COMPANY MANUAL ON MATERIALS MANAGEMENT

(With amendments issued upto August 2014)

Issued by
Corporate Materials Management

ITI Limited
Regd. & Corporate Office
ITI Bhavan, Dooravaninagar,
BANGALORE – 560 016

COR / M / CM / 001 Issue 3 February, 2016

COMPANY MANUAL
ON
MATERIALS MANAGEMENT

COR/M/CM/OO1 ISSUE : 2

APRIL 1999

CONTROLLED COPY

MANUAL SERIAL No. : __________

ISSUED TO : __________

ISSUED BY : CORPORATE MATERIALS MANAGEMENT
ITI LIMITED, 45/1 MAGRATH ROAD
BANGALORE - 560 025

ISSUEING AUTHORITY
SIGNATURE :

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DATE : APRIL 99

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PREVIOUS ISSUE : MARCH 1993

COMPANY MANUAL
ON
MATERIALS MANAGEMENT

Amendments/Changes/Revisions

Chapter Section No.	Clause / Page No.	Title	Amendment/ Change/ Revision	Remarks/ Signature
2	2.3.1	Production item	COR/MM/AMD-CMMM/06 Dated 12.01.2006	
2	2.3.2.1	Non-production items	"	
2	2.3.3.1	Capital Goods	"	
2	2.4.	Editing of PR	"	
2	2.4.1	Package / Kit concept	"	
3	3.1.1	PR registration & processing	"	
3	3.1.4	Tendering	CORP/MM-CIR/2011-12/01 Dated 06.01.2012	
3	3.1.4.1	Limited tender	COR/MM/AMD-CMMM/06 Dated 12.01.2006	
3	3.1.4.2	Restricted tender	"	
3	3.1.4.5	DR-P's Inst. No.DRP/4 dt.11.05.2005	"	
3	3.1.6.1	Notice inviting tender	"	
3	3.1.6.2.7	Participation of tenderers in tender opening	"	
3	3.1.7.3.1	Scrutiny of offers	"	
3	Annex 3.1.1	Typical t&c for submission of tender(Inland)	"	
3	Annex 3.1.2	Typical t&c for submission of tender(Imports)	"	
3	3.2.1.2	Stores Purchase Committee(SPC)	"	
3	3.2.2.8.1	For indigenous suppliers – terms of payment	"	
3	3.2.2.8.2	For foreign suppliers	"	

COMPANY MANUAL
ON
MATERIALS MANAGEMENT

Amendments/Changes/Revisions

Chapter Section No.	Clause / Page No.	Title	Amendment/ Change/ Revision	Remarks/ Signature
3	3.2.2.8.3	Payment terms for production-Manufactured(DTS as part of the system)	"	
3	3.2.2.8.4	Verification of suppliers bill by Purchase	"	
3	3.2.4	Scrutiny of Purchase Order before its release	"	
3	3.2.4.5	Re-tendering	"	
3	Annex 3.2.1	Typical Purchase Order terms & condition (Inland)	"	
3	Annex 3.2.2	Typical Purchase Order terms & condition (Imports)	"	
3	3.1.1	PR registration & processing	ITI/NSU/VIG/2007/19 Dated 10.07.2007	
3	3.1.4.4	Open advertisement tender	"	
3	Annex 3.1.1	Typical terms & condition for submission of tender (Inland)	"	
3	3.2.2.4	Price variation	"	
3	3.2.1.2.2	Guidelines to SPC/Approving authority for Non-SPC on Quantity Allotment	"	
3	3.1.6.2.7	Participation of tenderers in tender opening	Email dated 24.09.2007	
3	3.1.4	Tendering	COR/VIG/NSU/301 Dated 30.08.2007	
3	3.1.4.2	Restricted tender	"	

COMPANY MANUAL
ON
MATERIALS MANAGEMENT

Amendments/Changes/Revisions

Chapter Section No.	Clause / Page No.	Title	Amendment/ Change/ Revision	Remarks/ Signature
3	3.1.4.2.1	Deleted	“	
3	3.1.4.2.2	Deleted	“	
3	3.2.4	Scrutiny of Purchase Order before release	“	
3	3.2.4.9	Transfer of Purchase Order to another name	CORP/CMM-CO/Inst Dated 07.08.2014	

CONTENTS

PART 'A'

PART 'B'

PART 'B'

PART “A”

FOREWORD

Effectiveness of Materials Management Function is very critical in our operating system for the success of the Company in the present competitive business environment where the customer has become more demanding on Quality, Delivery & Cost. Ensuring availability of balanced inventory at the point of usage on the right time schedules at the most economic cost and optimally utilizing the capacities created, would determine the efficiency of our operations.

The existing Company Manual on Materials Management was therefore due for a thorough review and the Revised Manual issued herewith will go a long way in meeting the above challenges and making operation "Pragati" a success. The Revised Manual which is comprehensive covering the entire gamut of Materials Management Functions will include under its scope the procurement of production, non-production and capital items and availment of services (excluding works contracts).

The Revised Manual shall come into force with immediate effect and shall supersede the existing Manual and all other procedures / orders existing in the Company on the subject.

(Air Cmde. S.S. Motial (Retd.)
Chairman & Managing Director

Bangalore
Date April 1999

PREFACE

In view of the drastic changes in the economy, privatization of Telecom Sector and the Government Policy on Public Sector Undertakings, it is imperative to improve our competitiveness by upgrading our Materials Management System. There was also a need felt to bring uniformity in the policy and procedures on Materials Management function across all the Plants of ITI as some of the Plants had not fully adopted the Company Manual on Materials Management issued in 1993.

Consequent to the ITI – Vendors Meet held in end June 98, a broad-based committee representing all the Plants was constituted by Corporate Management to review the existing Company Manual and to come out with recommendations on an effective Materials Management System in line with the terms of reference contained in Office Order Ref: CO/DRF/008 dated 7th July 1998. The Committee with the undersigned as Chairman comprised of: S/s A.K. Malik Shariff, MM (CO), Corporate Office as Member Convener, the other Members representing the Plants being : S. Pugazhendi, DGM (MS), ECP, D. Hari DGM (IMM) Palakkad, P.N. Gupta, DGM (MM) Naini, P.K.Gupta, CMM (WS) Mankapur, K. Ranganathan, CMR (ID) BG & R.C. Aiyer, Manager (Pur) Rae Bareli. The Committee also co-opted S/s V.V. Prabhu, CEQ (V) of Corporate VDC and B.S. Sridharamurthy, CMM (SX) from Bangalore Plant.

The committee after intensive interaction and inputs received thereof from within ITI at the Plants – both at the Working and Management level and at Corporate level with Functional Heads and as well from outside ITI with Major and Reputed PSUs and MNCs, submitted its recommendations to Corporate Management with Revised Company Manual on Materials Management which has since been approved.

Towards achieving Reduction in cycle time of procurement, being one of the focused objectives of this Manual, apart from rationalizing and simplifying the existing guidelines, the other highlights of the Revised Manual include : re-emphasizing the concept of Integrated Materials Management as a mandatory requirement enabling Materials Managers to assume total authority with responsibility and accountability of making available the purchase items to ensure continuity of production and inventory within norms, delegation of financial powers re-modeled and up-grated so as to involve Plant Management in exceptional cases only and introduction of concept of Advanced Planning / Advance Tendering action.

With thrust on fair, transparent and consistent business practices, a two – tier quantifiable criteria for selection of vendors has been introduced viz., vendor rating, for short-listing of vendors at the tendering stage and Bidders' Grading at the ordering / quantity allotment stage.

As all the Plants are ISO 9000 certified, the provision of the Manual comply with the requirements of Quality in procurement.

Wherever required, flexibility has been introduced in the mechanism but along with appropriate check measures.

The financial sub-delegation of powers included in this Manual are intended to serve as broad limiting guidelines to the Plants. The Plants shall prepare a supplement to this Manual on financial sub-delegation of powers suiting their individual organizational structure and size as sub-delegated by the Plant Head and keep CMD informed.

Typical formats catering to the various functions of Materials Management have also been included. These are only representative, based on which Plants shall develop their formats and include in the Plant's supplement to this Manual.

Suggestions on improvement of this manual are welcome and based on the experience gained out of operating this Revised Manual, the same would be reviewed next year.

The committee would like to express their gratitude to CMD, DRB, DRF, DRD all the Executive Directors, Plant Heads, Senior Management Officers and all other Officers of the Company who guided the committee with very valuable suggestions during drafting of the Manual.

I would like to thank all the Committee Members S/s A.K. Malik Shariff, S. Pugazhendi, K. Ranganathan, D. Hari, P.N. Gupta, P.K. Gupta, R.C. Aiyer, V.V. Prabhu and B.S. Sridharamurthy individually for their excellent contribution in making the Manual.

A. BUTCHAIAH
Committee Chairman
GM-F, Bangalore Complex

Bangalore
April 1999

PART “B”

CHAPTER 1

ORGANISATION
OF
INTEGRATED MATERIALS
MANAGEMENT

MATERIALS MANAGEMENT POLICY

The purchase of all Materials shall be planned for the availability of balanced inventories in staggered packages at the point of usage at the right time schedules thus meeting the requirements of customers both internal and external.

The purchase of all materials shall be based on competitive bidding for securing the competitive cost most advantageous to the Company.

All materials purchased shall be of specified quality from company's approved and reliable vendors who are recognized as 'Partners–in–Progress' so as to supplement the Business endeavors mutually.

The total authority and responsibility for all activities principally concerned with the flow of materials into the Organization lies with the Materials Manager so as to ensure continuity of Production while keeping the inventories within norms.

The Materials Manager will also facilitate for development of adequate and reliable vendors by interacting with Vendor Development Cell and monitor them with respect to their supply performance.

The Materials Management functions of the Company shall be developed, documented and operated with adequate controls safeguarding the economy, legal interest of the company and fulfilling the statutory requirements issued by Government from time to time.

The Materials Management Personnel shall be trained to upgrade their skills on a continuous basis to match with the changing Business environment.

The Materials Management Personnel shall maintain goodwill for the Company through Trade Relations by fair and consistent business practices.

REVISED DELEGATION CHART ISSUED ON 12-01-2006

SYNOPSIS OF DELEGATION OF POWERS FOR MATERIALS MANAGEMENT FUNCTION - issued on 12-01-2006

Sl. No.	Activity / Function	Authority Empowered					
		Production Items		Non Production / Revenue Items of R&D / Capital Items		Special Notes	Reference in Manual
1	**Approval of PR**	Financial Limits of PR - B & C Class Items (Upto Rs 50 Lacs*)	Approving Authority - Material Planning Head	Financial Limits of PR upto Rs 10 Lacs	Approving Authority - not below Gr.3 of Indenting Dept.	*For production items where ABC classification is not feasible, or till such time classification is made, PR value to be reckoned	2.5
		A class items (Above Rs 50 Lacs*)	Once the BOM has been approved by competent authority not below the level of Unit Head / Divisional Head / Functional Head, sub-delegation can be done by the Unit/Functional Head for signing of PR	Above Rs 10 Lacs & upto Rs 50 Lacs Above Rs 50 Lacs	Head of Indenting Dept. Divisional Head	For PR containing combination of Class A, B, C items, the class dominant by value in PR will be reckoned	
2	**Approval of Release of Enquiries**						
	a) Limited Tender						
	i) On all approved sources for production items & on all standardized /known sources for Non-Production & Capital Items	Irrespective of value of PR	No prior approval required	Irrespective of value of PR	No prior approval required		3.1.4.1
	(ii) Restricted Tender	Class B & C items (PR value upto Rs 50 Lacs*)	IMM Head	PR value Upto Rs 50 Lacs	IMM Head	* For production items, where ABC classification is not feasible, or till such time classification is made, PR value to be reckoned	3.1.4.2
		Class A items (PR Value above Rs 50 Lacs*	Divisional Head	PR value above Rs 50 Lacs	Divisional Head		

Sl. No.	Activity / Function	Authority Empowered				Special Notes	Reference in Manual
		Production Items		Non Production / Revenue Items of R&D / Capital Items			
	b) Single Tender						
	(i) Proprietary Source	(i) irrespective of value of PR	(i) No prior approval required. However, PR raising Officer may attach a certificate showing under what circumstances the PR is proprietary ie., only one VRC approved source is available or collaborator has provided only one source etc.	1) PR value upto Rs 25 Lacs 2) PR value above Rs 25 Lacs	1) Divisional Head 2) Unit Head	Both proprietary as well as single source PRs to be put upto Divisional Head / Unit Head (depending upon PR value). Unit Head must take the comments of Plant / Methods / Technical Support Group for the product / process / R&D. In case of Unit/Office not having expertise of Plant / Methods / R&D, they must take the comments from any other Unit's Plant / Methods / R&D having expertise in that field	
	(ii) Non-proprietary source	(ii) (a) PR value upto Rs 25K (b) Time critical procurement irrespective of PR value	ii) (a) IMM Head (b) Divisional Head	(ii) (a) PR value upto Rs 25K (b) Time critical procurement irrespective of PR value	(ii)(a) IMM Head (b) Divisional Head		3.1.4.3.
	(c) Open Advertisement Tender	Not Required #		Above Rs 25 Lacs	Divisional Head	# Except as required by VDC for exploration of New vendors for PR value <Rs 25 Lacs, Divisional Head to approve based on merits of the case	3.1.4.4 (ii)

Sl. No.	Activity / Function	Authority Empowered				Special Notes	Reference in Manual
		Production Items		**Non Production / Revenue Items of R&D / Capital Items**			
	Signing of Tender Enquiries	Class C items (PR value upto Rs 5 Lacs*)	Unit Head / Functional Head to sub delegate powers for signing of enquiries.	PR value upto Rs 1 Lac	Unit Head / Functional Head to sub delegate powers for signing of enquiries.	* For production items, where ABC classification is not feasible, or till such time classification is made, PR value to be reckoned	3.1.5
		Class A items (PR Value above Rs 50 Lacs*)	Unit Head/ Functional Head to sub delegate powers for signing of enquiries	PR Value above Rs 10 Lacs	Unit Head/ Functional Head to sub delegate powers for signing of enquiries		
4	**Tender Opening Committee**	Irrespective of PR value & for all types of tenders	Purchase & Finance representative not less than Gr.2. Unit Head / Functional Heads to sub delegate powers	Irrespective of PR value for all types of tenders	Unit Head / Functional Heads to sub delegate powers		3.1.6.2.6
5	**Scrutiny of Tabulations**	Class B & C items (PR value upto Rs 50 Lacs*)	Unit Head / Functional Head to sub delegate powers	PR Value above Rs 10 Lacs	Unit Head / Functional Head to sub delegate powers	Scrutiny of tabulation by Finance in case of single offer, not required	3.1.7.3.3
		Class A items (PR value above Rs 50 Lacs*)	Divisional Finance representative not below Grade 6	PR Value above Rs 10 Lacs	Divisional Finance representative not below Grade 6		

Sl. No.	Activity / Function	Authority Empowered				Special Notes	Reference in Manual
		Production Items		Non Production / Revenue Items of R&D / Capital Items			
	Constitution of SPC						
6	**(i) Non SPC**	Class C items & commitment value upto Rs 5 Lacs	Divisional Head to sub delegate in suitable slabs to Purchase Section Head & other executives of Gr 3/4/5 to approve purchase	Commitment value upto Rs 1 Lac	Divisional Head to sub delegates in suitable slabs to Purchase Section Head and other executives of Gr. 3/4/5 to approve purchase	Approving authority fully empowered to decide on all purchase aspects except where (1) present basic price item-wise is higher by 5% or more than that of previous comparable PO placed within 6 months of present proposed and the present quantity is more than 75% of previous PO, finance concurrence from executive not below Gr.3 to be obtained (2) Approving authority fully empowered to decide on payment terms including mode of payment in line with the guidelines vide clause 3.2.2.8	3.2.1.1
	(ii) SPC-II	Class B items (commitment value above Rs 5 Lacs & upto Rs 50 Lacs)*	Chairman of the SPC: IMM Head. SPC fully empowered to decide on all aspects of purchase including payment terms	Non-production items: Commitment value above Rs 1 Lac and upto Rs 10 Lac Capital items commitment value upto Rs.1 Lac	Chairman of SPC: IMM Head. SPC fully empowered to decide on all aspects of purchase including payment terms	Other mandatory members of SPC-II are: Member Secretary - Divisional Purchase Head. Finance Member : Divisional Finance Manager of appropriate level nominated by Divisional Finance Head. Co-opted members: Executives from Material Planning / User / Originating. QC/QA, VDC, R&D, Plant etc., as co-opted by Chairman of SPC, if required	

Sl. No.	Activity / Function	Authority Empowered				Special Notes	Reference in Manual
		Production Items		**Non Production / Revenue Items of R&D / Capital Items**			
	(iii) SPC-I	Class A items (commitment value above Rs 50 Lacs)*	Chairman of SPC : Divisional Head. SPC fully empowered to decide on all aspects of purchases including payment terms.	Non-production items: Commitment value above Rs 10 Lacs Capital Items : Commitment value above Rs 1 Lac and upto Rs 10 Lacs	Chairman of SPC: Divisional Head. SPC fully empowered to decide on all aspects of purchase including payment terms.	Other mandatory member s of SPC-I are: Member Secretary - Divisional Purchase Head. Finance Member : Divisional Finance Head. Members: IMM Head / Head of originating/ indenting department	3.3.17.1
	(iv) Management SPC			Capital Items: Commitment value above Rs 10 Lacs	Approving authority - Plant Head with finance concurrence from Plant Finance Head, based on recommendations of SPC-I	The purchase commitments of Class A & B items shall be put up to Plant Head through Plant Finance Head as a MIS report for information	
7	**To decide for and conducting negotiations**	Non-SPC / SPC cases	Relevant approving authority	Non-SPC / SPC cases	Relevant approving authority	Negotiations to be dispensed with and to be conducted only with L1 Tender in exceptional cases vide guidelines at clause 3.2.2.3	3.2.2.3
8	**Mode of transport**		Relevant approving authority of Non-SPC/SPC fully empowered to decide on suitable mode of transport except air freight of indigenous supplies with approval of Divisional Head		Relevant approving authority of Non-SPC/SPC fully empowered to decide on suitable mode of transport except Air Freight of indigenous supplies with approval of Divisional Head		3.2.2.5

Sl. No.	Activity / Function	Authority Empowered				Special Notes	Reference in Manual
		Production Items		Non Production / Revenue Items of R&D / Capital Items			
9	**Inspection by ship-to-stock mode**	For all non-SPC / SPC cases	IMM Head	For all non-SPC / SPC cases	IMM Head	Subject to clearance by QA/QC nominee	3.2.2.7.3
10	**Advance (down) payment along with PO**	For advance upto Rs 1 Lac in each case	Divisional Head through Divisional Finance Head	For advance upto Rs 1 Lac in each case	Divisional Head through Divisional Finance Head		3.2.2.8.1
		For advance above Rs 1 Lac in each case	Plant Head through Plant Finance Head	For advance above Rs 1 Lac in each case	Plant Head through Plant Finance Head		
11	**Verification of supplier's bills by Purchase Department**	ITI's normal terms and balance payment against proforma invoice cases	Purchase Executive not below Gr. 3	ITI's normal terms and balance payment against proforma invoice cases	Purchase Executive not below Gr. 3		3.2.2.8.4
		Payment terms other than normal like LSC, Payment against proforma invoice, payment against despatch document through bank	Purchase Executive not below Gr.4	Payment terms other than normal like LSC, Payment against proforma invoice, payment against despatch document through bank	Purchase Executive not below Gr.4	In case officers of the appropriate grade are not available, Unit Head / Functional Head to sub delegate	
12	**Scrutiny of Purchase Order before to release and signing of Purchase Order**	Non SPC cases	Purchase Executive not below Gr. 3	Non-SPC cases	Purchase Executive not below Gr. 3	Whosoever is the convener of the SPC, should sign the PO. In case officers of the appropriate grade are not available, Unit Head /Functional Head to sub delegate	3.2.4
		SPC II cases	Purchase Executive not below Gr. 4	SPC - II cases	Purchase Executive not below Gr. 4	Whosoever is the convener of the SPC, should sign the PO. In case officers of the appropriate grade are not available, Unit Head /Functional Head to sub delegate	

Sl. No.	Activity / Function	Authority Empowered				Special Notes	Reference in Manual
		Production Items		Non Production / Revenue Items of R&D / Capital Items			
		SPC I cases	Head of Purchase Section	SPC I & Management SPC cases	Head of Purchase Section	Whosoever is the convener of the SPC, should sign the PO. In case officers of the appropriate grade are not available, Unit Head /Functional Head to sub delegate	
13	**Placement of Repeat Purchase Order**	Non SPC / SPC cases	Relevant approving authority for the repeat order value	Non SPC / SPC cases	Relevant approving authority for the repeat order value	However, in case of variation in statutory levies not forming basic price, Head of Purchase will approve amendment to PO without referral to SPC	3.2.4.6.
14	**Amendment to POs / Transfer of POs**	Non SPC / SPC cases	Relevant approving authority	Non SPC / SPC cases	Relevant approving authority	Any errors / omissions in the PO to be corrected by PO signing authority without referral to SPC	3.2.4.7.
15	**Re-Tendering**	Non SPC cases	IMM Head	Non SPC cases	IMM Head		3.2.4.5
		SPC cases	Divisional Head	SPC cases	Divisional Head		
		For A class items / cases above Rs 50 Lacs for ordering on L-1/L-2 etc at L1 Rate	DR-P in consultation with CMD			In case of (i) above, if it is recorded with reasons that there could be production hold up, then instead of resorting to retendering, as an exceptional case, ordering may be done on L-2, L-3 etc., at L1 rate	
		For B Class items / cases upto Rs 50 Lacs, for ordering on L-1/L-2 etc., at L1 rate	Unit Head			Ordering may be done on L-2/L-3 etc., at L1 rate with the approval of Unit Head after recording the reasons	

Sl. No.	Activity / Function	Authority Empowered				Special Notes	Reference in Manual
		Production Items		Non Production / Revenue Items of R&D / Capital Items			
16	**Approval for emergency purchases**	PR value upto Rs 5 Lacs	Divisional Head with post Finance concurrence of Divisional Finance Head				3.3.6.1
		PR value above Rs 5 Lacs	Divisional Head with prior Finance concurrence of Divisional Finance Head				
17	**Approval for Local Purchases**	PR value upto Rs 1 Lacs	Divisional Head through Divisional Finance Head	PR value upto Rs 1 Lacs	Divisional Head through Divisional Finance Head		3.3.6.2
		PR value above Rs 1 Lacs	Plant Head through Plant Finance Head	PR value above Rs 1 Lacs	Plant Head through Plant Finance Head		
18	**Approval for cash / imprest purchase**	Upto purchase value of Rs 1000/-	Concerned Departmental Head	Upto purchase value of Rs 1000/-	Concerned Departmental Head		3.3.6.3
19	**Post facto approval for payment of demurrage charges**	For full value of demurrage charges	Plant Head	For full value of demurrage charges	Plant Head		3.3.11
20	In case some tender conditions are to be deviated / ignored in the interest of the work due to urgency specific approval of UNIT HEAD should be obtained after SPC records the detailed reasons for deviation, etc.						
21	In case of deviation from procedures prescribed in Corporate Manual on Materials Management are required in a specific case due to some exigencies of work, approval of CMD should be obtained						

1.1 ORGANISATIONAL STRUCTURE :

1.1.1 Integrated Materials Management (IMM) is a mandatory requirement in the ITI Plants. To ensure proper functioning of IMM, the Plant Head shall setup an organization with clearly defined responsibilities and sub-delegate powers within the overall guidelines given in this manual. A typical organizational structure and a typical model of IMM are given at Annexure 1.1 & 1.2 respectively. The system of IMM presupposes that all related functions are totally integrated.

