	<b>ARIHANT FLEXI PACK</b>
	FLEXIBLE PACKAGING
	STANDARD OPERATING PROCEDURE
	Purchase

## **1 PURPOSE:**


- 1.1 Selection and approval of vendors
- 1.2 Release of Purchase specification to vendors
- 1.3 Perform vendor rating and reevaluation
- 1.4 Monitor cost of purchase
- 1.5 Track of purchase

## **2 SCOPE:**

This procedure is applicable for purchase of Granules, Film, Foil, Ink, Adhesive and Consumable for execution of customer orders.

## **3 RESPONSIBILITY AND AUTHORITY:**

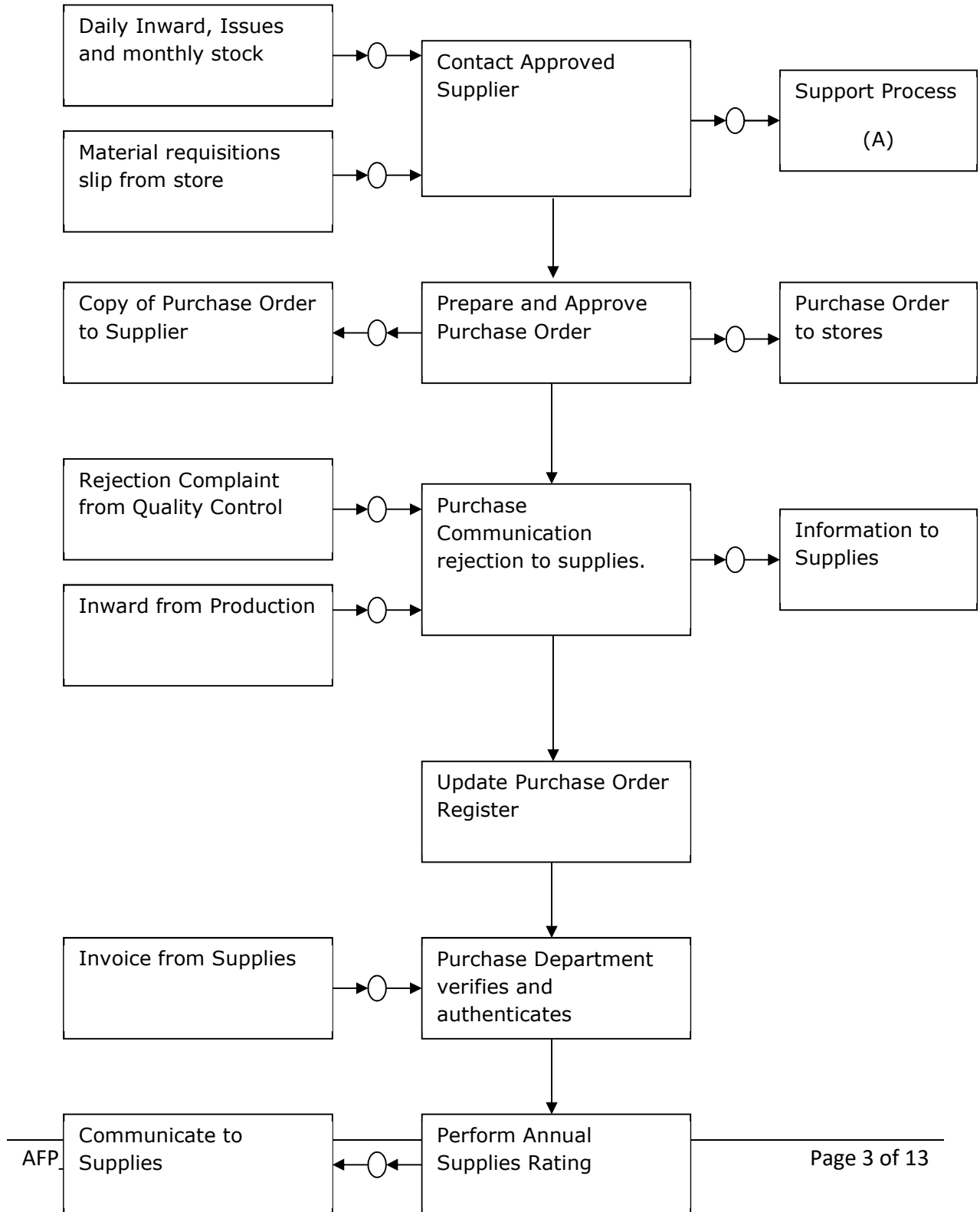
- 3.1 Purchase manager
  - 3.1.1 Ensure timely available of raw material and allied raw materials necessary for production, which are: Granules, Films & Foils. All other items are procured by Stores at Factory according to mil.
  - 3.1.2 Research and develop new suppliers
  - 3.1.3 Select, evaluate and approve new suppliers
  - 3.1.4 Prepare, review, approve and release purchase orders to the suppliers.
  - 3.1.5 Perform annual supplier rating and evaluation
  - 3.1.6 Monitor and control cost of purchase
  - 3.1.7 Shall maintain stock statement on monthly basis


