

CHAPTER XIX

VENDOR DEVELOPMENT

19.1 The Vendor Registration section of Purchase department shall deal with the Vendor development and its related activity.

19.2 It is to be borne in mind that vendors are valued business associates and therefore it would be necessary to cultivate vendors to enable the company to meet the targets. This would also enable to strengthen and enlarge vendor base. The vendors or contractors should not be made to wait beyond reasonable period during the course of interactions.

Register of Approved Vendors

19.3 In respect of registered firms, the technical and financial capacities are checked at the time of registration, which is granted for specific items and specifications and incorporates the assessed capacities. Procurement of stores should normally be made from registered manufacturers or suppliers.

19.4 Based on the classification of material, a “Register of New Suppliers or Contractors” in respect of items for which registered shall be maintained by the Tender Section of Purchase department.

19.5 This list should be updated regularly and updated in HSL website at the end of every quarter. Dealing purchase centers will have to verify and include the newly registered vendors in subsequent lists for issue of Limited Tender.

19.6 The details of the vendor viz., Name and complete address of the firm, together with Phone no., fax no. e-mail & website address, products and the supplier code number etc., shall be recorded in the ERP Register of Vendors Data Base.

19.7 Vendor Registration is considered under the following circumstances:-

(a) Whenever a new product, equipment, material and or service is required for any of the projects undertaken or being undertaken, on projecting the requirement for sourcing, selecting or registering (if recommended) by Design, Planning and or user departments.

(b) On recommendations from the concerned Design Department or Indenting Department and or vendors directly approaching the yard, with a view to expand the existing vendor base.

(c) When an already registered vendor approaches the yard on account of merger or d-merger or change in the constitution or type of business or for other or additional products dealt by his company, including technological changes requiring consequential changes in materials and or processes.

(d) When there are no registered vendors or on account of deletion of existing vendors for the subject commodity or due to any other reason.

19.8 The Purchase Department shall keep abreast of the market developments in the country and in the globe as well as formation of new companies for supply of various items used in “Shipbuilding Industry” and should give continuous effort for enlistment of new vendors for the purpose of widening the vendor base to generate more competition & improved quality in purchasing of material. In this effort the following sources may be utilized:-

(a) Internet, Marine Journals or magazines, Marine Equipment Buyers Guides published in the form of books or C.Ds., ISO accredited companies, DGS&D publications, other public sector undertakings, trade associations, embassies, Class approved vendors etc.,

(b) Advertisement in Newspapers & HSL website “Inviting Applications or Expression of Interest” from time to time (once in every year), from the intending vendors for registration, especially in the selected areas where limited registered suppliers are only available.

19.9 Eligibility for Registration. Any firm, situated in India or abroad, who are in the business of manufacturing, stocking or marketing of stores and operating operator of services of specified categories, shall be eligible for registration.

19.10 Where registration is granted based on partly outsourced arrangements or agreements, it shall be the responsibility of the registered unit, to keep such arrangements or agreements renewed or alive at all times.

19.11 The requests for registration from eligible vendors shall be entertained through the downloading of “application forms” from HSL Web site by the Vendors.

19.12 The application forms for registration shall be displayed appropriately with unambiguous and clear cut instructions or requirements for registration and of the supporting documents or processing fee, in the form of “guidelines” which shall also include the code of conduct expected out of the firms desiring to be registered as Approved Vendors.

19.13 Vendors shall download the application form, complete it in all respects and submit the application form accompanied with the non refundable processing fee of Rs.5,000/- However, the Government organizations, MSME suppliers registered with NSIC / DIC are exempted from payment towards registration / renewal fee. The intending vendor shall submit required documents in original or duly notarized copies as prescribed, within 60 days from the date of the issue of the application form. Delays, if any, in submission of the filled in application forms can be condoned by the competent authority approving the registration.

19.14 Evaluation for Registration of Vendors. The fees, as specified from time to time, is to be collected from vendor by way of DD or Banker's cheque at the

time of submission of application for registration. The fee shall be reviewed & structured by Head of the Division with approval of Functional Director with a view to partially cover the expenses to be incurred for registration once in three years.

19.15 The filled in application forms from vendors will be scrutinized by the Vendor Registration Section for its completeness and in case of deficiencies or shortcomings, the same may be communicated to the vendor for compliance by mail or by display in HSL Website. Request for re-verification and review made by the vendor after compliance and submission of required documentary proof, may be put up to the Competent Authority for review and decision.