1.1.2. The authority and responsibility to ensure steady flow of materials for continuity of production lies with the Head of Integrated Materials Manager. The Head of IMM shall ensure this through Integrated Materials Management covering the functions of:

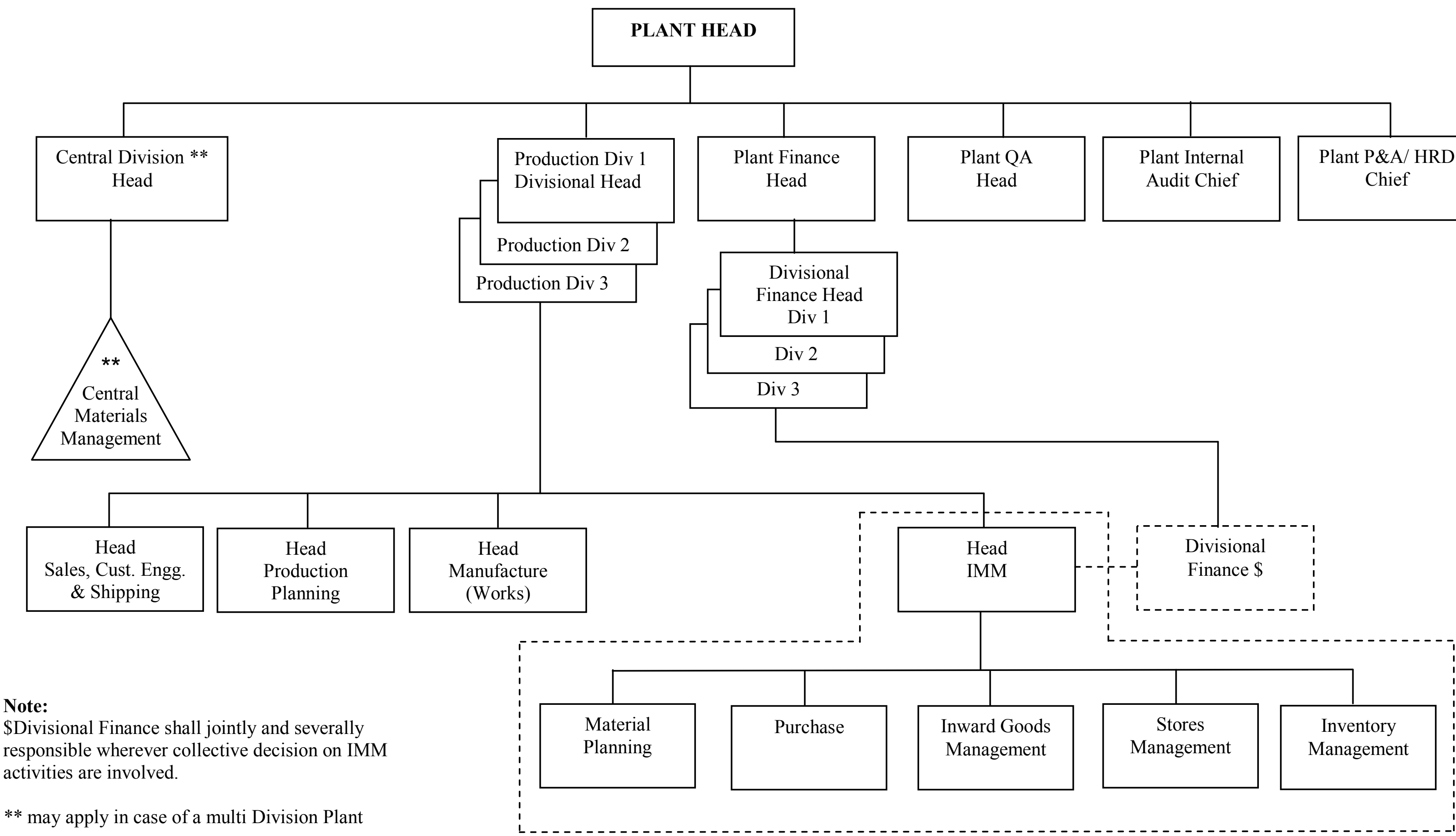
- i) Materials Planning
- ii) Purchase Function
- iii) Inward Good Management
- iv) Stores Management &
- v) Inventory Management

1.1.3 The detailed procedures on Materials Planning, Purchase Function and Inventory Management and guidelines for Inward Goods handling and stores Management are included in this manual.

1.1.4. The Integrated Materials Manager will also Co-ordinate with the concerned authority for vendor development and Vendor Rating. The activities of vendor development cell are covered in Section 7 of Company Quality Manual while the detail procedure on Vendor Rating is covered at Chapter 7 of this Manual.

Annexure - 1.1
Clause 1.1

TYPICAL ORGANISTION STRUCTURE OF INTEGRATED MATERIALS MANAGEMENT (IMM) IN A PLANT

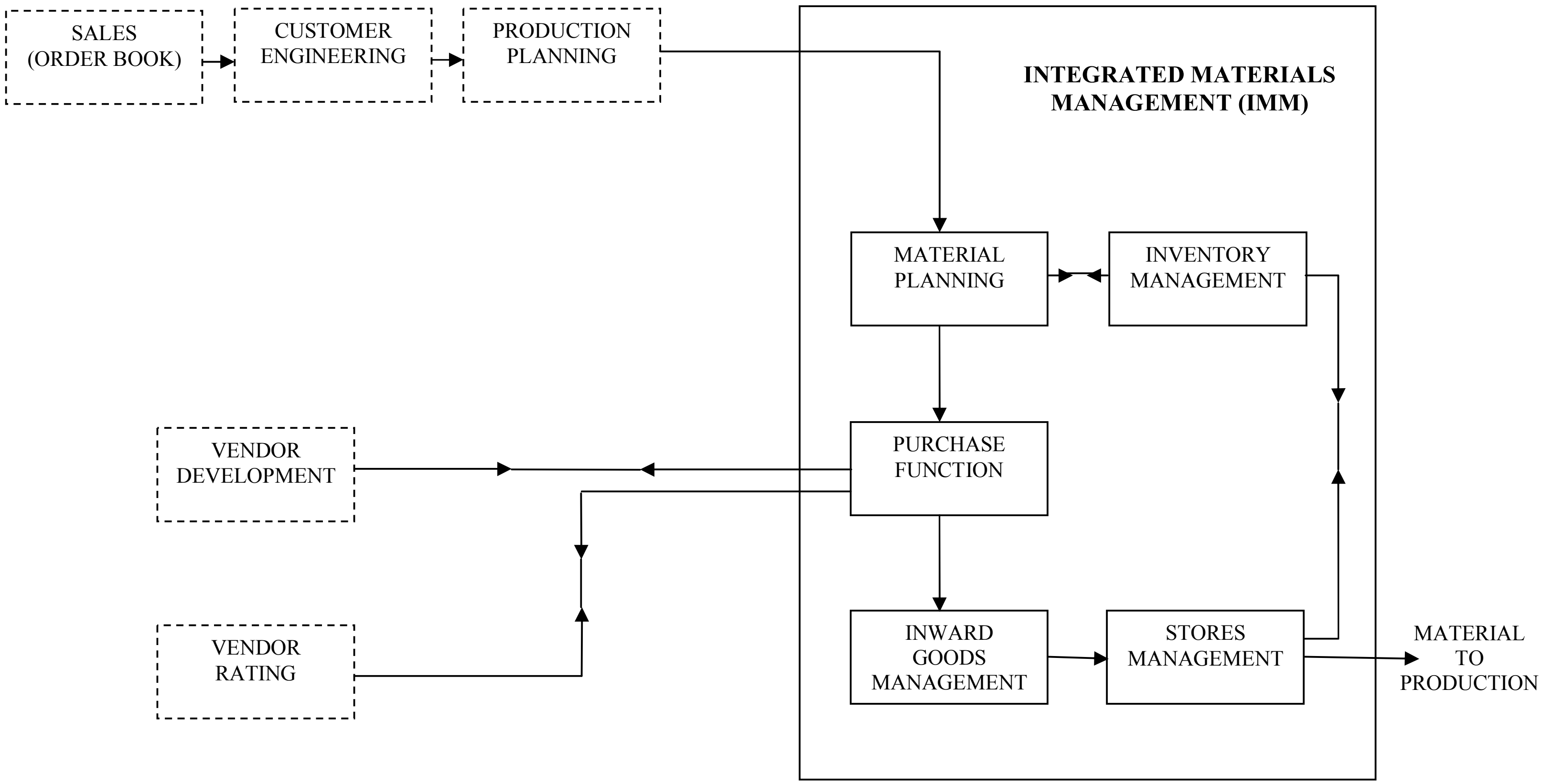


Note:
$Divisional Finance shall jointly and severally responsible wherever collective decision on IMM activities are involved.

** may apply in case of a multi Division Plant

Annexure - 1.2
Clause 1.1

TYPICAL MODEL OF INTEGRATED MATERIALS MANAGEMENT (IMM)



NOTE: Dotted blocks represent functions outside Integrated Materials Management (IMM)

CHAPTER 2

MATERIAL PLANNING

2.0 MATERIAL PLANNING

2.1.1 PURCHASE BUDGET AND MATERIAL COMMITMENT NORMS :

2.1.2 The material purchase budget for a production division shall be based on the production programme for the given financial year in respect of those products / projects for which Corporate Managements approval and material commitment clearance is available.

2.1.2 The purchase budget shall be prepared by Head of IMM in consultation with Divisional Finance Head and shall have the approval of Plant Management through Divisional Head.

2.1.3 The purchase budget shall cover the materials required for production including materials for stock and sale and Direct – to Site Item, consumables and production aids.

2.1.4 The purchase budget are the Net Materials requirement for given financial year as per the approved Production Programme based on the Bill of Materials, Product wise is to be calculated as given below:

Net Materials Requirement = Gross Requirement + *Safety Stock – Coverage available (in stores + WIP + On Order)#.

* To be reckoned only for consumables.

After making allocation for current year requirement.

The materials requirement value will be based on value of the last receipt.

2.1.5 The purchase budget shall be categorised into 'A', 'B', 'C' class items (Classification defined at clause 6.1) with delivery requirements split for 'A' class items month wise or less, 'B' class quarter – wise or less and 'C' class items half yearly wise or less.

2.1.6 The purchase budget is for the purpose of restricting the total procurement value. A monthly statement of purchase orders committed as against the purchase budget available shall be furnished to Plant Finance Head through Divisional Head for monitoring and fund planning purposes vide format at Annexure 3.2.3

2.1.7 The Division shall make the material commitment for the given financial year within the limit of net material commitment as above. Any commitment in excess of the net material commitment shall be made only with the prior approval of the Plant Management (i.e. Plant Head after concurrence from Plant Finance Head).

2.1.8 While approved production programme will remain as standard guideline for the purpose of material commitment, the Head of Materials planning / Head of IMM through Divisional Head may seek approval from Plant Head on Material commitment guidelines from time to time in the event of any Major changes in the production plan.

2.1.9 In case of materials used on products awaiting TEC / PQT approval, material procurement action for the same shall be initiated only with the prior approval of Plant Management.

2.2 GUIDELINES ON MATERIALS REQUIREMENT PLANNING :

2.2.1 The material requirement planning will be carried in two phases :

2.2.1.1 Phase 1 (Rough – Cut – Planning) : Rough-Cut-Planning may be resorted to in respect of products where major changes in production Plan / Requirements are not anticipated. During the middle of the previous financial year and based on the provisional plan for the given financial year and Bill of Materials (BOM), PRs will be indented for the total net annual requirement or part thereof. In case of un-stabilised products, the PRs may be raised only after the Production Plan and Bill of Materials (BOM) are firmed up.

However, purchase section shall resort to Advance tendering action even before the receipt of PR from Materials Planning section, based on gross requirement computed out of Bill of Materials (BOM) and approved production plan. (refer clause 3.1.2 on Advance tendering action)

2.2.1.2 Phase 2 (Fine Tuning) : During the first quarter of the given financial Year, the PRs indented vide phase 1, will be suitably amended, wherever required taking into consideration the opening balance of inventory for the given financial year, change in production plan, changes in delivery schedules, if any. This shall be followed by periodic monitoring of the material requirement to quickly react to any changes in production plan, changes in product mix / configuration and delivery requirements.

2.2.2 The delivery schedules shall be suitably staggered in such a manner that the inventories are created in a balanced manner maintaining the overall inventory within norms (for details of inventory norms, refer clause 6.3 of this manual) and that complete balancing of materials is achieved in tune with the actual production schedule.

2.2.3 The PRs for long lead items should be released first and those with short lead items later, so that there is no build up of un-balanced inventory. Similarly, delivery of items required in the first stage of production shall be scheduled first and then for the items required at a later stage.

2.2.4 In case of obsolete / Last – Time – Buy (LTB) items for which the approved component manufacturers have served notice to ITI on phasing them out of their lines of manufacture or in respect of long lead items (for which the period between PR indenting and material receipt in ITI premises exceeds six months), the material commitment need not be restricted to the annual requirement but will be determined based on Market demand, future plan, continuity of technology / product, and introduction plan of replacement by R&D /Collaborator. The material commitment of such of these items beyond their annual requirement shall be with the approval of Plant Head and shall be restricted to a maximum of next two years based on the estimated projections.

2.3 INDENTING OF PURCHASE REQUISITION (PR) :

2.3.1 Production Items (Manf and Non-Mnf)

For all bought-out items required for in-house production, stock and sale and Direct–to–site items, PR will be raised by the respective material planning section of IMM department as per the IMM schedules / Materials Requirement Planning (MRP).

Items except Capital Goods & "Others": (definition as per table annexed)

For all bought-out items required for in-house production, stock and sale and Direct-to-site items, **Collaborated Items**, PR will be raised by the respective material planning section of IMM department as per the IMM schedules / Materials Requirement Planning (MRP).

2.3.2 Non-production Items : "Other" Items

2.3.2.1 Non-production items are broadly classified as (Manf. Consumables and Non-Manf. Consumables):

i) Electrical / Mechanical / Civil Maintenance materials;
ii) Building construction materials like steel, cement, hardware etc;
iii) Oils, Chemicals, Consumables of general use and other factory requirements;
iv) Stationery, Printing materials and other office requirements;
v) Provisions and other Canteen requirements;
vi) Uniforms, medicines, appliances, gardening materials etc. required by offices / hospitals
vii) Production aids like small tools, jigs, fixtures & metrology items.
viii) Any other revenue item not covered under capital goods and production items.

2.3.3.2. PR for non-production items shall be raised by the respective user / originator / authorized department on the basis of previous year consumption or actual forecast, seeking staggered deliveries.

PR for the "**other items**" shall be raised by the respective user / originator / authorized department on the basis of previous year consumption or actual forecast, seeking staggered deliveries.

2.3.3 Capital Goods :

2.3.3.1 Capital goods are classified as :

1) (i) Plant and Equipment; ii) General and special purpose machines; iii) Inspection / Test Equipments and Instruments; iv) Office Equipment, Industrial & Office Furniture; v) Vehicles; vi) Others.

2) **Manf. Support** (i) Plant and Equipments (ii) General and special purpose machines (iii) Inspection/Test Equipments and Instruments.

3) **Non-Manf. Support** (i) Office equipments, Industrial & Office furniture (ii) vehicles (iii) others

2.3.3.2 The PRs for Capital Goods will be raised by the User / Originator after obtaining Capital Budget / clearance from the capital investment committee (refer clause 3.1.3.4).

2.3.4 Revenue Items for R&D :

Items required by R&D (preferred part lists / standard & non-standard items) will be raised by the respective indenting department of R&D.

2.4 EDITING OF PR :

PR will be edited by stock control group / Materials Planning Section of IMM department as per the IMM schedules / MRP. The requirement shall be clearly specified indicating the drawing / spec.No. / vendors part No. and atleast one set of pertinent issue of drawings / specifications along with the inspection norms wherever required (if the same do not form part thereof) shall accompany the PR. All the information required in the PR shall be duly and completely filled up and checked for correctness. Computer printout of work sheets justifying the quantity indented (after reckoning the availability of any surplus inventory in the other divisions of the Plant) shall be generated or shall accompany the PR, preferably for A class items.

"All attachments to PR like drawings, specifications etc., should be preferably in computerized form and downloadable, enabling purchase department to host the same on the website. 'However, bigger drawings of A0/A1 size and bulky specifications may have only reference number and interested parties may further contact ITI for actual requirement'. Also if any central database is available, its link can be given in the PR e.g., specs, vendor list etc., instead of the attachments"

2.4.1 Package / Kit Concept :

Wherever feasible, PR may be raised for the entire package / Kit of the items, homogeneous familywise / supplierwise so that the supplies are received in minimum number of lots in staggered balanced packages to the extent possible to meet the production requirements and to avoid unbalanced inventory at the production site / point of usage. All the items ranging from Class A to Class C belonging to the same family of items shall preferably be bunched together so that a large volume order is held as an incentive for a supplier to deliver items of small quantity and value.

VDC to establish the list of stockists for consideration to be used by Units to reduce balancing time wherever required.

2.5 APPROVAL OF PR :

PR shall be approved only against production programme. However, any intermediatory change in production programme shall be taken into account.

The delegation of financial powers for approval of PR are listed at Synopsis appearing in PART "A" of this manual.

The authority approving the PR shall satisfy himself about the requirement indented in the PR, before according approval and shall be responsible for any inventory buildup / stock–out due to over / under coverage of requirement indented in the PR.

Any amendment in the PR shall have the approval of the same authority who had approved the original PR.

CHAPTER 3
SECTION 1

PURCHASE FUNCTION

TENDERING

3.0 Purchase Function – Tendering

3.1.1 PR REGISTRATION AND PROCESSING :

When PR is received in Purchase section, the PR will be scrutinized for its completeness of information called for its completeness of information called for and availability of all attachments in downloadable computerized form as per clause no.2.4 and then registered in PR Register. Thereafter, it will be forwarded to the concerned processing group of the purchase section. All pages of purchase file shall be properly paginated.

The section which receives the PR will examine whether the item covered in PR comes under Long Range Contract – LRC (finalized by a centralized agency like Corporate Materials Management or Combined Material Procurement – CMP finalized by any plant / Centralized agency on behalf of other plants on all ITI basis) as detailed at clause 3.3.2.

If the item is not covered under LRC / CMP, the section would identify approved sources from the VRC list or the computer database of component approval group and release enquiries as per clause 3.1.4. In case the item covered is under LRC, the section would prepare an order in line with the LRC / CMP terms and prices after the necessary referral / approval of the relevant SPC / Approving Authority of Non – SPC.

3.1.2 ADVANCE TENDERING ACTION FOR PRODUCTION ITEMS :

Tendering action shall be taken even before the receipt of a formal PR from the materials planning section and tender enquiries released based on gross requirement computed out of bill of materials (BOM) and approved production plan. Offers in suitable slab rates may be obtained in such cases. Such advance tendering shall be with approval of Head of IMM. On receipt of PR from Material Planning (which will specify the items, their specific quantities and time schedules), the offers shall be tabulated and computerised and made available as database for ready reference for purchase decision.

3.1.3 SELECTION OF VENDORS :

3.1.3.1 Proprietary Items

Items which do not have detailed specifications or source diversification are treated as proprietary items.

3.1.3.2 Production Items :

a. Only approved sources figuring in approved vendor list of Vendors Development Cell (VDC) Component Approval Group of ITI / its Designers / Collaborators or Vendors short – listed vide para 3.1.4.2 are to be considered for the purpose of tender enquiry. Wherever approved sources are not available, originators / users have to provide probable sources.

b. For projects under foreign collaboration, no enquiries are released. Instead, the vendor source will be as per the collaboration agreement. The purchase orders are processed based on the terms and prices of the collaboration agreement / subsequent amendments thereof.

3.1.3.3 Non-Production items :

For Non-production items broadly classified as at Clause 2.3.2 the establishment of sources and drawing up of list of known sources shall be approved by a committee to be nominated by the Plant Head and comprising of representatives from the following areas :

User Department	Chairman
Purchase Department	Member Secretary
VDC / Standards Department	Member
Central Services	Member
Finance Department	Member

The Chairman of the committee may co-opt any member from other departments wherever necessary.

The members representing shall generally be not below the rank of Gr.3.

The following aspects may be considered by the committee while standardizing the sources for procurement:

i) For the requirement of maintenance materials and consumables, "brand standardization" may be resorted to.

ii) For Canteen items, source standardization like Janata Bazaar / Super Bazaar / Government Diary / Co-operative Diary / Co- operative Society etc. may be adopted.

iii) Items of proprietary nature like Transport spares, machinery spares etc. may be procured directly from the manufacturer or through their sole selling agents.