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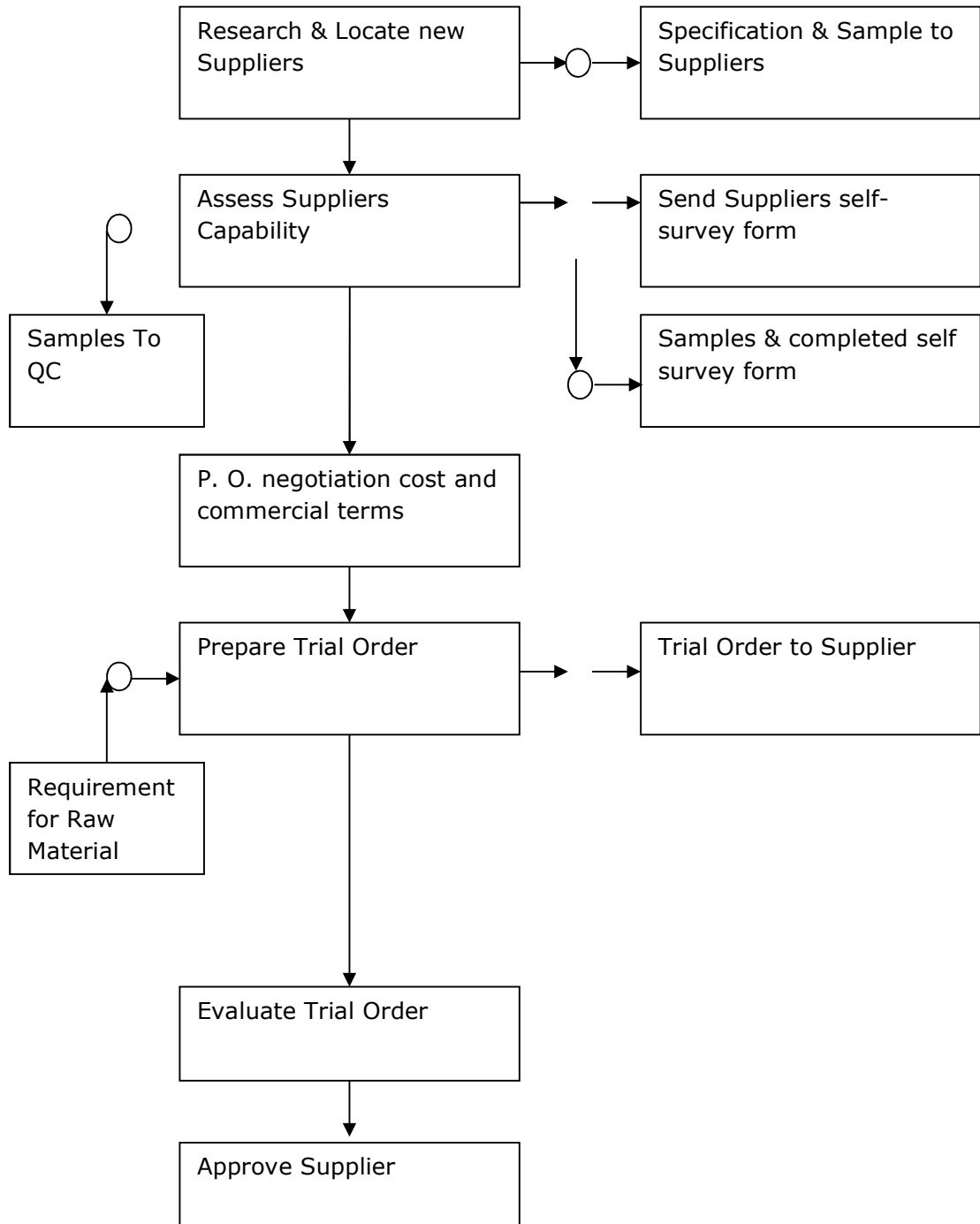
#### **4 Definition and acronyms**


