Purchase Order approval by the concerned authority as per release strategy implies approval for such single vendor case.

4.4 Procedure for Acceptance under Deviation:

4.4.1 Purchase Order or specification sheet to clearly mention the Specification and Acceptance limits for a particular item. Where material is beyond the acceptance limit or is rejected, but for any exigency has to be accepted then a joint decision by the Production Head, Packaging / Quality Head, Engineering / Project Head, Engineering Purchase Head to be taken.

4.4.2 All such deviations need to be supported from the Purchase Head to decide about necessary commercial implications and a formal note where applicable for making deductions would have to be passed by him to Accounts. All such notes need to be approved by the Engineering Purchase Head.

5.0 ENVIRONMENT REQUIREMENT: EHS annexure required to be provided with PO.

6.0 SAFETY REQUIREMENT: EHS annexure required to be provided with PO.

7.0 RECORDS:

Records of revision

Date	Page No.	Nature of change	Rev.No

7

Distribution of copies

Sr.No.	Details
1	Master Copy
2	e-Control copy to all VVF users including MR
3	Control Copy to all HOD's & to all departments

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