The list of source / brand standardization are to be reviewed periodically by the Committee for non-production items preferably atleast once in two year.

3.1.3.4 Capital Goods :

In respect of Capital Goods covered by clause 2.3.3.1, a committee with members from the following areas will be constituted by the Plant Head to draw a list of standardized / known sources :

i) Capital investment committee (Comprising of Plant Finance Head as Chairman and Divisional Heads as members. Head Of Machine Control / Factory Planning etc., may be co-opted wherever required)

ii) Standards department

iii) User / originating department
iv) R & D.

The purchase of office equipments, industrial furniture etc. covered at clause 2.3.3.1 may be finalized in the normal manner after sending enquiries to sources in the approved list of suppliers, either on case-to-case basis or on annual contract basis. In case an item is standardized in terms of a specific make / brand, it can be procured from the manufacturer or through their sole selling agents or authorized dealers (to be tried in that order after obtaining quotations wherever possible). Such standardization will need the approval of the committee mentioned above and will be valid for 2 years only.

3.1.4 TENDERING(Matrix of Type of items and type of tenders is attached at Annex 3.3.4) :

The tenders are classified as;

- Limited Tender
- Restricted Tender
- Single Tender
- Open Advertisement Tender

Ensure reasonable pre qualification as per CVC guidelines No. 98/ORD/1 dated 9th July 2003 and No 12-02-1-CTE-6 dated 7th May 2004.

All the Tender Enquiries, Corrigendums, Request for Proposals, Request for Expressions of Interest, Notice for Pre-Qualification/Registration or any other notice inviting bids or proposals in any form are to be published on Central Public Procurement(CPP) portal irrespective of whether they are advertised, issued to limited number of parties or to a single party (Refer Ministry of Finance OM No.10/1/2011-PPC dated 30.11.2011).

3.1.4.1 Limited Tender :

It should be recorded by the Purchase Officer that adequate efforts have been made to see that all the vendors get the enquiry. The tenders are to be opened in the presence of the participating vendors.

3.1.4.1.1 Limited tender will be resorted to in respect of all production items for which approved vendors are available as listed by Component Approval Group / VDC of ITI/ its Designers / Collaborators (as per the guidelines vide clause 3.1.3.2), irrespective of PR value.

In cases where the enquiries are released on all approved sources, no specific approval is required for release of tender enquiry.

3.1.4.1.2 Newly approved indigenous vendors having successfully completed educational order and foreign sources with status of Educational Order (E0 /EDN) / Technical Qualification (TQ), could also be considered for tendering.

3.1.4.1.3 When the PR is raised for a given package / kit of items, the items may be grouped into respective homogeneous families / sub families or supplier wise wherever feasible so that the number of tender enquiries are reduced to the extent possible, there by reducing the processing time of procurement.

3.1.4.1.4 Stockist / Distributors who can supply items / kit of items of approved foreign manufacturers and whose Quality profile and credentials have been accepted by the VDC / Component Approval Group / Designers / Collaborators, may also be considered for tender enquiry in the following situation:

- Where only one approved source is available or where the competition is limited, contacting general stockist / distributors may help in knowing the market trend of prices.

- In situations of emergency, where the approved sources are not able to supply because of obsolescence / long lead time / Minimum Order Quantity (MOQ) / Minimum Order Value (MOV) / Minimum Packing Quantity (MPQ) requirements etc.,

  - Where the items are required on a kit / package basis.

Certificate of conformance on Quality may be obtained from such General stockiest / Distributors wherever required.

3.1.4.2 Restricted Tender:

It should be recorded by the Purchase Officer that adequate efforts have been made to see that all the vendors get the enquiry. The tenders are to be opened in the presence of the participating vendors.

Those tenders addressed only to a few select approved vendors out of the entire approved vendor list are termed as restricted tenders.

No known/approved supplier is to be left out and hence, there should not be any restriction on number of suppliers to be invited in case of SPC-II, SPC-I and Management SPC

However, for Non-SPC purchase the number of approved suppliers may be restricted in case of emergency purchase for inviting offers in a particular tender but, the names of supplier can be rotated so that, everyone of them gets fair chances of participation in subsequent tenders in fair and transparent manner.

3.1.4.3 Single Tender:

Tendering on a single source may be resorted to in the following cases:

i) Proprietary items and items for which only one manufacturer is approved and no equivalents are available / acceptable or a single source specified by designers / collaborator / external customer. In such cases, no prior approval is required.

ii) However, single tendering in case of multiple – approved vendor items may be resorted to for the following situations:

a) Time criticality / emergency irrespective of PR value with the approval of Divisional Head. The various situations leading to time criticality / emergency are listed under clause 3.3.6.1 on emergency purchase.
b) PR value upto Rs. 25000/- with the approval of IMM Head.

3.1.4.4 Tendering for Non – Production / Capital Items:

i) Limited Tender: In the case of non-production / capital items. When there are at least three known / standardized sources, limited tender enquiry can be resorted to irrespective of the PR value.

ii) Open Advertisement Tender: Open Tender by way of advertisement is to be resorted only in respect of non – production and Capital items where the sources are not known or where additional sources are required. The value of the PR in case of open tender shall be above Rs.25 Lakhs both for non-production and capital items and shall have the approval of Plant Head. However, Plant Head may approve for open tender for non-production and Capital items where the sources are not known or are less than three even for values below Rs.25 Lakhs based on the merits of the case. An EMD of 2% of estimated/tender value from all bidders of open tender cases shall be collected subject to maximum of Rs 5 Lakhs. This amount shall be converted into Security Deposit for successful tenders.

Since advertisement by way of open advertisement tender is costly, it shall be avoided to the extent possible by exploring sources based on various Trade Directories and Journals including DGS&D, market survey and by resorting to brand standardization etc., All such cases are to be referred to Standardization Committee (refer clause 3.1.3.3 and 3.1.3.4) for established of sources for future cases.

A fee will be charged from the tenderers for the supply of tender forms depending on the volume of drawings, specifications etc. The no. of paper insertions for advertisement and the fee is to be approved by Plant Head. A letter giving the reference of the advertisement shall be sent to the known sources if any. Where EMD is called for along with the tenders, the same shall be returned promptly to the tenderers whose offers are rejected.

3.1.4.5. All the tender enquiries except the proprietary items should also be hosted on ITI's website as per the directives of the CVC. DR-P's instructions No.DRP/4 dated 11-05-2005 may be implemented.

3.1.5 SIGNING OF TENDER ENQUIRY:

The Delegation of powers for signing of Tender Enquiry listed in synopsis appearing at PART 'A' of this manual.

3.1.6 ETHICS AND PRINCIPLES OF TENDER SYSTEM:

3.1.6.1 Notice Inviting Tender:

The notice period for inviting tenders shall be reasonable taking into consideration the despatch and delivery time required by the Postal / Courier Service. The maximum notice period and mode of despatch of tender enquiry will be as follows:

Maximum notice period		Mode of despatching enquiry
Production items	2 weeks	Regd. Post Ack. Due / Courier Service / Speed post/ Personal delivery / FAX / E–Mail.
Non Production items / Capital items	4 weeks	

The purchase section shall ensure that the tender enquires are received by the tenderers.

The minimum notice period may be decided by the Purchase Department based on the capability of the Tenderers to respond with offers within that period.

For all items, a standard enquiry format will be followed with relevant terms and conditions (for indigenous tenderers at Annexure 3.1.1 and for Foreign tenderers at Annexure 3.1.2).

The enquiry shall clearly define the requirement by Specification / Drawing with the latest issue No. and in case the issue has changed from the previous enquiry or where any new source is being contacted, the copy of Drawing / Spec. With latest Issue and inspection norms (if the same is not part of the drawing / specification), shall accompany the tender enquiry.

The enquiry may be sent by e-mail. All the vendors listed with ITI may be asked to give the e-mail addresses. When the e-mail address of any party is not available and enquiry is sent, the response time should take care of the vendor not having e-mail address.

3.1.6.2 Secrecy Procedure of Tender Offers:

All tenderers shall be required to submit their tender offers in sealed covers superscribing the enquiry number and the closing date of tender (due date) on the cover. On receipt of tenders, the same will be deposited in the tender box by the Central Administration Registry. The Central Administration will acknowledge the Tenders received. On the date of tender opening, The Central Administration Registry will hand over the tenders received to the Tender Opening Committee (refer clause 3.1.6.2.6) giving details of number of sealed covers received.

3.1.6.2.1 Open Tender:

Tender offers through Fax / E–mail / Open Tenders received prior to tender due date and time, will be accepted provided such offers are complete in all respects with regard to price, technical requirement, delivery and other information essential for taking purchase decision. Such open tenders shall be endorsed by the concerned Purchase Officer of IMM (not below Grade III), put in a cover, sealed and the same will be deposited in the tender box / forwarded to Tender Opening Committee. In case of tender offers received though E-mail, necessary care shall be taken to ensure the authenticity of such offers.

To ensure secrecy of open tender offers received, a dedicated Fax be provided to IMM Head / Purchase Head.

3.1.6.2.2 Delayed Tender :

Tenders which are received after the due date but before the tender opening time, are classified as delayed tenders. So long as the tenders even though delayed, are received before the tender opening time, the same may be accepted by the tender opening committee.

If there is a recorded evidence that the tender has been received within the Plant premises before tender opening time but made available to Purchase, after the tender opening, the same may be accepted based on the merit of the case by the relevant Order Approving Authority.

3.1.6.2.3 Late Tender :

Late tenders are those which are posted and received after the date and time of opening of the tenders. Late tenders should not be considered except in the case of Single / Proprietary source.

Late tenders of all other cases shall be returned to the concerned tenderers without even opening the same.

3.1.6.2.4 Un-solicited letters / canvassing / post tender corrections :

Canvassing by tenderers in any form including un-solicited letters against tenderers submitted or post-tender corrections shall render their tenders liable for summary rejection.

3.1.6.2.5 Tender Offer in two parts :

For Capital items of value above Rs.25 Lakh, the tender offers shall be obtained in two parts. The first part will be the “Technical bid” and the second part, “Commercial bid” consisting of the price and other commercial terms and conditions. The first part, “Technical bid” alone will be opened on the date of tender opening and the offers will be tabulated and finalized on Technical suitability after getting all clarifications necessary in this regard from the various tenderers. Pursuant to changes in technical bid if there is any change in commercial bid the same is to be obtained in sealed cover. It is essential that the technical bids are to be finalized first. If required, revised technical bids could be called for based on the actual and accurately stated specifications. After the finalization of the technical bid, the commercial bid along with revised commercial bids if any of the tenderers whose technical bid is acceptable will only be opened by the Tender opening committee (referred at 3.1.6.2.6) in the presence of the tenderers and tabulated. After scrutiny of the tabulation of both the technical bid and the commercial bid, the SPC Agenda will be prepared and decision regarding ordering will be taken by the SPC. The commercial bids of tenderers whose technical bid is not suitable, will be returned to them without even opening the same.

The commercial bid shall have detailed terms and conditions of the contract such as basic rate, taxes, duties, freight, insurance, packing, escalation, inspection, rejection, replacement, payment terms, quantity variation clause, bank guarantee against supply performance, liquidated damage, warranty, termination and force majeure etc. The tenderers will also be asked to furnish information on the capacity and limitations, if any, to enable evaluation of tenderers' ability to fulfill the contract. Typical terms and conditions are listed at Annexure 3.1.1 and 3.1.2.

It is preferable to hold pre-tender meetings with the prospective tenderers to firm up our technical and commercial terms for the purpose of tendering.

3.1.6.2.6 Tender Opening Committee :

All tenders for SPC cases shall be opened by Tender Opening Committee nominated by the Divisional Head / Plant Head. The Committee shall comprise of executives from Purchase Section and Finance / Audit not below Grade 2. For Non-SPC cases, representatives from Purchase will be nominated by Head of IMM Dept. and Finance / Audit representative will be nominated by the Head of Finance / Audit to form the Tender Opening Committee.

The Committee nomination will also take care of substitutes to represent in the absence of regular members so as to avoid postponement of tender opening.

3.1.6.2.7 Participation of tenderers in tender opening :

In the case of all tenders the representatives of the tenderers shall be allowed to be present at the tender opening.

The Tender Opening Committee will meet preferably on the same day or on the next working day of the due date of enquiry to open the tenders. All the quotations, received in respect of each tender will be opened by the tender opening committee. The committee shall initial every page of the tenders, encircle and endorse all corrections made in tender if any, with full signature and cross out all the blank spaces against items in the tender. The names and signature of the representatives of tenderers who are present at the time of tender opening shall be obtained. The following information atleast, be read out to the tenderers' representatives: Tender No. and Date, Name of Tenderer, Description / Part No. of Materials quoted, Prices, Terms of Delivery, Delivery lead time and Terms of Payment.

The Tender Opening Committee shall also tabulate the following information:

i. Tender No and Date
ii. Date of Tender Opening
iii. Name of Bidder and following details for each bidder:

(a) Description/Part No of material quoted
(b) Price quoted
(c) Terms of delivery quoted
(d) Delivery lead time quoted
(e) Terms of payment quoted
(f) Any other issue considered by the tender opening committee

3.1.7.3 Tender Offers :

3.1.7.3.1Scrutiny of Offers :

All quotations will be scrutinized and necessary clarifications required if any, shall be called for from the tenderers by Purchase Department only. Wherever possible, the Purchase / IMM Department itself shall scrutinize the offers on the technical suitability aspect. However, Purchase / IMM department may seek clarifications from the Originator / Components Approval Group / VDC / Collaborators / Quality Assurance / R & D any other agency as required, wherever necessary. Offers which are not technically suitable, the reasons there of, shall be recorded.

3.1.7.3.2 Tabulation of Offers :

The Purchase Section of IMM Department shall then workout and tabulate the technically suitable offers. The rates, taxes, duties including impact of price due to payment terms and other deviations, if any, with respect to terms and conditions of the tender enquiry shall be mentioned in the comparative statement / tabulation sheet and compared on equal level worked out with respect to ITI's net commitment rate i.e. For ITI Rate less MODVAT relief. In case of imports, the FE rate prevailing on the date of tender opening shall be reckoned for the purpose of computation of offers.

The tender offer for a given homogeneous family of items may preferably be decided on the basis of the offer quoted by the tenderer for the package of items covering the entire homogeneous family for which he has quoted.

Capital items, accessories and spares recommended by manufacturers and any other commercial terms like training, warranty, after sales conditions beyond warranty etc. having bearing on the cost of ownership of the subject capital equipment, shall also figure in the tabulation and compared 'like to like'.

3.1.7.3.2.1 Scrutiny of Tabulation :

The comparative statement / tabulation sheet shall be scrutinized by a nominee of Finance member of SPC / nominee of Audit in all SPC cases except single offer cases. The financial limits for scrutiny by Finance representative are listed in SYNOPSIS of this manual. In case of Non-SPC cases and single offers received against SPC cases, the tabulation sheet shall be scrutinized by a purchase officer not below Gr.3.

For expeditious scrutiny of tabulation and to avoid unnecessary movement of files across departments and the consequential delays, the finance representative dealing with purchase function and empowered to take decision, may preferably be co-located with purchase section.

TYPICAL TERMS AND CONDITIONS FOR SUBMISSION OF TENDER (Inland)

ENCLOSURE TO ENQUIRY NO…………………… Dated……….

1. SUBMISSION OF TENDERS :

A. This is only an enquiry to quote and not an order. This tender enquiry is not transferable.

B. Tenders must be submitted in a SEALED ENVELOPE SUPERSCRIBED WITH OUR ENQUIRY NO. & DUE DATE ON THE face of the envelope and should be addressed to ……………………………………

NOTE :

a. Tenders should reach us on or before the due date before --- Hrs. of the due date.
b. Separate envelopes should be used for each enquiry.
c. Please send your offer in a sealed envelope. Offer should have commercial condition and technical details.

2. OPENING OF TENDERS :

Tenders against enquiries will be opened in the presence of the tenderer / authorized representative on THE DUE DATE OF THE TENDER itself / the next working day i.e., on……. AT…..hrs.IST.

3. LATE OFFERS :

Open tenders (not superscribed with our enquiry No…and Due date on the face of envelope) and/or tenders/FAX/E-mail which are received late are liable for rejection.

NOTE :

a. Send your quote well in advance of due date to avoid postal/courier delay. Bangalore based vendors are advised to submit the tenders to our P & A Department in person to avoid postal delay/loss of tenders in transit.

b. If you are not in a position to quote, for any reason please communicate the same without fail to enable us to keep you on our vendor list.

c. Please indicate the Sl.No. and Code/Description exactly as per our enquiry.

Any substitute or alternate code quoted should be clearly stated. In case the Item quoted is under obsolescence, the same may be indicated with best last date of P.O and supply feasibility.

4. PRICES :

a. ITI is planning to have long term tie up with limited vendors, who can keep up good quality, prompt delivery and lowest cost. Hence, you may quote in such a way that a long term relationship is possible.

b. Prices must be per unit as called for in the enquiry and should be on F.O.R, ITI Works basis only and inclusive of insurance charges. In such an event, while tabulating the offers, insurance is not to be reckoned and should include weather proof packing adequate to withstand transhipment damages. Local supplier's offers should be on F.O.R delivery at our Stores in our Plant.

c. ITI, under normal circumstances, may not negotiate for the price. We may also short list only two to three suppliers for ordering. Hence you are requested to quote your best price in the original quotation itself.

d. Any counter terms and conditions are not binding on us unless we agree to the same in writing.

e. In case of an order on you, the ordered rate should be firm till the completion of the order. In case where the market prices of your inputs are fluctuating too frequently, you shall clearly define price variation clause. Please note that any variation in price up to 5% due to variation in FE / statutory levies will be absorbed by the supplier. However, for variation beyond 5% due to variation in FE / statutory levies, the burden of price increase / advantage of price decrease will be shared equally between ITI and the supplier.

f. Vendors should deliver the material to ITI-Stores irrespective of whether they are Bangalore based or from outstation. Out station vendors can make use of their local representative / Courier Service / Surface transport on door delivery basis to deliver the material at ITI-Stores. ITI will not take the responsibility of clearing the goods from the carrier's godown/office/railway station/airport etc.

g. In case of supply of imported items by local dealers proof of import should be provided. Prices quoted should indicate clearly the Modvat relief (by way of C.V.D), being passed on to ITI and supplier should furnish regular invoice indicating rate and amount of duty that is passed on which should be proportionate to the materials sold to ITI from the relevant imported consignment, covered under this appropriate Bill of Entry.

5. STATUTORY LEVIES :

a. All applicable statutory levies like Sales Tax, Excise Duty etc., should be separately indicated with the current rate applicable. Otherwise rate quoted will be deemed as inclusive of taxes / levies. Vague terms like "As applicable at the time of supply" should be avoided. Apart from statutory levies other charges like handling, P&F etc., will not be paid by us.

b. In case of sales tax exempted delivery, authorization letter from the competent authority should be enclosed alongwith the quote.

c. In case of your absorbing the sales tax portion, the same may be specified clearly in the quotation itself and not after the tender opening, which otherwise will be treated as post-tender correction and would disqualify your quote.

d. In case of statutory levies like Sales Tax, Excise Duty, Surcharge etc., are modified the same has to be intimated to ITI immediately.

6. MODVAT RELIEF :

a. We are eligible to avail the credit of Excise Duty paid on items procured for manufacturing Tele-communication equipments under MODVAT RELIEF scheme. Hence “Invoice Cum Gate Pass” in original for payment, and transporter copy duly marked and authenticated is to be produced along with the consignment. In case of your failing to adhere to this instruction, no ED will be reimbursed by us.

b. Invoices should be in the prescribed form and have all particulars as per the Central Excise Rules and notifications as amended from time to time, particularly Assessor code, Range Division, rate and amount of duty debited and Debit particulars.

c. Agents/Distributors, on whom an order is placed should also produce Invoice Cum Gate Pass as per the procedure laid down by Central Excise Rules and notifications issued from time to time. They should get registered with Central Excise authorities where ED is being passed on.

7. TERMS OF PAYMENTS

a. ITI prefers long credit period. For any variation in payment terms quoted by different vendors, loading in the comparative statement will be made suitably.

b. NO PAYMENT WILL BE MADE FOR THE REJECTED QUANTITY.

c. In case you fall under SSI as per DIC, please mention the same in all your quotations / invoices indicating also the certificate number. This is essential if in the unlikely event of delay in payment, you would like to claim preferential payment as an S.S.I.

8. INSPECTION :

a. ITI reserves the right to restrict the ordering to 2 or 3 vendors who are capable of meeting the Quality, Delivery and Cost requirements. Preference will be given to the vendors with well maintained and proven Quality Assurance Systems.

b. We are planning to reduce inspection time with self certification scheme for the vendors who keep up good quality leading to “ship to stock system”.

c. Inspection of the material at our works will be final. ITI reserves the right to inspect the material at any other standard testing center authorised by us.

d. We or our representative including our customer may if required preliminarily inspect the product at vendor's premises. Such verification shall not absolve the vendor of the responsibility to provide the acceptable product nor shall preclude subsequent rejection during the final inspection at our works. It is the responsibility of every vendor to ensure that only the inspected materials confirming to our specifications / drawings/requirements are supplied.

e. The supplies shall be from the latest batch of production. Batch Number should be indicated on the components/packet/test certificate and accompanying delivery challan / test certificate.

f. Test certificate / check list should accompany each supply. Consignments without test certificate are liable for rejection. Rejected material should be collected immediately (within 30 days) after our intimation by giving two days prior notice for completing the necessary EXCISE FORMALITIES. You should make arrangements to collect the material either personally, OR through your authorised representatives. ITI does not take any responsibility to send the material back to you. After 90 days from the dateof rejection intimation to you the material will be scrapped at your risk if not collected.

9. SAMPLES :

Those tendereres who have not supplied the material against any of our earlier orders, should submit FREE SAMPLES clearly indicating enquiry reference. Free samples along with your offer is preferable. In case of a Purchase Order on you bulk supply should commence only after approval of samples.