19.16 Before granting the registration, the following may be ensured:-

- (a) The credentials of the vendor may be verified with the documents submitted.
- (b) Notarised Copies of Annual Accounts of previous three years duly audited and certified by a Chartered accountant, for financial status of both indigenous and foreign vendor and contractor.
- (c) In respect of firms incurring losses, registration of such firms may be recommended up to the value of net worth (share capital + reserves - debit balance of P & L A/c) for a period of one year.
- (d) Copy of latest solvency certificate (not before 6 months from the date of application of vendor registration) issued by a public sector bank is acceptable. Confirmation shall be obtained from the issuing bank. In case of Foreign bidders, the solvency Certificate to be issued in the prescribed format by an Indian Public Sector Bank to conduct government business. The Guidelines on confirmation of Solvency certificate of Foreign banks by Indian banks is given in Appendix "D". However, solvency certificate need not be insisted for in case earlier registration approved only for one year up to completion of two renewals / three years from the date of earlier registration for one year whichever is earlier.
- (e) The Client list of Vendor and copies of orders executed in preceding three years.
- (f) Copy of Income tax return for the current financial year
- (g) Copy of PAN card.
- (h) In the event the vendor has put up a website, its contents are examined for cross verification or correctness of details submitted.
- (i) A team of officers from Purchase, Inspection & Design Department or Indenting Department may visit the premises of the Vendor, if so desired or necessitated, to gain firsthand knowledge of all his activities and seek clarification on any aspect of his working, including information of products similar to those

for which the vendor is to be approved, to facilitate assessment. The Head of respective Departments are to nominate officers as requested by the Purchase Department.

19.17 For registering the names of suppliers or contractors in the following categories, visit to the premises may be dispensed with. However, the requisite information, if any, for assessing the capabilities of the vendor(s) may be ascertained: -

- (a) Central / State Govt. Statutory Agencies, PSUs, Public sector enterprises
- (b) Suppliers listed in the DGQA Compendium / sources nominated / specified by customer
- (c) Proprietary items / Equipment Manufacturers whose products are incorporated in design/technical specification for procurement
- (d) Vendors registered and having proven track record with Defence Shipyards
- (e) The capacity verification of the Ancillary units or sub-contractor units shall be carried out jointly by the QA Department and Ship/Submarine Building Outsourcing Cell.
- (f) Any other information considered necessary before granting the registration.

19.18 The Registration of the firms will not be considered in the following circumstances:-

- (a) If a proprietary firm is registered for a particular product or service, then any other firm wherein he is a proprietor or partner is not considered for separate registration for the same product or service. Similarly in case of Partnership Firm, no two firms with same partner(s) will be considered for registration separately for the same product or service. A declaration to this effect will be obtained at the time of registration.
- (b) If a particular firm or vendor or company has been debarred by Central or State Government, Statutory Agencies, then any other firm or company having same Promoters or Directors or Partners from the debarred Company is not considered for registration or if already registered may be barred from business dealing for the duration for which the debarring of the firm or vendor or company persists on receipt of such intimation or information.
- (c) If the Vendor fails to voluntarily submit changes in any time-sensitive data supplied at the time of original application of registration.

19.19 Competent Authority for Granting Registration. The Divisional Head is the Competent Authority for approving the application for registration and granting of registration. The Tender section, upon fulfillment of all the conditions prescribed for registration by the vendor, shall put up a proposal for the approval of the competent authority through the departmental hierarchy. Wherever, a visit was made by the

team of officers of HSL to the premises of the vendor, "Appraisal Report" by the visiting Team along with their recommendations is submitted to the Head of Purchase Department for approval.

19.20 The cases for registration will be dealt with by the Vendor Registration section on monthly basis or early depending on the number of pending applications.

19.21 All Government establishments or Undertakings shall be deemed registered. However, details of their products may be obtained and a formal registration certificate issued with the approval of Divisional Head.

19.22 Issue of Registration Certificate. On approval of the recommendation for registering a firm for supply of items or services by HOD, - Purchase Department, a formal letter enclosing Registration Certificate shall be sent to the firm indicating the items or equipment or products or services or facilities, and value limit, as the case may be, for which he is registered with the Company.

19.23 Registration of firms certified to ISO 9001:2000 quality Management System Standards are reviewed whenever ISO 9000 Series Quality Management System undergoes revision or at re-certification or verification interval in between.