- |     |                          |  |
|-----|--------------------------|--|
| 4.1 | AVPR                     | Average vendor performance rating  |
| 4.2 | Vendor registration form | Form used to collect information on suppliers capability to fulfill requirements of PR |
| 4.3 | Trial Supplies           | Supplies by the supplier necessary to evaluate the performance before approval         |

**5 FLOW CHART:**



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## **6 PROCEDURE:**

### **6.1 Procurement planning and release of purchase document**

- 6.1.1 Purchase receives a daily inward and issues of raw materials from the stores at factory.
- 6.1.2 Purchase reviews the monthly raw-material stock report and reviews the stock level.
- 6.1.3 Marketing raises a sales order to Planning manager. He checks the order for the inputs and tallies with stock & informs Purchase.
- 6.1.4 Purchase places an order for the requisite raw material. Purchase issues a purchase order duly approved after finalizing the cost and dispatch details.
- 6.1.5 The purchase order highlights product description like quantity, date of delivery, payment terms.
- 6.1.6 The supplies are received by the store that then makes MRM & informs Purchase through daily inward report.
- 6.1.7 Information is send to QC for Incoming Inspection.
- 6.1.8 In case of rejection, the QC generates a Complaint and sends it to Purchase. On receipt of the complaint the Purchase Manager informs the supplier of the rejection. Purchase shall meet the supplier and initiate corrective actions to minimize the impact of the non-conforming products and prevent it from re-occurring.
- 6.1.9 The rejected raw material is processed as per the procedure for control of non conforming product AFP\_MR\_SOP\_06-F01
- 6.1.10 Purchase receives the invoice for the supplies made. The invoice is checked against all the information and details as mentioned in the Purchase Order. On verification, the purchase Manager authenticates the invoice for being correct by putting his initials. On clearance the same is sent to accounts for payment processing.

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## **6.2 Purchase**

- 6.2.1 Purchase of Consumable (Ink, Solvent, Adhesive) Engineering Consumable
- 6.2.2 Minimum stock level of (Solvent, Adhesive) and indent for Inks is sent by stores.
- 6.2.3 A list of approved suppliers with approved rates is available with the Planning manager.
- 6.2.4 A open Purchase Order stating the delivery, schedule and product specification is issued to the supplies and one copy is send stores.
- 6.2.5 The Purchase Order is approved by the Planning manager.
- 6.2.6 After the material is received. It is physically verified against the Purchase Order.
- 6.2.7 If the material is rejected, prepare sales invoice and return it to the supplies.

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### **6.3 New supplier evaluation and approval**

- 6.3.1 Purchase Manager researches and locates new suppliers for existing requirements as well as new requirements.
- 6.3.2 Purchase Manager shall assess the capability of the supplier by sending samples and specifications for review.
- 6.3.3 After the suppliers agrees to meet the requirement the purchase manager sends a supplier self survey form to the supplier which shall be duly filled by the supplier and returned back to the purchase department
- 6.3.4 The purchase manager shall where necessary request the Vendor to send samples and specification for reviews.
- 6.3.5 The sample is sent to the quality control department .
- 6.3.6 The sample is evaluated after performing required tests.
- 6.3.7 After the samples are approved the purchase manager negotiates cost and other commercial terms with the supplier.
- 6.3.8 The supplier is informed of trial supplies whenever there is a requirement for that product
- 6.3.9 The trial supplies are evaluated for quality, quantity and delivery performance.