10. WARRANTY :

Please note that we are an ISO 9002 accredited company. All our equipments/systems have a warranty of 18 months from the date of despatch to our customer. Hence the warranty of your products should be for a minimum period of 24 months from the date of supply. Within this warranty period, if any of your component/subsystem is found defective during our manufacturing process/system testing/installation and commissioning/operation of our equipment in the field, the same is to be replaced free of cost immediately by you.

11. GENERAL :

a. We reserve the right to accept or reject any or all offers and to order full or part quantities or cancellation thereof without assigning any reason whatsoever.

b. Successful tenderer only will be intimated by post through/letter of intent/firm orders.

c. Canvassing by tenderers in any form including un-solicited letters against tenders submitted or post-tender corrections shall render their tenders liable for summary rejection.

12. DELIVERY SHEDULE :

a. Please indicate minimum LEAD TIME REQUIRED, manufacturing capacity and the quantity that can be reserved for us.

b. **Liquidated Damages Clause**

Time is the essence of contract and the materials, against an order arising out of this enquiry must be delivered by the supplier according to the delivery schedule indicated in the P.O. In case of any change, the supplier should inform us in advance and obtain our approval to the revised delivery schedule. Should the supplier fail to deliver the material or part thereof as per the delivery schedule, or any extension thereof, we shall be entitled at our option either to recover from the supplier, as penalty, a sum equivalent to ½% (half percent) per week for first four weeks and 0.7% per week thereafter for such delay or part thereof or terminate the contract in respect of the balance supply so delayed and purchase materials elsewhere at the risk and cost of the defaulting supplier.

13. SECURITY DEPOSIT :

In case of an order on you, you will have to agree for an interest free security deposit **of 5% of order value subject to a maximum of Rs 10 Lakhs**, by cash or draft only which will be forfeited in case you fail to execute the order to our satisfaction in all respects. This clause may be waived off in case of approved or established suppliers. However, the sole discretion lies with ITI.

14. FABRICATION ORDERS ONLY :

In case of Fabrication Orders :

a. Necessary Bank guarantee towards the cost of raw material / component to be issued by ITI would be necessary.

b. A quality agreement has to be entered into with ITI before commencing supply.

c. Furnish the particulars of the Income Tax such as

i) ACCOUNT NO.

ii) Place where Income Tax Circle is situated along with tender documents.Otherwise such tenders are liable for rejection.

d. The technical know-how Literature, specifications etc., if furnished to you alongwith this Purchase Enquiry/Order are strictly for the limited purpose of supplying / manufacturing the items mentioned therein and you shall have no right to make use of the same for any other purpose or to execute any other order or pass on the same to others. The aforesaid know-how, literature, specification etc., must be returned to us in case you regret to quote / after executing the orders as the case may be.

e. Further Please certify that :

i) The know-how will not be passed on to others.

ii) No export will be done by you directly without arriving at a commercial understanding with ITI Ltd.
iii) No supply will be made by you to any outside agency without ITI's prior approval and commercial understanding.
iv) Kits/components will not be diverted to other orders.
v) Drawing if any should be returned, alongwith your offer.

f. Tax would be deducted at source under the T.D.S scheme as per IT rules at appropriate rates, wherever applicable. Any exemption or recovery at lower rates would be considered only on production of appropriate certificates issued by IT officers concerned. T.D.S Certificates would be issued after the 15th of following month.

15. LOCAL REPRESENTATION :
Please indicate your local representative's address, telephone, Fax No., E-mail Id, the person to be contacted, in the offer.

16. TECHNICAL CATALOGUE :
In the event of any change in the technical catalogue, updated version may be sent to us immediately. It is essential that you simultaneously take up the same with approving authority and their approval copy sent to us.

17. Issue of "C" Form/Form"37" will be done on financial year wise as per the statement to be furnished by you as below in quadruplicate. We will be only endorsing on the same. Any qualification criteria ………… VDC approval etc may be considered.

……VDC approval required……

18. GOVERNING LAW :
All suits shall be instituted in a court of competent jurisdiction at Bangalore/ Palakkad / Mankapur / Rae Bareli / Naini and in case of arbitration, the Indian Arbitration Act, 1996 is applicable.

Purchase Officer-in-charge.

DOC Ref:
Date:

Annexure 3.1.2
Clause 3.1.6.1

TYPICAL TERMS AND CONDITIONS FOR SUBMISSION OF TENDER (IMPORTS)

Enclosure to Enquiry No…………………… Dated………

I. GENERAL :

a. This is only an enquiry to quote and not an order. This tender enquiry is not transferable.
b. Your offer must be submitted in a Sealed Envelope superscribed with our 'Enquiry Number' and 'Due Date'. Ensure submission of tender before------ Hrs.IST on the due date.

NOTE : Separate envelopes should be used for each enquiry.

II. ADDRESS :

a. Your offer should be addressed to :
M/s. ITI LIMITED

b. Superscribe the cover with our 'Enquiry Number & Due Date'.

c. Please ensure that your offer is NOT sent to any other Plant/Corporate Office of ITI which is different from our Plant.

d. Your offer should be valid for a period of 90 days from the indicated due date. This is important. Longer validity preferred.

e. Late offers are liable for rejection without assigning any reason.

II. OPENING OF TENDERS :

Tenders against our enquiries will be opened in the presence of the tenderers/their representatives on the due date of tender itself/next working day i.e.., on….. after ------- Hrs. IST.

III. PRICES :

a. The rate (s) quoted should be firm and applicable to any quantity within our enquired quantity.

b. Rate (s) should be on F.O.B. basis (named port of shipment) or FCA Basis (named place) inclusive of AIR-WORTHY Packing. Indicate Currency & Airport of shipment. Named port of shipment should be a Gateway Airport with AIR-INDIA Cargo facility. [Purchase Officer may specify the gateway airport as per the Air Consolidation Contract of ITI]

c. In case of an order on you. Ordered rate must be firm till completion of the order. This is most important.

d. i) Handling Charges, documentation charges and inland freight charges of any other expenditure till the item is lifted from the Airport of departure should be borne by you. We will be paying only FOB (named part of shipment/FCA (named place) charges. If above charges exist, then you may integrate this with the basic rate while quoting. Quotations must indicate only the basic. (Unit) rate and nothing else.

SUBMIT YOUR QUOTATION IN LINE WITH INCOTERMS 2010 / REVISED AMERICAN FOREIGN TRADE DEFINITIONS-1941 AS APPLICABLE.

IV. COUNTRY OF ORIGIN :
Please state the Country of origin. In case the Certificate of Origin is required. We would ask for it in our PO.

V. FREIGHT FORWARDER :
In case of an order, all consignments will have to be sent through our authorized freight forwarder only on Freight collect basis. This is very important. Any deviation should have our specific prior approval in writing.

VI. AGENTS :

a. The name, address, telephone numbers and E-Mail Id of your Indian Agents if any should be mentioned.

b. In the event of an offer from authorized Agents on behalf of their principals relevant documents authorizing them as Agents should accompany the offer. Offers without these are liable for rejection.

c. Any change in agency should be informed to us in time.

d. Agency Commission if any, must be indicated separately to enable us to arrange payment of the same here in Indian Currency. Agency Commission is (payable ofter acceptance of complete ordered quantities).

e. The agency commission payable, if any shall be explicitly quoted stating whether the same is inclusive or exclusive of FOB price and also the quantum of agency commission payable.

VII. LITERATURE :
Latest Technical literature / catalogue in English.

VIII. TERMS OF PAYMENT :

a. Payment shall be on any of the following
i) Collection basis
ii) Sight draft through (Banker's name……….) and their branch at your place.
iii) Through Letter of Credit.

b. We prefer payment on collection basis. In case this is not acceptable, indicate all additional charges to be borne by us like Bank Charges / Commission, documentation charges etc., to evaluate your offer including the above charges. ITI prefers long credit period. For any variation in payment terms quoted by different vendors, loading in the comparative statement will be made suitably.

IX. INSPECTION :

a. Inspection of material at our works/other standard testing centers authorized by us will be final.

b. In the event of rejection apart from free replacement of material on freight pre-paid basis and the rejected material on freight to-pay basis, you are also liable for payment of interest (at 24% per annum) for the period between payment made and replacement received. Any financial loss to us due to Indian Government Policy and procedures on Re-Export will have to be made good by you.

X. WARRANTY :

Please note that we are an accredited ISO 9002 company. All our equipments/systems have a warranty of 18 months from the date of despatch to our customer. Hence the warranty of your products should be for a minimum period of 24 months. Within this warranty period, if any of your component/subsystem is found defective during our manufacturing process/System testing/installation and Commissioning/Operation of our equipment in the field, the same is to be replaced free of cost immediately by you.

XI. SAMPLES :

Your offers should be accompanied by free samples and the relevant technical catalogue in case you have not supplied the same item earlier to us. If you have supplied the items earlier please furnish our order reference thereof.

XII. LANGUAGE :

All your offers should be in ENGLISH Language only. Specifications and literature should also be in ENGLISH only.

XIII. MAKE :

Please indicate Manufacturer's name and brand of the material offered.

XIV. ORDERING :

a. We reserve the right to reject any or all offers and to order in full or part quantities thereof without assigning any reason whatsoever.

b. Canvassing by tenderers in any form including unsolicited letters against tenders submitted or post-tender corrections shall render their tenders liable for summary rejection.

XV. SUCCESSFUL TENDERS :
Successful tenderers will be intimated through letter of intent followed by a firm order or directly by a firm order.

XVI. IMPORT LICENSE :

a. If import Certificate is required, it should be indicated in the quotation itself. No subsequent request will be entertained.

b. Necessary import License will be provided by us.

XVII. PACKING:

Material should be supplied in sufficient air/sea-worthy packages with proper sealing to ensure that the goods are received in good condition free from rust, corrosion and any transit damages.

XVIII. DELIVERY SCHEDULE :

a. Shipments must be made strictly as per the indicated delivery schedule in the Purchase Order. Any additional / incidental charges due to deviation in number of deliveries without our prior concurrence will be to your account.

b. Liquidated Damages Clause :
Time is the essence of Contract and the material against an order arising out of the Enquiry must be delivered by the supplier according to the delivery schedules indicated in the purchase order. In case of any change, the supplier should inform us in advance and obtain our approval to the revised delivery schedule.

Should the supplier fail to deliver the material or part, thereof as per the delivery schedule or any extension thereof, we shall be entitled at our option either to recover from the supplier a penalty equivalent to ½% (half percent) of the contract price of the item per week for first four weeks and 0.7% per week thereafter for such delay or part thereof or terminate the contract of agreement of the balance supply so delayed and purchase elsewhere at the risk of the supplier.

XIX. TEST CERTIFICATE / INSPECTION REPORT :

a. Each consignment should be accompanied by Test/Inspection Report from the factory. A general certificate from factory stating that the item has been tested/inspected and found okay will do.

b. If you are a Distributor and in the event of an order on you, the following certificate should be issued along with the supplies.

CERTIFICATE **DATE**

This is to certify that the Electronic Components identified by BATCH Code/Lot Code indicated hereunder and shipped along with this certificate, is in accordance with the requirement as per Customer's Order. We certify that other certified records necessary to substantiate this Certification is available with us and may be demanded by Customer's inspection up to 5 years from the date of shipment.

1. CUSTOMER ORDER REF:
2. DATE :
3. DEVICE TYPE :
4. QUANTITY :
5. MARKING ON DEVICE :
6. DATE/LOT CODE :

We agree to follow the format of Conformance Certificate as shown above.

For……….

Authorized Signatory with Company Seal.

To,

The Materials Manager,
M/s. ITI LIMITED,

XX. BATCH NUMBER :
In case of an Order, components supplied shall be from recent production batch as indicated by the batch number on the component. The batch number shall not be earlier than week 01 of the previous year in which the order is placed.

XXI. GOVERNING LAW :
All disputes arising in connection with Purchase Order shall be settled under the Rule…. Of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules.

PURCHASE OFFICER-IN-CHARGE

DOC Ref :
Date :

CHAPTER 3
SECTION 2

PURCHASE FUNCTION
DECISION ON PURCHASE & ORDERING

PURCHASE FUNCTION – DECISION ON PURCHASE

3.2.1 AUTHORITY ON PURCHASE DECISION:

The authority to decide on purchase and ordering is broadly categorized into Stores Purchase Committee (SPC) and Non-SPC.

3.2.1.1 Non – SPC

The financial commitment limits for both production and non – production / capital items and sub delegation of powers for the approving authority are detailed in synopsis of this manual.

In the case of Non-SPC, where proposed item wise basic price is higher by 5% or more of the basic rate of previous comparable Purchase Order (placed within 6 months of present proposal and the present quantity is more than 75% of previous purchase order), Finance concurrence from Executive not below Grade 3 is to be obtained. The approving authority is empowered to decide on the terms of payment and as well on the mode of payment in line with the guidelines on terms of payment listed at clause 3.2.2.8. The approving authority of original P.O. is also empowered to cancel / divert / amend / repeat P.O. so long the same is in line with the guidelines mentioned at clause 3.2.4.6.to 3.2.4.9

3.2.1.2 STORES PURCHASE COMMITTEE (SPC):

Constitution of SPC:

Apart from the Chairman of SPC, the Stores Purchase Committee (SPC) will comprise of executives of appropriate levels from Purchase and Finance. They shall be treated as mandatory members and must sign the SPC minutes. The executives representing planning, Originating / user dept., VDC, Quality Control, Inventory Monitoring Cell, R&D, Plant, Civil etc. may be co-opted by Chairman of SPC, wherever necessary. The co-opted members shall also sign the SPC minutes.

The constitution of various levels of SPC and financial commitment limits of items for production, non – production / capital items are listed in SYNOPSIS of this manual.

3.2.1.2.1 Powers of SPC:

The purchase member as secretary of SPC will prepare the SPC agenda giving details of net requirement after reckoning the inventory status (accompanied by work sheet, wherever necessary), commercial status of technically suitable offers, previous purchase rates, past supply performance / Bidders Grading (Refer Clause 7.9) wherever available, deviations in the terms and conditions if any in the offers received, etc., The Purchase Member – Secretary may also prepare the purchase recommendation in accordance with the guidelines on quantity allotment as per clauses 3.2.1.2.2. The SPC will meet formally on fixed dates & time of the week at pre determined venue, examine the SPC agenda / recommendations and approve the SPC cases (except) Management cases for which it will forward its recommendations for approval of Plant Management). The SPC is empowered to decide on all aspects of purchase including payment terms and mode of payment,

SPC will specifically look into the requirement with respect to the worksheet and satisfy itself about the quantity to be ordered. Any change in the quantity is to be specifically recorded in SPC minutes.

SPC will also approve for any amendments to PO, repeat order, diversion of orders from one supplier to another wherever SPC referral is required vide clause 3.2.4.6 to 3.2.4.9.

The decision of Chairman of SPC shall be based on collective wisdom of all the mandatory members of the committee, which shall be regarded as final, and binding on all the SPC members and the same will be implemented. All the SPC members including its Chairman shall be jointly and severally responsible for all the activities connected with the procurement of material from the word 'Go' to the word 'Got'.

3.2.1.2.2 Guidelines to SPC / Approving Authority for Non-SPC on Quantity Allotment:

1. The lowest (L1) ITI commitment rate (i.e. FOR ITI Less MODVAT Relief) quoted by fully approved and proven tenderers alone shall be reckoned as purchase price which will be derived as per clause 3.1.7.3.2

2. For reasons of security to ensure continuity of production schedules, ordering on a minimum of two sources and a maximum of three (for reasons of ensuring economy of scales of production at the supplier's end) shall be considered.

3. The rates to be awarded to the tenderers will be at the lowest (L1) rates received from the technically acceptable and proven source in the tender.

4. While splitting the quantity requirement on more than one source, SPC / Approving authority in case of Non-SPC, may decide to place the order straightaway on other tenderers also at L1 rate. In the event of these tenderers not agreeing to accept orders at L1 rate, SPC may take appropriate decision with approval of Plant Head. In case of Non-SPC, approval of Divisional Head shall be taken.

5. The quantity allotment in respect of tenderers will be based on the following composite criteria:

    a) Bidders' Grading of a given tenderer with respect to the status of his price quoted vis-à-vis the L1 price and his past performance determined by his vendor rating based on Quality, Delivery & service detailed at Chapter – 7 of the Manual.

       While selecting the tenderers for the purpose of quantity allotment, tenderers with poor vendor rating score of (say) below 60 should not be considered if alternate tenderers with higher vendor rating score are available.

The concept of Bidders Grading will be mandatory for class A & B items and optional for class C items. Before the concept of Bidders grading is adopted for the purpose of quantity allotment, it has to be communicated to the tenderers as part of terms and conditions of tender enquiry.

Till such time the vendor rating system is fully adopted and implemented by the Division / Plant, SPC will have discretionary powers on quantity allotment amongst the tenderers based on their previous supply performance with regard to quality, delivery, service and their latest prices quoted.

b) The allocable capacity of the tenderers to ITI vis-à-vis ITI's requirement.

c) The tender's ability to match his supply schedule with ITI's delivery schedule.

d) Proximity, geographical location, cost of dealing, transportability, type of the supplier.

6. In the case of newly approved vendors, their vendor rating / supply performance against the educational order executed by them, will be reckoned for the purpose of quantity allotment.

7. Distribution of order in the ratio between 60:40 to 70:30 between L1 & L2. If there are three qualified bidders the guiding ratio would be 50:30:20, but, quantity variation between L1 & L2 and L2 & L3 should not be less than 5%. More than three qualified bidders may be considered in case of larger volume or in case of capacity restriction. While discretion of exact ratio lies with SPC, the ratio to be followed should be pre-disclosed at the tender stage itself as per CVC guidelines.

The above criteria are broad guidelines only. The SPC will exercise its discretion on these guidelines to the advantage of the company.

3.2.2.3 Guidelines on Negotiations:

3.2.2.3.1 There shall be no negotiations except with technically acceptable L1 tenderer, if required, However, negotiations may be conducted to the extent as permitted by Central Vigilance Commission (CVC) / Competent Authority from time to time.

The relevant SPC / Approving Authority of non-SPC will be empowered to decide on holding negotiations.

The L1 Tenderer called for negotiations should be made clear that he is given an opportunity to improve his offer and therefore no increase in price or revision of conditions unfavorable to ITI would be entertained.

3.2.2.4 Price variation (Also refer 3.2.2.8.2):

Purchase should be made on the basis of firm price. In cases where the material costs hinge on statutory or other controlled prices or where the material costs are liable to wide fluctuations as in the case of nonferrous metals like copper, precious materials, etc., price variation clauses may be allowed **and suitable price variation clause incorporated at tender enquiry stage itself**. SPC may allow for variation in statutory levies like ED, ST, etc. In case of price increase up to 5% due to FE/ statutory levies, the supplier shall bear the same. However, any variation in price beyond 5% due to FE / statutory levies, it will be shared equally between ITI and the supplier. For Non-SPC cases, the concerned approving authority will approve the variations in statutory levies. Documentary evidence supporting the claim on price variation shall be the basis for determining the price variation.

3.2.2.5 Mode of Transport:

All imported electronic components and other Class A and B items with limited shelf life and equipments, which are sensitive, will be Air freighted. Any other items, which are time critical, may be Air freighted with the approval of the relevant order approving authority.

All materials from inland suppliers should normally be transported by the cheapest mode of transport like road, rail, post parcels, courier service etc. With due regard to the safety of the materials and delivery schedule and requirements. If however, any material / equipment from inland suppliers is required urgently or if there is difficulty or delay in transporting by the cheapest mode of transport, a quicker mode of transport including air freight may be approved by the Divisional Head based on the merits of the case.

3.2.2.6 Indigenous Supplier's obligation for Delivery up to ITI Works:

The prices ordered would include Ex- works rate and charges towards packing, forwarding, freight and insurances for door-delivery upto ITI Works (FOR ITI works). It shall be supplier's entire responsibility for door-delivery up to ITI Works. To facilitate this, the supplier will be free to use any transport agency (preferably those approved by ITI) and any delay by the transport agency in delivering the consignment upto ITI Works, will be totally at the risk and cost of the supplier. In cases where the agreed price is ex-works, ITI will arrange for freight and transit insurance for delivery through ITI's approved transporters.

3.2.2.7 Inspection:

3.2.2.7.1 Guide lines on general Inspection:

The inspection shall be completed well in time so that for the accepted materials, payment can be released to the supplier as per the terms of the purchase order agreed upon.

All incoming materials shall be subjected to inspection in accordance with the inspection norms and as per the mode of inspect stipulated in the purchase order. Any deviations are to be communicated to the supplier for corrections even in the case where the same are acceptable to ITI under relaxation / suitable cost reduction, as mutually agreed upon between ITI and the supplier, wherever feasible.

In case of rejections, a report with reasons for rejection should be communicated to the supplier well in time for replacement and corrective action.

In case of dispute on Quality / Inspection report issued, ITI may consider based on the merits of the case, to re-inspect the material in the presence of the supplier against his specific written request received within a reasonable time.

Wherever ITI's customer reserve the right to inspect the purchased items like Direct-to-Site items at suppliers' works, such suppliers shall have the obligation to allow for inspections at their Works.

3.2.2.7.2 Time Schedules on Inspection:

i) Inspection within IGI:

a) Max. of three working days for inspection on sampling basis.
b) Max of six working days or as dictated by the capacity of testing eqpt. For 100% inspection.

ii) Inspection Outside IGI: Max. three working days for each testing agency.

3.2.2.7.3 Ship-to- Stock Concept:

i) The main emphasis is to avoid Incoming Goods Inspection and to switch over to ship-to- stock basis gradually by adopting suitable vendor rating and quality assessment scheme and there by tend towards Just-In-time (JIT) concept.

ii) Ship-To-Stock will be resorted in respect of those vendors whose track record on quality with nil rejections, has been consistent at IGI stage over a period of last two years. In other cases, the general guidelines on inspection vide clause 3.2.2.7.1 are to be followed.

iii) Before resorting to ship-to-stock, the Quality Assurance team from ITI shall study and endorse the Quality System and the Production Process / Production Management of the vendor.

In the case of Ship-To-Stock, the goods can be delivered directly to custody (Acceptance) Stores followed by relevant IGA the same day. In case of any defects in their material thus received is noticed at a later stage during production or testing of the equipment, the supplier should not only replace / refund the value of the defective items but also compensate ITI with the direct cost involved in reworking if the rejection is noticed beyond Acceptable Quality Level (AQL). A suitable clause to this effect be included in the Purchase enquiry / Order. Also, the status of the supplier for Ship-to-Stock be suspended till such time the confidence lost with his, is build up again.