19.24 Broad Categories for Registration. The registration of the vendors may be in the following broad categories:-

- (a) Manufacturers, who supply Indigenous items
- (b) Agents or Distributors of such manufacturers, who desire to market their production only through their agents
- (c) Foreign Manufacturers with or without their accredited agents or agent in India
- (d) Stockists of imported spares and other specified items
- (e) Supplier of imported stores who is having regular arrangement with foreign manufacturers
- (f) Sub-Contractors for Production or Ship Repair Activities
- (g) Service Providers like Contractors for Annual Maintenance Contracts or AMCs or Transportation or C&F or Civil Works or Catering etc.

19.25 Validity of Registration. The period of validity of registration shall normally be 3 years unless specified in the Certificate of Registration. However, enlistment of newly commenced firms will be considered initially only for one year and will also be subject to 100% inspection of their works or supplies.

19.26 Provisional Registration. Certain reputed manufacturers and foreign suppliers may not take initiative to get themselves registered. However, in the event

of contracts being awarded in their favour, issue of a Provisional Supplier Code may be considered with the approval of the Divisional Head. Alongwith intimation of allotment of Provisional Supplier Code, prescribed application forms for registration may be issued to such provisionally selected vendors and pursue with them to get registered.

19.27 Certain vendors can be considered for one-time registration under conditions prevailing as follows:-

- (a) When nominated by the owner
- (b) As a policy, OEM deals through nominated agents only
- (c) Very specific items of one-time requirement
- (d) As only vendor have a ready availability of items or services required by HSL at the specific time

19.28 Renewal of Registration. The Registered vendors are required to renew their registration by submitting a DD or Bankers cheque towards non refundable fee of Rs 3,000 or three months before expiry of the existing registration. The renewal of registration may be considered for approval by the Divisional Head after review of the performance of the vendor during the validity of the registration.

19.29 Registration of new vendors or renewal of vendor registration for material as well as services shall be done by Purchase department and unique no. is to be allotted for both. However, in case of renewal of contractors, recommendations from the concerned outsourcing department shall be obtained. In case of branch registration of same vendor sub code is to be provided.

19.30 Inclusion of Additional Items or Expansion of Scope. During the validity of the registration of a Vendor, an application for inclusion of additional items may be considered by the Competent Authority depending on merit of each case and proof of experience or supply in the new line on payment of prescribed fee. After approval an addendum to registration certificate will be issued.

19.31 Premature Termination of Registration or Removal of Names of Vendors from Approved List of Vendors or Contractors or Suppliers. The registered vendors are liable to be removed from the approved list of vendors, when:-

- (a) They fail to abide by the terms and conditions under which the registration has been granted and for failure to inform HSL of any change in their status such that they no longer meet the registration qualification criteria.
- (b) Makes any false or misleading information or declaration and knowingly sent copies of forged documents which got detected at a later date
- (c) Supplies stores of inferior quality

- (d) Renders services of inferior quality than the contracted ones
- (e) Fails to execute a contract or failed to execute it satisfactorily
- (f) Is declared bankrupt or insolvent
- (g) Fails to submit the required documents or information for renewal of registration, where required,
- (h) Vendors barred or black listed by Government Agencies or Statutory bodies, other Shipbuilding Yards, PSUs or with whom commercial transactions have been suspended for sufficient and justifiable reasons.
- (i) Any other firm or company having same Promoters or Directors or Partners as the barred or blacklisted Company as per para (h) above for the duration for which the barring or blacklisting of sister concern persists.
- (j) Vendors who had fraudulently dealt with the company for pecuniary gains or had connived with anyone for mutual benefit.
- (k) Vendors who knowingly collude to defeat competition with the aim of deriving undeserved profit or gain from doing business with HSL.
- (l) Any other ground which, in the opinion of the registering authority, the retention of the vendor's name in the list of registered vendors is not in the interest of the company.

19.32 Suspension of Business Dealings with Vendor. In case of vendors falling under any of the above categories, HOD-Purchase gives a written warning to the defaulting vendor(s), giving him or them an opportunity to explain his or their delinquencies and to improve upon the performance. Based on the periodical review of performance of the registered or not registered vendors, they can be placed under temporary suspension of the dealings, or for revocation of the registration for the reasons mentioned above or any other reasons attributed to the vendors. It is the responsibility of the dealing section to initiate de-registration procedure in all cases and to follow it up to its logical conclusion. The order of suspension shall specify the period of suspension.

19.33 A copy of the suspension order will be referred to Vendor Registration Section for placement in the concerned Vendor's file and to deactivate the Vendor's registration by removing the Approved Vendor Status in the ERP Vendor Data Base till the completion of the suspension period. Post completion of the suspension order, the Vendor Registration Cell would reinstate the vendor at the advice of the concerned department.