Ship-to-Stock concept could be resorted to only when there is a clear understanding between ITI and the Vendor regarding Quality, post inspection liability like replacement of materials supplied but subsequently / consequently found defective, warranty etc. Adequate caution must be observed in such cases.

Divisional Head in the case of SPC cases and Head of IMM in case of non-SPC will be the approving authority for resorting to Ship-to-Stock.

3.2.2.8 TERMS OF PAYMENT:

3.2.2.8.1 For Indigenous Suppliers:

I) Advance Payment:

No advance payments (i.e., down payment along with the order) is to be made to any indigenous supplier. However, in exceptional cases where development costs are involved and the supplier insists for the same, advance payment could be agreed to with the approval of Divisional Head through Divisional Finance Head for advance up to Rs. 1 lakh in each case and for advance above Rs.1 lakh in each case with approval of Plant Head through Plant Finance Head. The supplier should be impressed upon to offer reduction in prices proportionate to the interest charges ITI will be incurring by way of such advance payment.

Before making such advance payment, Bank Guarantee for the equivalent amount valid till the complete execution of the order, shall be obtained from the supplier. The guidelines on the operation of Bank Guarantee are detailed at Clause 3.3.14.2.

f. Terms of payment:

ITI prefers long credit period. For any variation in payment terms quoted by different vendors, loading in the comparative statement will be made suitably.

In case of 100% payment is to be made within 60 days from the date of receipt of material at ITI works but after the due inspection and acceptance, which is to be completed within a maximum of thirty days from the date of receipt of materials ITI works. Payment will be made for only those materials, which are accepted after inspection.

Variation to the payment terms could be decided by the order approving authority so long as the spirit behind the guidelines mentioned above is observed and loading in the comparative statement may be made suitably. Interest rate portion for loading to be circulated by Corporate Finance quarterly. This should also be a condition in the tender enquiry. Typical variation to be above payment terms could be.

i) Payment against delivery / dispatch document through bank / LC in respect of only those vendors who are Rated high on vendor rating or vendors with an established record of previous supply performance. However, the corresponding cash discounts for early release of payment vis-à-vis Normal terms of payment should be availed.

ii) Certain Bill discounting scheme proposed by the suppliers and found feasible for operation by ITI, can also be considered.

iii) Vendors offering long term credit of 180 days and above could be considered with interest payable to such vendors at rates not exceeding the prevailing cash credit of ITI Bankers.

iv) Due Weightage on quality allotment shall be given to suppliers offering / agreeing to normal terms of payment (Also Refer clause 3.1.7.3.2&7.2.2.3 pertaining to payment terms).

3.2.2.8.2 For Foreign Suppliers:

ITI prefers long credit period. For any variation in payment terms quoted by different vendors, loading in the comparative statement may be made suitably. Interest rate portion for loading to be circulated by Corporate Finance quarterly. This should also be condition in the tender enquiry.

Various payment terms could be like payment against Letter of Credit / Sight Draft, improved modes of payments as being practiced in the current International market like payment without LC / Supplier's Credit, feasible for operation by ITI, could also be tried out, with the approval of Plant Head. Long terms usance credit of 180 to 360 days at LIBRO rate plus, as currently being extended by ITI's bankers, could also be adopted.

Where payments have been made in advance or against LCs but the materials are subsequently rejected, apart from free replacement of material / refund of payment, ITI shall attempt to claim interest for the period between payment and the replacement / refund, wherever there is delay in refund / replacement.

3.2.2.8.3 Payment terms for Direct-To- Site (DTS) Items:

ITI prefers long credit period. For any variation in payment terms quoted by different vendors, loading in the comparative statement will be made suitably. Interest rate portion for loading to be circulated by Corporate Finance quarterly. This should also be condition in the tender enquiry.

3.2.2.8.4 Verification of Supplier's Bill by Purchase Department:

Levels of authority for Purchase Executives for verification of various terms of payment are listed in SYNOPSIS of this manual. Payment to be passed as per the terms of the PO after ascertaining the availability of all the required documents. The PO (as per SPC decision which in turn is based on PR specs and offer) needs to define the documents required related to payment.

3.2.2.8.5 Timely Payment- Role of Purchase section / IMM Department:

In order to maintain good relations with the vendors, it is important that the bills of the supplier are paid within the stipulated time as agreed upon. The Purchase Section being the single contact point for the supplier shall take the responsibility of arranging timely payments by coordinating with Inspection and Finance departments for movement of the relevant documents for release of payment. The release of payment to the various suppliers by finance shall be based on their supplies on first come-first served basis. In exceptional cases, payments shall be arranged by finance as per the priority given by Purchase / Head of IMM with justification. List of payments to be made / already made should be furnished by Finance to Purchase Section periodically. Head of IMM may monitor the promptness in payment.

3.2.2.8.6 'Single window' agency at plants:

To settle any unresolved issues of the vendors including payment dues, there shall be a "Single window" agency at the plant level represented by a senior / management officer nominated by the Plant Head.

3.2.2.8.7 Payment of Bank charges:

Payment of Bank charges and interest charges shall be paid as per terms agreed to, with the supplier.

3.2.3 PLACEMENT OF LETTER OF INTENT (LOI)

Wherever the quantities tendered relate to the entire financial year, Letter of Intent (LOI) could be released on the successful tenderers as an advance planning action indicating the broad projection of requirements, quantity variation clause, prices finalized, price variation clauses if any, validity of the contract period etc.

Based on this LOI, firm purchase orders may be released in phased manner inline with production requirements. As Approval of relevant SPC / Approving authority of Non-SPC is taken prior to issue of LOI, no further approvals are required while releasing firm POs under LOI. Since LOI could be a commitment to be honored by ITI, the projection of requirement be made judiciously.

3.2.4 SCRUTINY OF PURCHASE ORDER BEFORE ITS RELEASE:

In respect of both SPC & Non SPC cases, the Purchase Order along with terms and Conditions will be scrutinized by the Purchase section itself to ensure that all issues decided by approving authority are reflected in the P. O. The Scrutinizing authority will be the same who would sign the P.O. after checking by the respective case Purchase Officer.

However, post audit on sampling basis will be done by internal audit.

The following Quality aspects shall form part of purchase order and shall be scrutinized by the authority signing the P.O.:

The technical requirement of the item shall clearly be specified as given in the PR.

Ensure not to cover / place order for excess quantity than what is offered by the firm.

The mode of inspection shall be indicated wherever required;

It shall be indicated that the supplies should be from the **latest batch of production** and the accompanying delivery challan / packing note shall indicate the batch number of production for traceability purpose.

The consignment shall be accompanied by inspection / test certificate from the supplier, wherever specified in PR or by the Order Approving Authority.

Purchase order format for indigenous and foreign purchase are at Annexure 3.2.1 and 3.2.2 respectively.

Definition for Latest Batch

3.2.4 (1) Batch No: In case of items with shelf life of 3 months, the batch No should not be older than 2 weeks from date of dispatch. In case of items with shelf life of 6 months, the batch No should not be older than 4 weeks from the date of dispatch. In case of items with shelf life of 6 months to 1 year, the batch No should not be older than 2 months from the date of dispatch. In case of items with shelf life of 1 year to 2 years, the batch No should not be older than 4 months from the date of dispatch. In case of items with shelf life of 2 years to 5 years, the batch No should not be older than 1 year from the date of dispatch.

The above are General Guidelines. However, units may decide on case to case basis.

3.2.4.1 Signing of Purchase Order:

The delegation of power for signing of Purchase Order is listed in SYNOPSIS of the manual.

3.2.4.2 Procedure for Commitment of Orders:

Every purchase order / order amendment issued by the Production Division should be committed in the register / computer before its release. This is essential to have control on the expenditure on the budget allocations for the Division for the concerned financial year. The purchase order / order amendment should bear the commitment reference and the date of commitment duly signed by the person committing the order to the commitment register. At the end of every month, the Purchase department will send the commitment statement as per Annexure 3.2.3. to the divisional Finance Department. The department will also provide statement of liability to indicate the spread of payment to the supplier, which depends on the delivery schedule and payment terms given in the order. The liability statement is also contained in the Annexure 3.2.3

3.2.4.3 Time Schedule Norms on Cycle Time of Procurement:

The maximum time schedule norms for each activity involved in the cycle time of procurement are listed at Annexure 3.2.4. The time schedule norms shall be strictly adhered to.

Prerequisite: To achieve the stipulated time schedules, the mechanism of entire activity from PR editing to Receipt of Accepted material in custody stores, is computerized.

3.2.4.3.1 Monitoring of Time Schedule Norms:

For the purpose of monitoring the time schedule norms, IMM department will examine purchase files on sampling basis to analyze the time taken on the cycle time of procurement and report to Divisional Head on any major time lapse found from any agency, for suitable corrective action.

3.2.4.4 Guidelines on Delivery Schedules:

The delivery schedules stipulated in the purchase orders shall be those, which have been mutually agreed upon between ITI & the supplier:

In the event of any cancellation or postponement of delivery schedules, sufficient advance notice as mutually agreed upon at the time of finalization of LOI / Placement of purchase order, shall be given to the concerned suppler;

Liquidated damages may be considered to be levied only on those suppliers who have violated the delivery schedules mutually agreed upon. The concerned order approving authority of SPC will be empowered to decide on levying LD clause on the defaulting supplier if the delay in supplies has actually affected the production.

However, in case of Non-SPC, IMM Head will be the component authority. He is also empowered to condone delays where delivery is made with in quoted / mutually agreed lead time for supply or delays in supplies occurred due to factors such as ITI not meeting the commitments on timely release of payments, timely release of technical clearances wherever required, non receipt of Road Permit in time by the supplier from ITI etc.

3.2.4.5 Re-tendering

Retendering may be resorted to in following cases where:

i) Either the originally selected supplier has failed to supply.

ii) Increase in requirement is beyond 100% of the original requirement and the corresponding quantity discount are either not offered by the originally selected sources or quantity discount offered are found inadequate.

iii) The competitiveness in a given tender is found to be inadequate.

iv) Cartel formation amongst the tenderers is suspected.

Re tendering shall be resorted to with the approval of IMM Head for Non-SPC cases and Divisional Head for SPC cases.

In case of (i) above, if it is to be recorded with reasons that there could be production hold up, then instead of resorting to retendering, as an exceptional case, ordering may be done on L-2, L-3 etc., at L1 rates with the approval of Unit Head after recording the reasons. Delegation for approval will be as per the synopsis.

3.2.4.6 Repeat Order:

Repeat order upto 100% of the original tender quantity may be placed, in the absence of LOI, within 1 year of the original order date at the original order price, by the same or any other Division of a given Plant. The repeat order shall be placed after the approval of the relevant approving authority of SPC / Non- SPC as the case may be, for the **repeat order value.** The repeat order shall indicate the Original Order Number and Date. Repeat ordering shall not be resorted to in case the original order is based on emergency purchase.

In case the requirement is more than 100% of the original Tender quantity, quantity discount shall be called for. If the original orders are on more than one source, preference for repeat order may be given to the source whose delivery and quality performance are better.

Repeat orders can also be placed by other Plants of ITI based on original orders of any other Plant / Division, in situations of time criticality. However, the tendency for one Plant / Division to wait for any other Plant / Division to first place an order based on which to resort for repeat ordering, shall be discouraged.

A specific clause shall be incorporated in the original purchase order that any Plant / Division of ITI reserves the right for placement of Repeat order if required, within one year of original order date.

3.2.4.7 Amendment to Purchase Orders:

Amendment to purchase orders generally arises because of the following:

- ❖ Increase in price;
- ❖ Amendment to quantity;
- ❖ Change in terms of payment:
- ❖ Transfer of order in another name, as per request of the supplier;
- ❖ Changes in specification.;

- ❖ Extension of the delivery date;
- ❖ Necessity to short-close the order;
- ❖ Change in mode of transport;
- ❖ Diversion from one source to another;
- ❖ Any other reasons.

Cases for amendments shall be put up to the relevant SPC (Which had approved the original order) for approval. However, in respect of following cases, the Head of Purchase will approve the amendment to P.O. without referral to SPC.:

i) Variation in statutory levies like ED and Sales Tax not forming part of basic price and which is applicable uniformly to all suppliers without affecting their status of competitiveness, for given purchase case.

ii) Changes in Delivery schedules as dictated by the IMM schedules (MRP) / originator

ii) Reduction in prices by the concerned supplier on his own on the price ordered on him.

iv) Excess supplies without amendment to purchase order are permissible in regard to regular production items of B class up to 5% and items of C class up to 10% of the ordered quantity provided requirement exists for additional quantity. All other cases of excess supplies shall be with P.O amendment with the approval of competent authority.

Any errors / omission made by purchase section in reflecting the Purchase / SPC decision into the order can however be corrected by the authority who has signed the original purchase order without referring the same to SPC / Order Approving Authority.

3.2.4.8 Short closure of Purchase Order

In case the balance quantity of material outstanding on a supplier is no longer required by the indenting department, the order may be short closed to the extent of quantity already supplied and accepted, with the concurrence of the supplier. If a supplier expresses his inability to supply a **small** balance quantity left against an order, the same may be short closed with the concurrence of the indenting department. However, if the item is required, it may be covered in the subsequent order.

3.2.4.9 Transfer of Purchase order to another name:

The name of the supplier in a purchase order may be changed, if so requested by him due to the following reasons:
i) The name of the Company has been changed
ii) The Company has been sold to/amalgamated with another Company
iii) The supplier wants the order to be executed by their Authorized Dealer and Associate Companies/Subsidiary as per the Companies Act, 2013 which should be clearly mentioned by the bidder while submitting the tender.

In case of i) above, the request may be agreed to based on the letter certified from the Registrar of companies confirming the change of the name of the Company.

In case of ii) above, the request may be agreed to based on the relevant certification from the competent authority like the Registrar of Companies endorsing such changes and a letter from the transferor and transferee confirming the same.

For the above cases, it shall have the approval of the authority who had approved the original order. The supply from this new source should be subject to type approval before bulk supplies in caseof situations at (ii) above based on the merits of the case.

Other than reasons/conditions mentioned at i), ii) & iii) above, the diversion of the orders to the Associate Companies/Subsidiary of the successful bidder at the same rates, terms & conditions are not permitted. It must be ensured that the vendors and their Associate Companies/Subsidiary who do not participate in the tenders floated by ITI are not considered by the SPC for placement of purchase orders for procurement of items/components/systems/subsystems including services.

Annexure 3.2.1
Clause 3.2.4

TYPICAL PURCHASE ORDER TERMS AND CONDITIONS (Inland)

PURCHASE ORDER NO…………………..Dated…………

I.GENERAL:

1. Please acknowledge the receipt of this order within 7 days and confirm scheduled delivery as per our order. If confirmation is not received within 7 days it is deemed that the order has been accepted.

2. Please quote our PO. reference in all future correspondence and connected documents.

3. a. Please send Invoice as per Excise Rule 52A and 173G

   i) Buyer copy for payment purpose-original
   ii) Transporter copy for availing MODVAT CREDIT
   iii) EXTRA copy for our reference
   iv) Description of the item along with ordered Part number and vendor code should be indicated in all the documents.

   b. Kindly ensure that Transporter's copy of invoice on which Modvat credit can be taken is safely handed over. In case, the consignment is booked by lorry transport- courier, the entry for having handed over the transporter's copy of invoice to the carrier, has to be endorsed in the LR / GC / Courier document.

   c. No commercial invoice will be accepted for payment wherever Excise Duty is applicable. In case of E1 sale i.e., sale in, Transit invoice 57 F(G) has to be submitted.

   d. Please ensure that no excess supply or short supply or wrong supply is made.

II. INSURANCE:

Transit insurance will be covered by ITI under its Open General Policy.

III. GOODS BY ROAD:

Consignments moved by road should be accompanied by a copy of the Goods consignment note and three copies of the invoice, giving address of the consignor and consignee, Central Sales Tax Registration Nos. of both the parties, description, Quantity and weight and value of the goods etc. Please ensure that these documents are handed over to the carriers along with the goods, otherwise any penalty that may be levied by the commercial tax department will be debitable to your account. Our C.S.T. Registration No……………………and KST Registration No………………………

IV. PAYMENT:

a. Payment would be made against your Original invoice only for accepted quantity (Please state the agreed payment terms). No payment will be made for rejected quantity. All our payment will be made by cheques duly crossed A/C payee only and will be sent through courier / speed post to the address given in the invoice. Unless otherwise agreed upon in writing, document sent through the Banks will not be honored and demurrage will be to your account. Any discrepancy in payment should be brought to our notice within 60 days after which no discrepancy will be entertained.

b. (Please state the agreed payment terms) from date of submission of relevant papers as applicable such as Test / Conformance Certificate, which may be noted.

V. SALES TAX:

Form `C'/ Form `37' will be issued financial year-wise only. No ADVANCE FORM `C'/`37' will be issued along with the P.O. You are requested to give the details of our P.O. Number and Date, your Invoice Number and Date and Value of Invoice to enable us to issue the same.

VI. DELIVERY:

a. Time is the essence of contract and the materials against an order arising out of this purchase order must be delivered by the supplier according to the delivery schedule indicated in the P.O. In case of any change, the supplier should inform us in advance and obtain our approval to the revised delivery schedule. Should the supplier fail to deliver the material or part thereof as per the delivery schedule, or any extension thereof, we shall be entitled at our option either to recover from the supplier, as penalty, a sum equivalent to ½% (half percent) per week for first four weeks and 0.7% per week thereafter for such delay or part thereof or terminate the contract in respect of the balance supply so delayed and purchase materials elsewhere at the risk and cost of the defaulted supplier.

b. Increase in prices on account of taxes, duties and basic price of raw materials for any reason, would not be accepted for supplies once the order is placed on you.

VII. WARRANTY:

Please note that we are an ISO 9002 accredited company. All our equipments/ system have a warranty of 18 months from the date of dispatch to our customers. Hence the warranty of your products should be for a minimum period of 24 months. Within this warranty period, if any of your component/subsystem is found defective during our manufacturing process/ system testing / installation and commissioning/ operation of our equipment in the field, the same is to be replaced free of cost immediately by you.

VIII. PACKING NOTE:

a. The packing Note enclosed in each package should indicate our Purchase Order No. and date, case marks, material description with ordered Part No. and details of the contents.

b. Duplicate invoice (Transporters copy) should be enclosed to the delivery challan accompanying the consignments. In the absence of this, ED claimed would be disallowed.

IX. RATES:

a. Rate indicated in the order is inclusive of packing charges (unless specially indicated otherwise) and price should not be increased till completion of order. If this Purchase Order specially indicates a price variation clause then the same would apply.

b. In the event of any refund in Excise Duty / Customs Duty obtained from the Central Excise Department /Customs Department by you or the manufacturer (if the manufacturer happens to be different from the supplier) on the supplies made to us, such refunds should be passed onto us, immediately without waiting for any claim from us.

X. FREIGHT CHARGES:

If the terms of price is on FOR (ITI Plant) basis, all consignments should be on FREIGHT PAID BASIS. If the terms of price is EX-WORKS, actual freight charges may be included in invoice along with the documentary proof OR in case of dispatches through our Contract Carrier, the consignment could be on `FREIGHT TO PAY BASIS'.

XI. INSPECTION:

a. The material is subject to inspection at our works before acceptance. We or our representative (including our customers) if required may verify the product at your premises. Verification by us or our representative shall not absolve you of the responsibilities to provide acceptable product or shall it preclude subsequent rejection.

b. The Purchase Order will be operated on the concept of the Vendors entire responsibility for assuring QUALITY to our standards.

c. Test Certificate
TEST CERTIFICATE SHOULD ACCOMPANY EACH SUPPLY AND INDICATE BATCH NO. (WHERE APPLICABLE). Consignments not accompanied by test certificate are liable for rejection.

d. Batch Number: Supplies shall be from the latest batch of production. Batch number should be indicated on the component / packet and Delivery challan. Indication in DC is a must.

e. In case of Advance payment, if the material is rejected due to defect / damages, the material is to be replaced within a week or you should refund the full amount within that time. Bank Guarantee which has been executed will be invoked for recovery of the advance payment made. If not, interest at 24% on the advance paid will be charged on you. If you do not respond within 15 days from the date of notice, action would be taken to auction the material and adjust the realization against the amount due from you. If the amount realized fall short of the amount due, the company reserves the right to file a suit under---------------Jurisdiction against you for the balance amount.

f. REJECTED MATERIAL: Rejected material should be collected by you immediately (within 30 days) of our intimation by giving 2 days prior notice to ITI for making necessary Excise formalities. You should make arrangement to collect the material either personally or through authorized representatives from us. ITI does not take any responsibility to send the material back to you. Further after 90 days from the date of rejection intimation to you, material will be scrapped at your risk if not collected.

XII.BANK CHARGES:

Our Banker is State Bank of India……………………………….Collecting Bank Charges if any would be to your account.

XIII. GOVERNING LAW:

All suits shall be instituted in a court of competent jurisdiction at Bangalore /Palakkad /Mankapur /Rae Bareli /Naini and in case of arbitration, the Indian Arbitration Act, 1996 is applicable.

XIV. WEIGHMENT & COUNTING:

The weighment and counting at our end will be final.

XV Marking of Cases :

XV. MARKING OF CASES:
Please ensure that individual packing case bear mark as per the following specimen article:

Consignee Address			Division Plant	Indicate for	
P.O. Ref ITI Part No.	Quantity	Unit			
D.C.No. Invoice No.	RR/GC/No.	Size of the Cases			
Case No.	No. of Cases				
Gross Wt.	Net Wt.		Fragile Delicate	Protect from Rain	This side UP

XVI. The item ordered should not be obsolete before completion of the order.

XVII. No special terms and conditions other than those printed in this Annexure and indicated in order are acceptable to us.

DOC Ref:
Date

Officer-in-charge

Annexure 3.2.2

TYPICAL PURCHASE ORDER TERMS AND CONTIDITIONS-IMPORTS

P.O. No……………   DATE……………

1.PRICE:

a. Price should be firm and valid till the completion of order.

c. **MOST IMPORTANT:**

Please send the order acknowledgement within a week of receipt of this Order.

II. DELIVERY:

a. You shall adhere to the delivery schedules.

b. Please ensure no excess supply or short supply or wrong supply is made

c. In the event of short shipment or wrong shipment by you the difference between Customs Duty, freight paid by us and the actual freight and customs duty for the received quantity should be reimbursed by you /will be recovered by us. You will have to ensure free shipment to make good of shortage and free shipment for wrong shipment. "No charge Invoice" only should be sent with free replacement for wrong shipment or rejection.

d. Shipment must be made strictly as per the indicated delivery schedule on the Purchase Order. Any additional/ incidental charges due to deviation in number of deliveries with respect to our Order will be to your account.

e. Liquidated Damages Clause: Time is the essence of Contract and the material against this Purchase Order must be delivered according to the delivery schedule indicated in the Purchase Order. In case of any change, you should inform us in advance and obtain approval to the revised delivery schedule. Should you fail to deliver the material or part thereof as per the delivery schedule or any extension thereof, we shall be entitled at our option either to recover a penalty equivalent to ½% (Half percent) of the contract price of the item for first four weeks and 0.7% per week thereafter for such delay or part thereof or terminate the contract of agreement of the balance supply so delayed and purchase the material elsewhere at your risk and cost.

III. QUALITY:

a. Inspection at our works / other standard testing centers authorized by us will be final.

b. Each consignment should be accompanied by Test/ inspection Report from the factory. A general certificate stating that the item has been tested/inspected and found okay will do.

c. If you are a Distributor and in the event of an order on you the following certificate should be issued along with the supplies.

CERTIFICATE **DATE:**

This is to certify that the Electronic Components identified by Batch Code/Lot Code indicated hereunder and shipped along with this certificate, is in accordance with the requirement as per Customer's Order. We certify that other certified records necessary to substantiate this certification is available with us and may be demanded by Customer's inspection up to 5 years from the date of shipment.

1. CUSTOMER ORDER REF:
2. DATE:
3. DEVICE TYPE:
4. QUANTITY:
5. MARKING ON DEVICE:
6. DATE / LOT CODE

For

Authorized Signatory with Company Seal

To,
The Materials Manager
M/s. ITI LIMITED
Address:

---

d. The Purchase Order will be operated with the entire responsibility vested on you for assuring Quality and Reliability of your supplied material.

e. Components supplied shall be from recent production batch as indicated by the batch number on the component. The batch number shall not be earlier than week 01 of the previous year in which the order is placed.

f. In the event of rejection apart from free replacement of material, you are also liable for payment of interest for the period between payment made and replacement received. Any financial loss to us due to Indian Government Policy and Procedures and Re Export will have to be made good by you.

IV. WARRANTY:

Please note that we are an accredited ISO 9002 company. All our equipments/ systems have a warranty of 18 months from the date of dispatch to our customer. Hence the warranty of products should be for a minimum period of 24 months.

Within this warranty period, if any of your component subsystem is found defective during our manufacturing process/ system testing/ Installation and Commissioning / Operation of our requirement in the field, the same is to be replaced free of cost immediately by you.

V. PACKING AND DESPATCH:

a. Dispatch Instructions for air consignment/ Post parcel:
Consignee: ITI LTD
Address:

Case Mark: Division/ITI/PLANT/INDIA.

b. NOTE:

i) Copy of the invoice and packing list should be kept inside the packing case/parcel for easy link up.

ii) The Purchase Order Ref. with brief description of the material and the consignee's address should be clearly indicated on the packing case.

iii) Material should be supplied in Air worthy / Sea worthy packages with proper sealing to ensure that the goods are received in good condition free from rust corrosion and any other transit damages. As far as possible ensure that material is packed in single case / carton.

iv) Kindly indicate in the invoice nomenclature and Brussels's classification for purpose of assessing Customs Duty.

c. FREIGHT FORWARDER (Air):

Use our authorized Freight Forwarder-----------------. Any deviation should have our concurrence in writing. DO NOT send any consignment by Post Parcel unless we specifically request you.

d. This Purchase Order is governed by INCOTERMS-2010 or Revised American Foreign Trade Definition-1941 as applicable.

VI. INSURANCE:

a. Insurance will be covered by us. Immediately after dispatch of material, full dispatch particulars giving order reference, consignee's name, Air consignment Note/ Postal Receipt Number and copy of invoice, Airway Bill should be made available to:

THE MANAGER- MATERIALS MANAGEMENT
M/s. ITI LTD.,
Address: Fax No. E-Mail:

b. Immediately after booking the consignments the following documents should be couriered to the address furnished above, for arranging preliminary clearance and customs formalities in addition to what is required by the forwarding agents and your Bank.

DOCUMENTS:

i) 6 copies of Commercial Invoice- Rates and description of the material must be strictly as per our Purchase Order.

ii) 2 copies of Certificate of Country of Origin in appropriate form.

iii) 3 copies of Non-negotiable Airway Bill/ Post Receipt / Bill of lading.

iv) 3 copies of Packing List showing the No. of cases, net weight, Gross weight and outer dimension of cases individually, indicating length, breadth and height in mm.

v) Catalogue / Write Ups.

OUR BANK:

Name:
Address of Banker:

II. PAYMENT: (payment as agreed to be stated)

VII. GENERAL:

a. Description of the items along with ITI Part No. should be indicated in your confirmation as well as in all shipping documents as per our P.O.to avoid difficulty while clearing the consignment through customs and also delay in stores transactions within our Plant.

b. Please quote our reference and PO. No……………in all future correspondence and connected documents.

c. All documents should be in ENGLISH Language only.

d. Governing Law: All disputes arising in connection with this Purchase Order shall be settled under the rules on conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules.

e. No Special terms and conditions other than those printed in this Annexure and indicated in the order are acceptable to us.

f. The ordered items should not be obsoleted before completion of the order.

OFFICER-IN-CHARGE

DOC REF:
Date:

Annexure - 3.2.3
Clause 2.1.6 & 3.2.4.2

TYPICAL FORMAT ON MATERIALS COMMITMENT STATEMENT

PURCHASE DIVISION: **Date:**

Division **Purchase Commitments**

Approved Budget for Non-Capital Rs. Lacs.

DESCRIPTION	FOREIGN CIF CD TOTAL	INLAND	TOTAL	ANTICIPATED PAYMENT				BEYOND MARCH
				1^{ST} QTR	2^{ND} QTR	3^{RD} QTR	4^{TH} QTR	
A. NON CAPITAL								
UPTO PREVIOUS MONTH								
RAW MATERIALS & COMPONENTS AID TO PRODUCTION DIRECT TO SITE								
TOTAL								
DURING THE MONTH								
RAW MATERIALS & COMPONENTS AID TO PRODUCTION DIRECT TO SITE								
TOTAL								
UPTO THE MONTH END								
RAW MATERIALS & COMPONENTS AID TO PRODUCTION DIRECT TO SITE								
TOTAL								

BALANCE AVAILABLE FOR NON-CAPITAL = Rs. Lacs.

Annexure - 3.2.4
Clause 3.2.4.3

TIME SCHEDULES FOR CYCLE TIME OF PROCUREMENT

Sl.No. Time Schedules for each activity	Max. No.	Cumulative Working Days
I **PRODUCTION PLANNING**		
1. Production plan preparation & approval from Plant Management	6	6
II **MATERIAL PLANNING**		
i) BOM preparation from the date of managements approval for the production plan	6	12
PR editing for family of items	2	14
ii) PR approval from competent authority	2	16
III **PURCHASE FUNCTION**		
A) Advance Tendering Action*:		
i) Estimation of Gross Requirement by Purchase Section	6	6
ii) Preparation of tender enquiries and dispatch	2	8
iii) Notice period for receipt of offer	15	23
iv) Tender opening from tender due date	1	24
v) Technical scrutiny of offers i) within purchase Sec.	2	26
ii) Outside Purchase Sec.	4	30
vi) PR Registration on receipt from Material Planning	1	31
B) Purchase Action on Receipt of PR:		
i) Tabulation of technically acceptable offers	2	33
ii) Scrutiny of tabulation for SPC cases	2	35
iii) Purchase recommendations & Approval – Non – SPC/SPC	2/6	37/41
iv) Editing of PO and its release	2	39/43
C) TIME SCHEDULES FOR ESTABLISHMENT OF LC		
i) PO acknowledgement receipt	3	3
ii) LC application editing	1	4
iii) LC approval and issue to bank by finance	2	6
iv) LC receipt intimation to the beneficiary	4	10
v) LC discrepancy handling, if any	3	13

D) TIME SCHEDULEES FOR PAYMENT IN CASE OF NORMAL TERMS OF PAYMENT

i) Receipt of dispatch documents and handling over to clearing section
ii) Clearance of Goods on receipt of materials from transporter
iii) Preparation of IGI
iv) Inspection
v) Movement of accepted goods to custody stores
vi) Distribution of IGA's
vii) Bill registration by Purchase
viii) Linking of IGA with Bill & passing by accounts
ix) Allocation of funds
x) Preparation & posting of Cheque

Note: For the purpose of monitoring of time schedule norms, IMM department will examine purchase files on sampling basis to analyze the time taken on the cycle time of procurement and report to Divisional Head on any major time lapse found from any agency, for suitable corrective action.
*Material Planning and Advance Tendering action will go together in parallel.

CHAPTER 3
SECTION 3

PURCHASE FUNCTION
MISCELLANEOUS

3.3.1 PURCHASE FUNCTION-REQUIREMENTS FOR R&D

3.3.1.1 The R&D Divisions considering the very nature of their activity, will evolve Purchase Procedure suiting to their specific business needs, on lines described in this Manual.

3.3.1.2 The day –to-day requirements of revenue items may be met by exercising the provisions of Local Purchase / Cash Purchase/ Special Imprest Purchase and Emergency Purchase by resorting to sourcing from local stockist / distributors of approved manufacturers, described at clauses 3.3.6.1 and 3.3.6.2 of this chapter.

3.3.1.3 Before resorting to procurement from outside sources, the R &D Divisions should explore the resources available within the Company i.e. with other R&D Divisions / Production Division / Plants.

3.3.1.4 Project Head representing the originator in R&D will adopt the role, responsibility and function of IMM Head of a production division, as described in the manual. Accordingly, project engineering in R&D will take the role of Material Planning of a Production Division.

3.3.1.5 Delegation of Financial Powers

The delegation of financial powers for the various purchase functions in respect of Non-Production items listed at the Synopsis of this Manual, shall apply for the revenue items required for R& D. However, in respect of Capital items for R & D, the delegation of Powers will be the same as that stipulated in respect of Capital items required by Production Divisions.

3.3.1.6 Constitution and Level of SPC:

The Financial Limits for the various levels of SPC and their constitution are detailed at Synopsis of this Manual.

3.3.2 PURCHASE FUNCTION - COMBINED MATERIAL PROCUREMENT (CMP)

3.3.2.1 Scope:

In order that the Company avails the advantage of bulk buying in respect of production items of A Class and high B Class, common across at least two divisions/ plants, the concept of Combined Material Procurement (CMP) by a centralized agency on behalf of concerned production Divisions / Plants of ITI, should be adopted.

3.3.2.2 Centralized Agency

The Centralized agency responsible to carry out the exercise of CMP could be preferably by a cell identified in Bangalore Plant, in view of the following advantages:

- Bangalore plant has almost every representative product of the Company being manufactured.

- Central Component Approval Group & Vendor Development Cell for functionally critical items under Corporate Quality Management, R & D and CACT / TEC are all located in Bangalore plant which will enable the Centralized agency for day-to-day interaction.

- Proximity to Corporate Office will render the Centralized agency in Bangalore plant with all necessary and timely clearances / approvals leading to reduction in cycle time of procurement.

- Proximity to ITI's Consortium of Bankers, Banking / Financial institutions to explore for innovative / long term credits to the advantage of the Company.

- Proximity to the locations of most of ITI's major component manufacturers / their authorized distributors / representatives.

3.3.2.3 Scope of Responsibility of Centralized Agency:

The centralized agency will accomplish the CMP on a Turn – Key basis i.e. the Centralized Agency will not only finalize the terms and prices of the CMP contract by way of issues of Letter of Intent on the suppliers but would also take the responsibility of placing Firm Purchase Orders on behalf of concerned divisions / plants catering to the individual requirements suiting to their individual delivery schedules, the specific individual requirements on Quality / Technical Specification, Vendor preference, local conditions etc. The Centralized agency will also be the paying authority to the CMP suppliers on behalf of the concerned divisions / plants. The suppliers under CMP will effect shipments directly to the concerned divisions based on firm order placed by the Centralized agency.

Concerned divisions / plant will be part of the decision making process of CMP, for which the centralized agency will also comprise representatives of appropriate levels from the concerned division / plant. These representatives will also coordinate amongst their division / plant, the centralized agency and suppliers both towards finalization of contract and execution of the same.

3.3.2.4 Long Term Contract under CMP with vendors as 'ITI's Partners":

The purchase contracts to be established under CMP by the centralized agency would be on long term basis of say 1 to 2 years with suitable provisions for quantity, price variation and other varying indices if any on the concept of vendors treated as ITI's Partners.

3.3.2.5 Purchase intelligence by Centralized Agency:

The Centralized Agency will also be responsible to provide purchase intelligence by way of Market Survey to all the plants / Offices of the Company by collecting the data periodically on the trend of prices, status on supply demand, technology scan of components including plans on their obsolescence, exploration of new sources /

stockists / distributors especially for sourcing obsolete and proprietary parts etc. The centralized agency will up-date the plans by disseminating the above information periodically.

3.3.3. PURCHASE FUNCTION FOR UN-STABILIZED / NEW PRODUCTS

3.3.3.1 Un-stabilized / new products are those for which:

i) The Bill of Material (BOM) is not firmed up and hence, forecasting of requirements/ advance planning is not feasible.

ii) -More dependency on designers / collaborators.

iii) Arrival of Customer orders in staggered periods of time / receipt of customer orders with very short time for delivery.

iv) Long Lead times sought by the vendors, as items are custom – built and not readily available in world market.

3.3.3.2 Approach:

The essence of purchase mechanism in respect of such un-stabilized / new products will be to resort on crash action by making use of various flexibilities introduced in the manual and listed as under:

- Explore availability of items in other Divisions / Plants before resorting to outside sourcing.

- Wherever Bill of Material (BOM) is available, advance tendering action vide clause 3.1.2 shall be resorted to.

- Wherever feasible, PRs should be indented on package / Kit basis with items grouped family / Supplier wise to reduce procurement processing time.

- Make use of restricted tender concept (Clause 3.1.4.2) by shortlisting most proven vendors. In exceptional cases, even single tendering in case of non-proprietary items with justification as per clause 3.1.4.3 may be resorted.

- Make use of general and approved stockists / distributors on a regular basis.

- Repeat ordering may be resorted to on a regular basis based on original orders of any division / plant.

- The provisions of emergency purchase (clause 3.3.6.1), and local purchase (clause 3.3.6.2) may be made use of with due justification.

- SPC to have R & D / Designer’s representatives as co-opted member to resolve technical issues enabling expeditious purchase decision.

3.3.4 INTER – PLANT PURCHASES:

Purchases of items within the manufacturing range of the other plants of ITI shall be made from them if delivery and quality requirements are met. Prices for inter – Plant transactions may be settled based on guidelines issued by Corporate Management or as mutually settled between the respective plants.

Procurement from outside sources, of items falling within the manufacturing range of other plants of ITI, may be carried out only with the prior approval of plant Head. Tenders need not be invited from other sources in respect of items, which are in the manufacturing range of the other plants of ITI if such plants have proved for having fully met the requirement both in terms of delivery and quality.

In order to utilize surplus manufacturing capacity available in other plants of ITI, such plants shall indicate their surplus capacity to Corporate Office and other Plants at least 6 months prior to the respective plants initiating the procurement action

Procurement from other plants of ITI will be treated as procurement from approved vendors subject to approval of collaborator / designer wherever required.

3.3.5 FABRICATION ORDER (OFF-LOADING):

In situations arising due to capacity constraint or as decided by the criteria of economics of in-house manufacture vis-à-vis off-loading, the decision for resorting to off-loading / fabrication order to external approved sources can be taken with the approval of Plant Head. However, the total value of off-loading shall not exceed the provisions made in the annual approved budget for the Plant. In the event of off-loading exceeding the above limit, Corporate Management's prior approval is to be taken. When ITI's, Material is issued to the subcontractor under fabrication order, it should be against a Bank guarantee for appropriate value or with Indemnity bond covered with insurance, ITI being the beneficiary. The guidelines on Bank guarantee are detailed at Clause 3.3.14.2. The typical format of Bank guarantee and Indemnity bond are at Annexure 3.3.1 and 3.3.2 respectively.

3.3.6 UN-SCHEDULED PURCHASES:

3.3.6.1 Emergency Purchases:

Purchase of raw materials and components for production in cases of emergency can be resorted to by relaxing the normal procedure by contacting local stockists / dealers of approved make.

The situation leading to emergency purchase could be:

- Sudden failure of supplies against regular purchase order.
- Failure of critical incoming material in quality provided the replacement is not forthcoming within the time required.

- ❖ Requirement arising due to sudden change in product mix demand of customers.

- ❖ Requirement of customers with sudden demand of deliveries.

- ❖ Sudden requirement due to design change.

- ❖ Lead-time from the date of P.O. received from ITI's customer and delivery due date is less than 3 months.

In case of situation listed at I) and ii) above, so long as it does not result in extra financial commitment when compared to regular purchase, such purchase can be treated as a normal diversion of order from one source to another.

Offers could be obtained from the approved vendors / stockists / dealers who can supply the approved make / type. The availability of warranty wherever required shall also be sought from such sources. The offers can be obtained through Fax / E-Mail / Letter / Telephone followed by a confirmatory quote.

The quantity to be procured shall be the barest minimum requirement to tie up the emergency.

Incoming inspection is mandatory for such materials procured through emergency purchase.

For order value upto Rs. 5 Lakhs, Division Head will be the approving authority (reasons leading to emergency purchase to be recorded) with post Finance concurrence & for value above Rs. 5 Lakhs, prior concurrence from Finance is required. The total emergency procurement in a year should not exceed 2% of the annual commitment budget of the Division.

A statement of cases with cause analysis where procurement has been made by resorting to emergency purchase shall be submitted to Plant management as a MIS report on a periodic basis (refer clause 3.3.17.1).

3.3.6.2 Local Purchase:

Purchases made from Local sources are called Local purchase. Purchases of value less than Rs. 10,000/- can be made by Purchase Officer nominated for the purpose by obtaining offers in-person or over telephone followed by a confirmatory quote. However, there will be no formal tender opening.

In case, value of such purchases exceeds Rs. 10,000/- then the offers be obtained by personal visit of a team of competent executives representing purchase, user / originator and inspection. Prior approval of following authority with reason leading to local purchase of such high value, shall be obtained:

Upto Rs. 1 Lakh	:	Divisional Head through Divisional Finance Head
Above Rs. 1 Lakh	:	Plant Head through Plant Finance Head

3.3.6.3 Cash Purchase / Imprest Purchase:

This is for small value procurement upto RS. 1000/- with payment by cash. Cash purchase / Imprest Purchase will be resorted to by the user department, for urgent requirement or when there is delay and where regular tender enquiry is not possible and conducive due to logistic reason. This shall be restricted both for production items and non-production items (like maintenance spares etc). The concerned departmental Head will nominate an officer not less than Grade 2 to make cash purchase by obtaining offers.

No PR will be required and there will be neither a tender enquiry nor a purchase order. Wherever approved vendors are not available, known vendors whose quality is satisfactory to the originator / user could be approached. No IGA is required if the material does not go into stores, but directly utilized and charged to shop order / work order. However, a Pass-in shall be prepared as proof for having brought in the material inside the ITI premises. Delivery Challan is to be certified by the Head of Indenting / User Department (in the absence of IGA) for having received and accepted the items or SRN with SR for the purpose of traceability. Incoming inspection at least by the Quality Control Group at shop floor level is mandatory for items procured through cash purchase. The departmental Heads shall monitor to minimize such purchases, which shall not exceed 1% of material commitment budget. This will also include provision for emergency purchase and local purchase.

3.3.6.4 Educational Purchase:

Placement of orders can be considered on vendors with 'Educational' status subject to the following conditions.

Placement of orders can be considered upto 10% of annual requirement. However quantity ordered against education order shall be over and above the annual requirement.

VDC / IMM Head will advise the concerned materials planning to raise the PR for procurement through educational order. A separate enquiry shall be released inviting offers from such new vendors only. This is mainly to delink the Vendor Development activity from the Procurement activity for regular production requirements. For the purpose of educational order, the previous lowest (L1) bulk purchase rate or the rate of the new vendor on whom the educational order is being proposed, whichever is lower, shall apply. However in exceptional cases rate exceeding upto 10% of the previous bulk purchase rate can be accepted by SPC based on the merit of the case (like involving development cost amortizing tooling cost etc,):

All documents pertaining to educational orders such as PO, IGA, etc, shall have "Educational order" stamped clearly.

The finalization of IGA pertaining to educational order shall be done by inspection after system tryout, if required. The performance of the supplier against educational order should be forwarded to VDC / IMM department.

3.3.7 PROMOTION / PREFERENCE OF INDIGENOUS VENDORS:

All plants of the company will encourage indigenous manufacturers of components / raw materials meeting the requirements of Quality, Delivery and Cost.

The Plants will place purchase orders on indigenous sources whose products have been proven in ITI's equipments after their samples have passed through TQ (Technical Qualification-sample approval) / EDN (Educational / Trial Order), and initial supplies through IQ (industrial Qualification). The Plants will ensure that the time frame from TQ to IQ approval is completed within 16 weeks for any item or equipment required for the current production. Thereafter, firm orders for bulk supplies should be placed on such indigenous vendors.

All parameters being equal in a given tender with regard to price, quality, delivery, service and capacity, preference shall be given to indigenous vendors over foreign. This shall be communicated to the tenderers by incorporating the same as part of the tender terms and conditions.