19.34 Revocation of Orders. In order for suspension passed for a certain specified period shall be deemed to have automatically revoked on the expiry of the specified period and it will not be necessary to issue a specific formal order of revocation,

except that an order of suspension passed on account of doubtful loyalty or security considerations shall continue to remain in force until it is specifically revoked.

19.35 Suspension order may, on a review, be revoked by the competent authority, if it is of the opinion that disability already suffered is adequate in the circumstances of the case.

19.36 Vendor Assessment. Each Section in the Purchase Department of the respective Divisions carryout the assessment of performance of the vendors on completion of the Order or Contract. The vendors shall be graded or classified taking into consideration of the factors viz., Quality parameters at pre-despatch inspection stage, on performance during usage; delivery parameters; price considerations and business relations and accordingly make a record and kept in the tender section, so that in future contacts, past performance of the firm can be linked.

19.37 Quality Rating. Quality rating is assessed for a lot or consignment by considering the total quantity supplied out of which quantity accepted, quantity accepted with deviation, quantity accepted with rectification and quantity rejected, by assigning suitable de-merit factors for each of the above categories of supplies.

19.38 Delivery Rating. Delivery rating for a lot or a consignment by considering the total quantity supplied out of which quantity accepted, quantity accepted with deviation, quantity accepted with rectification and quantity rejected, by assigning suitable de-merit factors for each of the above categories of supplies.

19.39 Service Rating. It is assigned to each consignment delivered by a vendor considering the following service factors

- (a) Cooperativeness and readiness to help in emergency.
- (b) Readiness to replace rejected material.
- (c) Providing support documents in time.
- (d) Promptness in reply.
- (e) Co-operation in delivery & implementing measures or avoiding recurrence of defects or complaints.

19.40 Price Rating. The Price Rating for a consignment or a lot is determined by the lowest price quoted by a vendor or rate prevailing in the market or last purchase price, to that of the price quoted by the vendor being rated.

19.41 Based on the experience and judgment, weightages are assigned to or reviewed for each of the four ratings to derive the 'Composite Vendor Rating'. The weights are determined on the basis of criticality of the item with respect to 'quality' and 'delivery' from the view point of quality; the item is categorised into three cases as critical, major and minor items. For Delivery, these are categorised as – critical path, sub-critical path and non-critical path.

19.42 The weightages for the combination of above classes are allocated based on the following guidelines:-

- (a) The sum of the weights for the factors considered is 100.
- (b) The weight for 'quality' shall be in the order of 'critical', 'major' and 'minor', items. The same principle is adopted for the factor 'delivery' –critical, sub-critical and non-critical.
- (c) For the same classification of the factors 'quality' and 'delivery', equal weights may be given to both the factors.
- (d) If one factor is critical and the other is major or minor, the critical factor gets more weightage as compared to the other.
- (e) The weights for factors 'price' and 'service' are valued depending upon the cross classification with respect to factors 'quality' and 'delivery' so that the sum of the weights for all the four factors is 100.
- (f) Vendor rating is computed and vendors are classified as under after due approval by HOD: -

<u>Rating Obtained</u>	<u>Class of Vendor</u>
80 and above	A Very Good
61 to 80	B Good
41 to 60	C Satisfactory or Fair
Below 40	D* Unsatisfactory or Poor

19.43 Vendors placed in Grade 'B' and 'C' are to be suitably counseled or encouraged by HOD for further improvement to obtain a high rating. Any de-rating of the performance of the Vendors to Grade 'C' is to be suitably put up by the Tenders section for further consideration. HOD is to counsel the concerned vendor in writing, to improve his performance rating, lest he should stand the risk of deletion of his Company's name from HSL's Approved Vendor List. Vendors, whose performance is rated at 40 or below, are to be informed that their registration has been cancelled citing reasons for low grading and that they may apply for registration again after overcoming the deficiencies observed. Grades A, B, & C are arrived at on the basis of performance against each order and averaging at the end of the year.

19.44 Particulars of non-response to the tender enquiries by the vendors shall be reported by the Tender Section or Dealing Section to the Manager In charge of the Vendor Registration Section to enable review to weed out delinquent vendors after due approval by HOD.

19.45 The objective of Vendor assessment or rating is: -

- (a) To understand the vendors and select right ones for the right material.
- (b) To understand the areas of strength and weaknesses for each vendor and to advise or develop them accordingly,
- (c) To meet the overall objectives of making the materials available at right time and right price.