3.3.8 GUIDELINES ON PURCHASE OF PRODUCTS FROM PUBLIC ENTERPRISES:

When Public Enterprises (including Public sector construction and Service enterprises and State Government enterprises) are ensured to have shown distinct edge over the other competitors (Private sector undertakings) in quality, commitment to delivery, prompt service etc., the following norms for purchase from Public enterprises may be followed:

Only purchase preference (and not price preference) may be given to only those public enterprises whose turnover is above RS.5 crore and with a value addition of a minimum of 20%.

Note: Any other guidelines issued by Govt., from time to time may be kept in view before deciding purchases wherein PSUs have been short listed in the tender.

Wherever the quoted price is within 10% of the lowest offer, other Para meters with regard to Quality, Delivery and Service being equal, purchase preference may be granted to Public enterprises, by giving them a counter offer at the lowest (L1) rate.

In cases, where the quoted price of public enterprises is not within 10% of the lowest (L1) offer, such on offer may be rejected without any further consideration;

3.3.9 SPECIAL FACILITIES FOR SMALL SCALE INDUSTRIES:

Industries registered with SSI or National Small Industries Corporation Limited (NSICL) may be given the following purchase facilities in competition with Large-scale industries:

Tender sets may be given free of cost to such small scale industries;

Security deposit need not be taken from such Small scale industries;

Prompt payment as per statutory requirement.

3.3.10 PROCEDURE FOR INSURANCE:

As a policy, for all incoming consignments on Ex-works / FCA / FOB price basis, both imported and indigenous which are received from outstation should be insured against various insurance policies finalized by insurance Group of the Unit. The section in charge of insurance claims will intimate the particulars, such as, policy No., rate, name of Insurance Co. and whether the policy is for inland purchase or for foreign purchase to all purchase depts. Purchase dept, on receipt of intimation of dispatch of material will record in the form of declaration in the register maintained for the purpose. The declaration will be done separately for inland purchase and foreign purchase in the register provided by insurance company. A monthly statement of the declaration made by the concerned Purchase should be sent to Claims Section who will consolidate all such statements and arrange for payment of premium to Insurance companies.

In the case of foreign items, at the time of sending the requisitions to Finance for arranging customs duty and freight, Purchase dept, should certify that the consignment has been covered for insurance. In case of Defence items where customs duty is not called for before the freight is paid, it should be ensured that the item has been covered for insurance. Whenever a consignment is received in Inward Goods, the In charge should confirm that the consignment is in sound condition. In case any damages are noticed, open delivery of the consignment should be taken from the transport carrier and then inform Claims Section within time specified in the insurance policy for survey of the consignment if the value involved is high.
In case the consignments are found to be sound externally but on opening the consignment if the items are found damaged, an intimation should be sent immediately and within the time specified in the insurance policy to Claims Section to take up with Insurance company while lodging provisional claim. In all cases where the transit insurance has been covered by the supplier, the Inward Goods under the intimation of Claims Section shall be responsible to inform the concerned supplier through purchase section well in time to enable him to lodge the claim with his insurance company before the expiry of the insurance policy.

It is essential that in all cases where provisional claims have been lodged, Purchase dept, should intimate Claims Section about the extent of damage on the consignment on receipt of final IGA so that Claims Section can lodge its final claim on Insurance company. Even in case where the content are not damaged although the consignment was found externally damaged, Purchase should intimate Claims Section that the entire quantity in IGA has been fully accepted so that Claims Section can close the provisional claims lodged with Insurance co. Claims Section should follow with Insurance co, periodically for the settlement of claim. A monthly statement should be sent to all the concerned Purchase depts. giving details of the claims made during the month, claims settled by Insurance co, and the amount realized from Insurance Company, along with the premium paid during the month. Whenever Insurance Company, offers to settle a claim for partial value of the sum insured, Claims Section should settle such cases only in consultation with Purchase dept. Purchase in turn will take necessary approval from the competent authority (Divisional Head / Plant Head) before settling such cases.

3.3.11 PAYMENT OF DEMURRAGE CHARGES:

As it is not practicable to precisely assess and take prior approval for payment of demurrage charges, the expenditure so incurred is to be approved post-facto. However, the demurrage so incurred may be paid and case analyzed for corrective action to avoid recurrence. For demurrage charges paid / payable at different shipping offices, the concerned Regional managers / Shipping officers should be held responsible. For purpose of post-facto approval, Plant Head is delegated to approve for full value of demurrage charges.

3.3.12 PROCUREMENT OF MATERIALS FROM COLLABORATOR:

When it has been decided to procure the materials from Collaborators due to its Custom-built / proprietary nature and competitiveness in view of bulking globally by the collaborators, the following precautions have to be considered for the same of all stages i.e. before agreement, during agreement and execution of agreement.

3.3.12.1 Product

- Technology Level, Expected life cycle of Product and obsolescence status.
- Manufacturing cycle time of the product.

3.3.12.2 Information / Documents

- Collaborators willingness to share information / documents on BOM, Material Specification, Type / make and part number, lead-time, price and source.

- Collaborator's support to ITI for its in-house manufacturing.

3.3.12.3 Sourcing

- Collaborator's condition on kit wise purchase.
- Collaborator's permission for ITI to buy either from Collaborator or global market.
- Collaborator's commitment and type of support for proprietary and custom-built components.

3.3.12.4 Pricing and Payment Terms

- Price variation with respect to our customer order price, FE, CD, etc.,
- Payment terms and conditions.
- Willingness to reduce the price of SKD / CKD / custom-built kits through Memorandum of Understanding (MOU) / Long Term Agreement (LTA) when component market price comes down.

3.3.12.5 Quality

- Shelf life limitation of any component.

3.3.12.6 Delivery

- Material procurement lead-time.
- Status of Technology of Components used and their expected obsolescence.
- Unstinted support by Collaborator for supply of un-predicted additional custom-built / proprietory items within a short time.
- Penalty clause for delay in supply of SKD / CKD kits and additional material and also for short supplies.

3.3.12.7 Obsolescence

Timely intimation on obsolescence of component and suggestions for alternative / design modification clause in the absence of information resulting in loss to ITI.

3.3.12.8 Environment Hazards

- Use of any non-environment friendly items.

3.3.12.9 Packing

- Any special packing instructions for materials such as Hard Disk drive etc.,

3.3.12.10 Single Window Redressal

- Settling issues / dispute relating to short supply receipt of material / wrong materials from collaborators and remedies thereon.
- Single window agency for proper interpretation of agreement implementation difficulties, monitoring for assistance, advising corrective action during the project period till bulk production.

3.3.12.11 General

- Willingness to share Collaborators Material Management System.

When the collaborators agreement materialize, the concerned Material Management has to plan and execute purchase activities after taking into account carefully the related clauses, delivery schedule of our customer order, lead time of component supplier / collaborator, comparative prices from collaborator and other sources by following other relevant provisions of this manual.

3.3.13 MATERIALS AND EQUIPMENTS PROCURED ON BEHALF OF ITI'S CUSTOMERS

The following checklist measures shall be made note of in case of Materials and Equipment's procured by ITI on behalf of its customer:

Commercial issues	-	Payment of sales tax and entry tax
	-	Availment of MODVAT credit

	-	Payment terms Viz.; 90% payment against delivery /installation and Commissioning at the customer's site and balance 10% after acceptance by the customer / after warranty period
Technical Issues	-	Ensuring Quality of supplies, prompt replacement of rejections, post warranty technical support including lifetime support on spares / obsolete parts on Back-to-Back basis.

A typical format of Performance Guarantee Bond is at annexure 3.3.3.

3.3.14 LEGAL ASPECTS OF MATERIALS MANAGEMENT:

3.3.14.1 Materials Management personnel should posses knowledge of the basic principles of various legal aspects connected with indigenous purchases, imports, taxes, duties, transportation, insurance, mercantile law (Law of sale of goods, Law of contracts, Law of agency, Law of arbitration etc.). This is required to avoid any litigation.

An effective way in which a Materials Manager could minimize litigation is to investigate thoroughly in coordination with Vendor Development Cell, the following points at the time of registering new vendors:

Their ability to perform;
Financial credibility;

Record of performance with other concerns;

Reputation in the market and with the bankers.

It is also advisable for the Plant to get the terms and conditions of purchase order / contract reviewed by a competent Attorney (Legal adviser) periodically.

All information to be included as a part of the order / contract should appear above the purchaser's signature. It has been held by courts that data appearing below the signature is for information only and therefore, does not form part of the order / contract.

3.3.14.2 Guidelines on Security Deposit / Bank Guarantee:

In case of open advertisement tender, security deposit or Bank Guarantee in lieu of, shall be obtained from the successful tenderers as per tender condition. In all other cases, security deposit is normally not required unless company's materials are issued to the suppliers for incorporation in the supplies or for carrying out subcontract orders. Security deposit in such cases may be waived of or sought by the IMM Head, having regard to value of materials involved, quantum of value addition by the fabricator / reputation of the supplier / fabricator like Govt. undertaking etc.

The responsibility for obtaining bank guarantee for adequate amount and safe custody of the same rests with the Purchase department.

When banks guarantee is received, the genuineness of the same should immediately be verified by sending a letter to the concerned bank asking them to confirm having issued the said bank guarantee for the amount specified therein and that the same is current. Alternatively, the supplier may be asked to furnish the bank guarantee directly through the concerned bank.

A specific officer nominated by the Head of Purchase department shall be made responsible for acceptance, verification and safe custody of all bank guarantees. A register towards the same should be maintained.

It should be ensured that all bank guarantees are not expired and wherever necessary, action should be taken for recovery / realization of amount before the bank guarantee expires.

The mechanism and monitoring of Bank guarantee against fabrication order are detailed in the Finance manual of the company.

A typical format of Bank Guarantee is at Annexure 3.3.1

3.3.15 DISPOSAL OF PURCHASE FILES:

Purchase files of the following nature shall not be disposed off:

Vigilance cases;

Claims cases;

Legal cases.

Audit enquiry cases (of period upto 5 years from the date of closure of the enquiry); Management instructions upto 5 years after issue of superseding instructions, if any),

Commitment Register and all other purchase files not relating to the above nature may be disposed off after 5 years from the time of closure of the file i.e. when the order / contract has been completely executed and all related transactions closed with no claim pending from either side.

3.3.16 TRAINING:

All the officers and staff of Materials Management should be given exposure in the following areas;

Company's materials management policies and procedures in optimizing production;

Awareness in specific role and responsibilities in executing respective functions;

Keeping abreast of the changing needs of the Company in terms of materials and quality requirements;

Specific role in the implementation of a good vendor relations policy of the Company;

The Purchase personnel should also be exposed to specific needs and functional requirement of each of the material that goes into the project so that such knowledge could be better applied in their function and to effectively communicate with the originators and so also with the vendors.

The purchase personnel should also be made familiar with the basic principles of various legal aspects connected with indigenous purchases, imports, taxes, duties, logistics, insurance, Mercantile law, INCOTERMS etc.

3.3.17 MANAGEMENT INFORMATION SYSTEM:

Under the concept of Integrated Materials Management (IMM) as detailed at chapter 1, the Materials Management functions would be fully computerized to enable correct and timely generation and submission of MIS reports. Accordingly, the Head of IMM in each Plant should arrange for submission of Management Reports periodically to the Plant Management on all-important aspects of the materials management. While the actual formats and the periodicity of the reports will be laid down from time to time, the reports should inter-alia cover the following:

3.3.17.1 MIS reports to the plant Management:

-Age and cause analysis of Purchase requisitions not converted into Purchase Orders within 60 days (Monthly report);

-Age and cause analysis of pending payments outstanding beyond 60 days (Monthly report);

-Statement of cases with cause analysis where procurement has been made by resorting to emergency / cash purchase;

-Purchase commitment of class A and B items

-Purchase commitment budgets versus the actual commitment (Monthly Report);

-Inventory management; Norms vs Actuals. Exceptional cases of actuals beyond norms on monthly basis and stock–out cases on weekly basis.

Any other reports as and when decided by Plant / Corporate Management.

3.3.18 SYNOPSIS OF SUB-DELEGATION OF FINANCIAL POWERS:

Sub-delegation of financial powers in Materials Management function is given in Synopsis at PART “A” of this Manual.

ANNEXURE 3.3.1
(CLAUSE 3.3.14.2)

BANK GUARANTEE PROFORMA

1. As agreed under the relevant terms and conditions of Letter of Intent / Purchase Order Ref ……… Dated …….. between M/s ITI Ltd., (with address) (hereinafter called the Purchaser) and M/s…………………………(hereinafter called the Supplier) for supply of ………………..(herein after called the said Purchase Order), the supplier hereby agrees to furnish a Security Deposit against supply performances by way of an irrevocable Bank Guarantee for Rs…….(Rupees………………………………only). We……….[Indicate the name of Bank] (Herein after referred to as` THE BANK') at the request of the supplier do hereby undertake to pay to the purchaser, an amount not exceeding Rs……..(Rupees………………only) against any loss or damage caused to or suffered or would be caused to or suffered by the Purchaser, by reasons of breach by the said Supplier of any of the terms or conditions contained in the said Letter of Intent.

2. We. …………[Indicate the name of the Bank] do hereby undertake to pay the amount due and payable under this Guarantee without any demur, merely on a demand from the purchaser stating that the amount claimed is due by way of loss or damage caused to or would be caused to or suffered by the purchaser, by reason of breach by the said Supplier of any of the terms or conditions contained in the said Letter of Intent or by reason of the Supplier's failure to perform the said Letter of Intent. Any such demand made on the bank shall be conclusive as regards the amount due and payable by the Bank under this Guarantee shall be restricted to an amount not exceeding Rs…….(Rupees …………only).

3. The Bank further agrees that the Purchaser shall be the sole judge as to whether the said supplier has committed any breach or breaches of any of the terms and conditions of the contract and the extent of loss, damage, costs, charges and expenses caused to or suffered by or that may be caused to or suffered by the Purchaser on account thereof, and the decision of the Purchaser that the said Supplier has committed such breach or breaches and as to the amount or amounts of loss, damage costs, charges and expenses caused to or suffered by or that may be caused to or suffered by the Purchaser from time to time shall be conclusive, final and binding on the Bank.

4. We undertake to pay to the Purchaser, any money so demanded notwithstanding any dispute or disputes raised by the Supplier in any suit or proceedings pending before any Court or Tribunal relating thereto our liability under this present being absolute and unequivocal.

5. It shall not be necessary for the Purchaser to proceed against the Supplier before proceeding against the Bank and the Guarantee herein contained

shall be enforceable against the Bank not withstanding any security, which the Purchaser may have obtained or obtains from the Supplier.

6. We……….[Indicate the name of Bank] further agree with the Purchaser, that the Purchaser shall have the fullest liberty without our consent and without effecting in any manner our obligation hereunder to vary any of the terms and conditions of the said Letter of Intent or to extend time of performance by the said Supplier from time to time or to postpone for any time of from to time any of the powers exercisable by the Purchaser against the said Supplier and to forbear or enforce any of the terms and conditions relating to the said Letter of Intent and we shall not relieved from our liability by reasons of any such variation, or extension being granted to said Supplier or for any forbearance, act or omission on the part of the Purchaser or any indulgence by the Purchaser, to the said Supplier or by any such matter or thing whatsoever which under the law relating to sureties would, but for this provision, have effect of so relieving us.

7. This Guarantee will not be discharged due to the change in the constitution of the Bank or the Supplier.

8. We ………..[Indicate the name of Bank] undertake not to revoke this Guarantee during its currency except with the previous written consent of the Purchaser, in writing.

9. Notwithstanding anything contained in the foregoing clauses, our liability under this guarantee is restricted to Rs. ……………(Amount in words also) and our guarantee shall remain in force until …………(Date of Validity). Unless a demand is made against us to enforce a claim under this guarantee within three months from the date, all your rights under this guarantee shall be forfeited and we shall be relieved and discharged from all liability hereunder.

for……………………[Indicate the name of Bank]

DATE:
PLACE:

Annexure – 3.3.2
Clause : 3.3.5

INDEMNITY BOND

This deed of Indemnity bond is executed on this day of by a company registered under the Companies Act, having its registered office at represented herein by its (herein after referred to as the "OBLIGOR") (which expression shall mean and include its heirs, successors, assignees executors or any one claiming through or under it).

IN FAVOUR OF

M/s ITI Limited a company registered under the companies Act having its registered under the companies Act having its registered office at Regd.&Corporate Office, ITI Bhavan, Dooravaninagar, Bangalore – 560016 (herein after referred as the "OBLIGEE") (which expression shall mean and include its successors, assignees or anyone claiming through or under it).

Whereas the Obligee herein had placed a Purchase Order for supply of. ....WHEREAS the "OBLIGEE" has to supply the required ....to code ....The cost of the ....to be supplied by the Obligee to the Obligor is about Rs. ....

Whereas the Obligee has requested the Obligor to furnish a Bank Guarantee for a said sum of Rs...................(Rupees...
....only)

Whereas the Obligor has expressed his inability to furnish the Bank Guarantee for the said sum of Rs..................whereas the Obligor has requested the Obligee to take an Indemnity Bond in lieu of Bank Guarantee and the Obligee has agreed to take an Indemnity Bond instead of Bank Guarantee with the following conditions and the Obligor has agreed to fulfill the conditions given below:

i) Tools with jigs and fixtures will be available for the personnel of the Obligee to inspect as and when desired.

ii) The Obligor agreed to insure the tools supplied by the Obligee as its Obligors cost of Rs..................making Obligee as beneficiary with all losses covered and the Obligor will keep the tools under trust.

iii) The Obligor undertakes not to use the tools supplied by the Obligee for the manufacture of Castings for any other customer.

WHEREAS in the event of breach of undertaking under this bond, the Obligor agrees to pay Rs...........................(Rupees................................only) within one month of receipt of demand / claim from the Obligee.

NOW THIS DEED OF INDEMNITY WITNESSES AS FOLLOWS:

In consideration of the Obligee agreeing to receive the said sum of Rs……………..,the Obligor hereby agrees and undertakes to indemnify and keep indemnified the Obligee against any loss or damage to the tool that may be sustained by the Obligee as a result of misuse, mishandling or improper storage of the tool while in the custody of the Obligor or breach of any undertakings furnished under this bond.

The Obligor hereby further agrees and undertakes to indemnify and keep indemnified the Obligee against all the costs and expenses that the Obligee may incur as a consequence of the Obligee's being put to the necessity of initiating proceeding against the Obligor upon the Obligor failing to pay the said sum of Rs……………within one month of lodging the demand / claim by the Obligee.

IN WITNESS WHEREOF, the Obligor represented herein by Managing Director has signed this deed of Indemnity on the day, month and the year first mentioned above.

Obligor

Witness

1

2

Annexure – 3.3.3
Clause: 3.3.13

PERFORMANCE GUARANTEE BOND

In consideration of ITI Limited, Dooravaninagar, Bangalore 560016(hereinafter called as the Company) we……………………….Bank executed this performance Guarantee Bond as surety to the cost of……………………Supplies by ……………………situated at. ……………………(hereinafter called as the Supplier) as per the purchase order No…………………dtd………… of the Company

1. At the instance of……………………………, the supplier we …………… Bank hereby undertake to pay to ITI Limited, Bangalore – 16 an amount not exceeding………………………if the machine supplied by the Company fails to perform to the satisfaction of the Company upto……………………or before the expiry of this guarantee, or within the agreed period whichever is earlier.

2. We ……………………………………Bank agrees to pay for the value of the rejected materials upto a limit of ……………………………………and interest thereon from the date of notice till the date of payment at % per annum without any demur, merely on a demand notice from the Company stating that the Company has suffered loss due to non-performance of instrument…………… supplied by the supplier. Any such demand made on the Bank shall be conclusive as regards the amount due and payable by the Bank under this guarantee.

3. We undertake to pay to the Company any money as demanded not withstanding any dispute or disputes raised by the supplier in any suit or proceedings pending before any court or tribunal relating thereto out liability under this guarantee being absolute and unequivocable. The payment so made by us under this bond shall be a valid discharge of our liability for payment thereunder and the supplier shall have no claim against us for making such payment.

4. We…………………………Bank, further agree with the Company that the Company shall have the fullest liberty without our consent and without affecting in any manner, our obligation hereunder to vary there any of the terms and conditions of the said agreement or to extend time of performance by the said supplier from time to time or to postpone for any time or from time to time any of the powers exercisable by the Company against the supplier and to forbear or enforce of the terms and conditions relating to the said purchase order and we shall not be relieved from our liability by reason of any such variation or extension being granted to the said supplier or for any forbearance act or omission on the part of the Company or any indulgence by the Company to the supplier or by any such manner or thing whatsoever, which, under the law relating to sureties would, but for this provision, have effect of so relieving us.

5. This guarantee will not be discharged due to the change in the constitution of the bank or their supplier.

6. We……………………………Bank, further agree that the guarantee herein contained shall remain in force till ………………………

We…………………………Bank, undertake not to revoke this guarantee during its currency except with the previous consent of the Company by writing.

Dated the ……………………day………………

Witnesses For Bank

1.

2.

Annex 3.3.4
Clause 3.1.4

CATEGORISATION OF ITEMS
(COR/M/CM/001/Issue2/AMD dt.12.01.06)

Sl. No.	Type of Items	Proprietary /Single Source	Limited Tender with VDC	Limited Tender without VDC	Open Tender
1	**PRODUCTION – MANUFACTURED**				
1.1	With value addition	MoU/Collaborated items where CKD/SKD is purchased only from the MoU / Collaborator	MoU/collaborated items where partner gives the sources for purchase of components / modules and his list of sources cannot be altered & no source can be added	MoU/Collaborated items where partner gives the sources for purchase of components / modules and TO his list of sources. Further sources can be added by ITI	In case ITI wants to establish more sources VDC will take action
1.2	Without value addition	MoU/Collaborated items where Finished equipment is purchased only from the MoU / Collaborator and inspection is to be done in ITI			
1.3	DTS as part of the system	MoU/Collaborated items where all the Finished equipment is purchased only from the MoU / Collaborator and sent directly to Consignee without bringing inside ITI	MoU/Collaborated items where part of all Finished equipment is purchased only from the MoU / Collaborator and sent directly to Consignee without bringing inside ITI. Part of the finished equipment may be purchased as per the sources provided by the MoU partner and no deviation allowed in the source list.	MoU/Collaborated items where part of all Finished equipment is purchased only from the MoU / Collaborator and sent directly to Consignee without bringing inside ITI. Part of the finished equipment may be purchased as per the sources provided by the MoU partner and deviation is allowed in the source list by ITI.	

Sl. No.	Type of Items	Proprietary /Single Source	Limited Tender with VDC	Limited Tender without VDC	Open Tender
2	**PRODUCTION – NON MANUFACTURED**				
2.1	Traded	MoU/Collaborated items where all Finished equipment is purchased only from the MoU / Collaborator and sent directly to Consignee without bringing inside ITI	MoU/Collaborated items where part of all Finished equipment is purchased only from the MoU / Collaborator and sent directly to Consignee without bringing inside ITI. Part of the finished equipment may be purchased as per the sources provided by the MoU partner and no deviation allowed in the source list.	MoU/Collaborated items where part of all Finished equipment is purchased only from the MoU / Collaborator and sent directly to Consignee without bringing inside ITI. Part of the finished equipment may be purchased as per the sources provided by the MoU partner and deviation is allowed in the source list by ITI.	
2.2	Turnkey	Items under 1.1, 1.2, 1.3 and 2.1 required as part of turnkey solution	As per respective categories	As per respective categories	
2.3	Services	Where only Collaborator / MoU partner has to give the services	Where services are to be outsourced from the market and list of approved sources is provided by the partner	Where services are to be outsourced from the market and no list of approved sources is provided by the partner	
3	**OTHERS**				
3.1	Manf. Consumables	Case to case basis	Case to case basis	Case to case basis	Case to case basis
3.2	Non Manf. Consumables	Case to case basis	Case to case basis	Case to case basis	Case to case basis
4	**CAPITAL GOODS**				
4.1	Manufacturing Support (Production Aids)	When to be purchased only from the collaborator / MoU partner	Where approved sources are available	Where approved sources are not available	Where sources are not known or where additional
4.2	Non Manufacturing Support (Turnkey projects, R&D and Administration)	Case to case basis	Case to case basis	Case to case basis	Case to case basis

CHAPTER 4

INWARD GOODS MANAGEMENT

4.1 INWARD GOODS:

4.1.1 General

The Inward Goods Section is a transition stores linking external agencies like transporters & suppliers with the company. It also interacts with the Clearing Section, Inward Goods Inspection Department, Materials Planning, Stores, and Purchase Section.

4.1.2 Receipt

All materials received from various external agencies should be against authorised documents such as Delivery Challan, Invoice of supplier, SSU etc. and should be endorsed by Purchase / MM executive & accounted on day to day basis.

4.1.3 Verification

i) All the consignments received should be visually checked to confirm that no damage (external) has happened during transit / at the time of receipt. In case of any damage is observed, the cases / packages are to be checked for the soundness of goods received and reported to clearing department and Purchase section

ii) It shall verify that all delivery documents are received along with consignment with the endorsement of security pass-in wherever necessary, and information on weight and number of cases

iii) Wherever possible the consignment received should be checked for correctness of quantity,(as decided by the respective Plant)

4.1.4 Acceptance of Consignment.

Wherever acknowledgement is required on the copy of delivery document, the endorsement reading "SUBJECT TO VERIFICATION AND ACCEPTANCE ON QUALITY AND QUANTITY" will be made.

4.1.5 Registration:

The details of all consignments received in the Inward Goods shall be registered in a register for follow-up and receipt document (IGA) has to be prepared sequentially and the serial number of the receipt document is entered in the register. The IGA is one of the pre-requisites for payment to vendors under normal terms of payment or for regularisation of the payment already effected.

4.1.6 Documentation:

For each and every consignment received, a receipt document-Inward Goods Advice (IGA) shall be prepared giving details of Purchase order reference or SSU reference, Delivery document reference, details of materials received, quantity, number of cases / packages. The officer in charge of the Inward Goods will check for completeness and correctness of all data filled in the IGA and signs the document. Advance copy of IGA shall be sent to purchase section and one copy of advance IGA along with transporter's copy of invoice (in case of indigenous supplier whose products is excisable) will be sent to excise / taxation cell of the plant under acknowledgment to enable them to take MODVAT credit.

4.1.7 Arrange for Inspection:

A copy of the IGA will be sent to the Inward Goods Inspection (IGI) department informing the arrival of consignment. The Inward Goods section will arrange the material in such a manner that the Inspection representative can select random samples from the consignment for testing. These samples will be handed over to the inspector of IGI on acknowledgement.

4.1.8 Receipt of Inspection report and movement of goods:

i) On receipt of Inspection report from IGI, the material passed by IGI will be moved to the respective Stores for accounting, safe custody and issue to production.

ii) All the rejected materials will be moved to Rejected Material Stores under custody of Inward Goods for suitable disposal action. In case of partial rejection after segregation of material, the rejected lot is moved to Rejected Material Stores and the passed materials are sent to custody Stores. Disposal action of rejected material on the advise of competent authority of IMM department is also to be complied with. It shall be ensured that no material is issued directly to production without inspection clearance. However, in situation of criticality, the same could be issued under Positive Recall System as per the provisions of the Company Quality Manual.

4.1.9 Distribution of IGAs

The IGA copies shall be distributed to the following:

i) Receiver of Goods/ Stores
ii) Inspection authority
iii) IMM department / Originator of PR
iv) Finance (2 copies)- Bills payable and Material Accounting
v) Inward Goods as Office copy

4.1.10 Computerization

The officer-in-charge of Inward Goods is responsible to keep the mechanised data in computer also upto date.

CHAPTER 5

STORES MANAGEMENT

5.1 RECEIPT OF MATERIALS:

The stores will receive the material only with relevant document such as IGA, Material Transfer Note. Store Return Note, Delivery Ticket and SSU.

5.2 VERIFICATION:

The stores personnel will check and tally physically the material received vis-à-vis the details given on the document for correctness of code, quantity (invoiced quantity, rejected quantity, quantity to be accepted by stores), packing, acceptance by IGI etc., endorse the receipt on the relevant delivery document and distribute the copies as per the respective document.

5.3 STORING:

After verification of the goods received, the same will be stored in the locations assigned for the materials wherever necessary.

5.4 PRESERVATION:

The material kept in the stores will be preserved properly to avoid deterioration. Materials requiring protection from heat should be stored in a cool place, if necessary in a refrigerator. All ferrous items should be prevented from rusting by coating them with rust preventing oils. The concept of FIFO (First in – First out) and consideration to shelf life, shall be followed.

5.5 ISSUE OF MATERIALS:

The stores personnel will issue material only against authorised document – Material Requisition, Material Transfer Note, SSU, Shipping Requisition and preferably only the quantity authorised for issue. The quantity of material issued will be entered in the relevant column in the Issue document. The document copies will be distributed as per the respective document.

5.6 UPDATING STORES RECORDS AND DISTRIBUTION OF DOCUMENTS:

All stores transactions will be entered in the computer on day-today basis to have up-to-date stock position. A copy of all the receipt and issue documents will be preserved for reference. The documents such as IGA, MR, MTN, DT, SRN will be distributed as required on the day of completion of transaction with the endorsement of serial number and date on the document. An acknowledgment will be obtained from the receiver of the document.

5.7 STOCK VERIFICATION:

Periodically the physical stock in the stores shall be got checked by Internal Audit and compared to the stock as per records. Any variation in the stock will be recorded and investigated for reasons and finally the stock will be corrected with a stock correction advice.

5.8 PERPETUAL INVENTORY / STOCK VERIFICATION:

Apart from the periodic physical stock verification, the stores may resort to perpetual stock verification whenever the stock of an item is less and easily verifiable.

5.9 PRESERVATION OF DOCUMENTS:

All the relevant documents, registers, database file of stock position etc. Will be preserved at least for a period of five years from the close of the financial year.

CHAPTER 6

INVENTORY MANAGEMENT

6.1 INVENTORY CONTROL BY ABC CLASSIFICATION

The following will be the guidelines for ABC Classification of inventory of production and non-production items.

6.1.1 ABC Classification – Definitions:

A Class: Accounting for 70% of the Annual requirement by value (representing about 10% of the items by number).

B Class: Accounting for another 20% of Annual requirement by value (representing about 20% of the items by number).

C Class: The remaining 70% of the items by number accounting for about 10% of Annual requirement by value.

ABC Classification will be carried out separately for each production division. For each year's decision making, the value of annual requirement will be the basis.

6.2 NORMS ON INVENTORY HOLDINGS:

I Raw Materials and Components:

A Class items:	Imported	- 2 Months of annual requirement
	Indigenous	- 1 Month of annual requirement
B Class items:		- 3 Months of annual requirement
C Class items:		- 6 Months of annual requirement
II Work-in-Progress		- 1.5 months of production
III Finished Goods		- 1 month of sales

Note:

a) Obsolete and Last Time Buy (LTB) items are exempted from the above inventory norms.

b) Long lead items are also exempted from the above norms but their inventory restricted to Stock equivalent to lead time with 15 days safe period.

6.3 DORMANT AND SLOW MOVING ITEMS – DEFINITION:

6.3.1 Dormant Items:

Dormant items are those which are not required for the current production and not required further due to production discontinuation / absence of market of a product / change in design.

6.3.2 Slow Moving items:

Items where the opening stock for the financial year is more than previous year's consumption are classified as Slow moving items.

The inventory management cell shall periodically review the status of Dormant / slow moving items and take steps for their inter-plant / division transfers / disposals by way of cross-linking of codes etc.

6.4 INTRODUCTION OF CASUAL CODES:

Except R&D division, no production division shall be allowed to introduce casual codes while dealing with new items. Even such casual codes for the new items, shall be regularised to regular ITI codes within one year of their introduction.

6.5 DISPOSAL OF DORMANT AND SLOW MOVING ITEMS:

The dormant and slow moving (surplus stock) should be disposed off as early as possible. The longer the material remains in the stock, the lesser will be its Market value.

The disposal of dormant items should be decided by a standing committee appointed by the Plant Head.

The following steps may be taken before disposal of the surplus & dormant inventory:

1. The list should be circulated to all Divisions and Plants so that they may meet their requirements of these items without resorting to fresh purchases. For this, the cross linking of codes across various technologies of ITI for a given family of items, provided by Component Approval Group under Corporate Quality Management, may be made use of.

2. The dormant and surplus items not usable by any of the divisions and Plants may be separated physically from active stock and stored separately in a store identified for disposal.

3. The committee on dormant & surplus items should explore the following possibilities:

a) Examine the PRs of production divisions and inform the concerned planning / purchase section on the availability, if any of the items required by them, in the dormant stores.

b) Manufacture certain subassemblies or products that could be sold.

c) Separate out raw materials from manufactured so that the raw materials may be sold as raw materials.

d) Actively participate in the quotes that may be arranged through various disposal agencies like Material Stock Exchanges (MATEX).

e) Actively canvas with the prospective buyers.

4. Small value manufactured items, which cannot be sold as such, may be scrapped and sold through Metal Scrap Trading Corporation (MSTC).

CHAPTER 7

VENDOR RATING

7.1 VENDOR RATING

Every Plant shall carry Vendor Rating with the following objectives:

i) To enable IMM department in short listing the vendors for the purpose of Tendering

ii) To enable IMM department for the purpose of quantity allotment based on the criteria of Bidders Grading in which Vendor Rating is one of the parameters.

iii) To enable VDC to update database of vendors with regard to their approval status including additions / deletions

iv) To enable VDC to take up with vendors for corrective action.

7.2 VENDOR RATING METHOD:

7.2.1 Periodicity of Vendor Rating:

The generation of the data on Vendor Rating of approved vendors which will be a dynamic system, shall be carried out every quarter. This can be used as and when required. New vendors shall be rated for the first time after the completion of their educational / trial order.

7.2.2 Vendor Rating Factors:

Vendors will be rated IGA wise on the basis of the following factors:
Quality of supply;
Time delivery;
Service.

7.2.2.1 Quality Rating (QR):

Quality rating (Q.R) for every IGA / lot / consignment is given By:
QR = [Q1+(X1 x Q2) + (X2 x Q3) + (X3 x Q4] / QS: where,
Q1 = Quantity accepted from the lot supplied,
Q2 = Quantity accepted with deviation,
Q3 = Quantity accepted after rectification / sorting
Q4 = Quantity rejected,
QS = Total quantity supplied in the lot / consignment = Q1 + Q2 + Q3 + Q4,
X1 = Demerit factor (=0.6) for material accepted on deviation,
X2 = Demerit factor (=0.3) for material accepted after rectification / sorting, and
X3 = Demerit factor (=Zero) for material rejected.
Average QR (AQR) = (QR1 + QR2 + QR3…………….QRN) / N

Where N=No. of IGAs / lots.

7.2.2.2 Delivery Rating (DR):

Delivery rating (DR) for a lot or consignment is given by:
DR = QS / Q where,
QS = Actual quantity supplied **within the mutually agreed delivery time**, (with grace period of 10 days)

Q= Quantity to be supplied **within the mutually agreed delivery schedule** as per purchase order.
Average DR (ADR) = (DR1+DR2+DR3.........DRN) / N
Where N=No.of lot / IGAs

Note: Before computing the delivery rating for a given supplier, the following aspects shall not be lost sight of:

i) The delivery schedules stipulated in the PO and reckoned for the purpose of Delivery rating, shall be those, which have, been mutually agreed up on between ITI and supplier.

ii) In the event of any advancement in delivery / postponement / cancellation of delivery schedules, sufficient advance notice period as mutually agreed upon at the time of placement of LOI / PO, shall be given to concerned supplier.

iii) In case of indigenous supplies with terms of payment through bank, the date of receipt of claim from the bank may be treated as the date of receipt of material at ITI works.

iv) In case of imports, the date of landing of consignment irrespective of date of custom clearance from ITI side, shall be reckoned as the date of receipt of material at ITI works.

v) Before attributing the delay in delivery by the supplier, it shall be ensured that ITI on its part has met its commitment with the supplier in respect of release of payment in time, approval of samples, other technical clearances etc.

7.2.2.3 Service Rating (SR):

Apart from the Rating of Quality & Delivery, Service Rating (SR) on overall basis is to be assigned by a committee consisting of representatives from Purchase, Planning, QC/QA and any other department if required with Purchase Representative as Member Convenor and computed for each vendor as per the following parameters:

Service Factors		**Score**
i) Cooperativeness and readiness to help in emergencies		0,1,2,3,4,5
ii) Response on Quality Complaints including replacement of rejected materials		0,1,2,3,4,5
iii) Flexibility in implementing changes in delivery, design etc.		0,1,2,3,4,5
iv) Promptness in reply		0,1,2,3,4,5
v) Compatibility of ITI's payment terms		0,1,2,3,4,5
Overall Service Rating (OSR)	Total	

Note: Score 0 is poor and 5 is best

The final Service Rating for a given vendor will be the average of rating assigned by all members of the committee.

The Service Rating shall be once a year for a given vendor and shall be completed well before the tendering action for the next year's requirement, based on the experience from the vendor for the previous year.

7.2.2.4 Weightage for Vendor Rating Factors:

For calculating the vendor rating score (VR) for each lot or consignment of supply, the following weightages for individual factors shall be used:

Factor	Weightage
Average Quality Rating (AQR)	50
Average Delivery Rating (ADR)	25
Overall Service Rating (OSR)	25
TOTAL:	100

7.2.2.6 Average Vendor Rating Score (AVR):

In the case of an approved vendor, the average vendor rating score (AVR) is the average of the vendor rating scores (VRS) for the several lots of supplies made during the year / year of review / as on date.

The AVR is given by:

AVR = 50 (AQR) + 25 (ADR) + 25 (OSR)

In the case of a multi – division Plant, the vendor rating for a given vendor is average of the vendor ratings of the various divisions of the given plant for the subject vendor, as a whole.

7.3 DATA GENERATION FOR VENDOR RATING:

Data for quality rating shall be extracted from the IGA copies on each lot / consignment of material supplied by the vendor.

Data for delivery rating shall be extracted from the records of the concerned Purchase department.

The Service Rating will be computed by the committee as detailed at clause 7.2.2.3. The Vendor Rating will be computed by central EDP with inputs from the concerned departments, for the various parameters as indicated above for a given vendor for a given item / family of items. In the case of multi division Plant, the Vendor Rating computed for a given supplier shall be for the plant as a whole. This information shall be made available to all concerned through Database.

7.4 VALIDITY PERIOD OF VENDOR RATING;

The rating and classifications of vendors shall be valid until they are reviewed and updated, subject to maximum of 3 years.

7.5 SELECTION OF VENDORS TO RECEIVE TENDER ENQUIRY

The vendors will be listed in descending order of the ranking. The first five rankers will be chosen an eligible to receive tender enquiries. One or two other approved vendors (not rated all along) should be included, if needed.

7.6 VENDOR RATING FOR NEW VENDORS:

The vendor rating in respect of new vendors shall be based on their supply performance against the educational order / trial order executed by them.

7.7 FEEDBACK TO THE VENDORS:

Rating of each vendor shall be communicated to him indicating his classification in writing, once a year.

7.8 MONITORING OF VENDOR PERFORMANCE;

7.8.1 Periodic Review of Ratings:

The Vendor Rating will be reviewed every quarter and appropriate action of updating of Database, toning of Vendors shall be taken.

7.8.2 Vendors Exhibiting adverse trends:

Vendors exhibiting adverse trends and with extremely low or erratic scores for different lots of supply shall be subjected to detailed investigation by the concerned VDC / QA on the vendor rating. Investing teams may be deputed by VDC / QA to visit the Works of such vendors and ascertain the actual status. Such investigations may reveal possible deterioration in the vendor's infrastructure and process capabilities. Necessary corrective actions shall then be initiated through technical guidance.

7.8.3 Deletion from List of Approved Vendors:

Vendors who have been found to be consistently poor in ratings and incapable of taking corrective action to improve their performance shall be deleted by the VDC / QA (based on vendor rating) from the List of approved vendors.

7.8.4 Quality Deficiency at IGI Stage or during use:

Whenever quality deficiencies are detected in the items supplied either at the Inward Goods inspection stage or during use of the items in production stage, the concerned departments shall report the matter promptly to the respective purchase section / IMM department who will in turn refer the matter to the relevant VDC, for suitable corrective action.

7.9 QUANTITY ALLOTMENT BASED ON BIDDERS' GRADING:

The quantity allotment ratios will be based on Bidders' Grading but at discretion of SPC / Non SPC, to the advantage of the company, at L1 rate. The criteria of Bidders' Grading will be Mandatory to apply for Class A & B items and optional for Class C items. The Plants / Divisions should start applying the concept of Bidders Grading only when the vendor rating systems has been established. Before the concept of Bidders' Grading is adopted, the same has to be communicated to the tenderers as part of the terms and conditions of the tender enquiry.

7.10 PRICE RATING (PR):

The Price rating (PR) for a lot or consignment is given by:
PR=LP / P Where,
LP=Lowest of the basic price of technically acceptable offers quoted originally by different vendors, and
P=Price originally quoted by the vendor being rated.

7.11 BIDDERS' GRADING (BG):

The Bidder's Grading (BG) =60% of PR+40% of AVR (vide clause 7.2.2.6)

The methodology of computing quantity allotment ratios in respect of each vendor based on Bidders Grading is illustrated by typical examples at Annexure 7.1

Note: While selecting the tenderers for the purpose of Quantity Allotment, tenderers with poor vendor rating score of (say) below 60 should not be considered if alternate tenderers with higher rating are available.

METHODOLOGY FOR COMPUTING QUALITY ALLOTMENT RATIOS IN RESPECT OF EACH VENDOR BASED ON BIDDERS' GRADING

VENDOR	PRICE RATING (PR)	AVG. VENDOR RATING (AVR)	BIDDERS GRADING (BG) (60% PR + 40% AVR)	QUALITY ALLOTMENT RATIOS
ILLUSTRATION-1				
A	80	90	48 + 36 = 84	$\frac{84}{(84 + 82 + 92)}$ X 100 = 32.55% Rounded off to 32%
B	90	70	54 + 28 = 82	$\frac{82}{(84 + 82 + 92)}$ X 100 = 31.78% Rounded off to 32%
C	100	80	60 + 32 = 92	$\frac{92}{(84 + 82 + 92)}$ X 100 = 35.77% Rounded off to 36%
				TOTAL = 100 %
ILLUSTRATION-2				
X	80	90	48 + 36 = 84	$\frac{84}{(84 + 84 + 86)}$ X 100 = 33.07% Rounded off to 33%
Y	100	60*	60 + 24 = 84	$\frac{84}{(84 + 84 + 86)}$ X 100 = 33.07% Rounded off to 33%
Z	90	80	54 + 32 = 86	$\frac{86}{(84 + 84 + 86)}$ X 100 = 33.86% Rounded off to 34%
				TOTAL = 100 %

*Note: Tenderers with poor Vendor Rating(VR) score of (say) below 60 are not considered for quantity allotment even if their Price Rating(PR) is highest, if alternate tenderer(s) with higher rating are available.

CHAPTER 8

ADMINISTRATION OF MANUAL

8.1 APPROVAL:

The Management Officer in charge of Corporate Material Management has the authority to revise, amend and advance the issue of this manual. Revision is generally taken up on account of change in Company policy and objectives on Material Management, change in technology, change in statutory obligations of the Government from time to time, change in global marketing scenario etc. Amendments which have a bearing on the Company policies and objectives require the approval of the Chairman and Managing Director. Proposals for amendments, however, shall invariably be referred to Corporate Quality Assurance for ensuring continued compliance of this Manual to ISO 9000 requirements.

8.2 DISTRIBUTION:

This Manual and all subsequent amendments shall be distributed within and out side the company as requested, as per the distribution grid maintained by the Corporate Materials Management.

Each copy is identified by a number and name of the division / section of the holder. All amendments / revisions shall be recorded and maintained by the holders of this Manual

8.3 REVIEW:

The manual shall be reviewed by the Management Officer of Corporate Materials Management every year to determine and ensure its effectiveness, apart from cases mentioned on revision vide clause 8.2 needing immediate implementation. A record of such review with recommendations will be put up to CMD for approval.

When a sufficiently large number of amendments are released, the issue of the Manual shall be advanced incorporating all the amendments.