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6.3.10 If the trial supplies fulfill all the requirements the supplier is approved and listed to the approved vendor list

6.3.11 In case supplier is going to supply critical raw material (Paper reel, Ink, foil, Varnish, Film etc), he shall be informed about performance of onsite audit or printline audit questionnaire will send to supplier.

Accordingly onsite audit shall be performed by QA &/or Purchase department or evaluation of audit questionnaire result.

If, assessment is passed, then next processes shall be followed otherwise supplier shall be informed of problems and asked to improve. If supplier accepts it, then re-audit shall be planned as per commitment by supplier.

Audit may not be required only in following two scenarios

- Supplier is certified for any GFSI benchmark standard (may include but not limited to BRC, FSSC 22000 etc.)
- If auditing supplier may not be possible due to its inconvenient geographical location and supplier is ready to conduct self audit as per our supplier audit checklist.

#### **6.4 Supplier communication**

6.4.1 The purchase has established channels of communication with the supplier on matter related to dispatch of raw material, new product development, product rejection and follow up for replacement, product cost reduction and credit terms.


6.4.2 The communication may be telephonic, fax or email or if required a personal visit to the suppliers premises.

#### **6.5 Supplier re-evaluation and rating**

6.5.1 Supplier rating and re-evaluation is performed on an annual basis.

6.5.2 Criteria for supplier rating and re-evaluation are Quality, Quantity, Delivery and Cost.



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6.5.3 Purchase keeps a track of performance of the approved against purchase orders. Based on the data collected %quality, %quantity and %delivery performance for each purchase order is calculated as mentioned below:

$$\%Quality = \frac{\text{Quantity approved}}{\text{Quantity received}} \times 100$$

$$\%Quantity = \frac{\text{Quantity received}}{\text{Quantity ordered}} \times 100$$

Delivery =           0 – 2 days delay   80%  
                       3 – 5 days delay     60%  
                       6 days and above   40%

6.5.4 On basis of the above calculation the average of quality, quantity and delivery is worked out.

6.5.5 Average supplier performance rating


$$AVPR = \frac{\sum Quality + \sum Quantity + \sum Delivery}{3}$$

6.5.6 The scale for supplier rating is as follows: - 100 – 80 acceptable, 80 – 60 needs improvement and 60 – 40 not acceptable.

6.5.7 The supplier rating is communicated to the suppliers and a joint effort is initiated on improving weak areas

## **6.6 Exception handling (during emergencies)**

6.6.1 During emergencies material can be purchased from non approved supplier.

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6.6.2 In such cases, non approved suppliers are communicated about the technical specifications of the raw material to be purchased and are asked to provide declaration of compliance and test report for the lot supplied.

6.6.3 Supplies are accepted only if DOC & COA is provided by supplier

**6.7 Arihant has identified out sourced activities as**

6.7.1 Pest Control

6.7.2 Transportation – Raw Material and Finished Product

6.7.3 Annual Calibration

6.7.4 External Testing

6.7.5 Security

6.7.6 Waste Disposal

6.8 AFP ensures through supplier evaluation & approval process that the supplier of the outsourced process is appropriately qualified to execute the required activity as per the standard requirements.

6.9 Before appointing, Arihant assess the supplier on following grounds-

6.9.1 Pest control –

Assessment of agency by registration of operator, availability of MSDS for all pesticides used in the facility

6.10 Transportation – Raw material and finished product


6.10.1 Registration of transporter, instruction on loading and unloading practices, vehicle maintenance and cleaning

6.10.2 Annual maintenance contracts / calibration

6.10.3 Traceability of test certificates (NPL/NABL)

6.11 External testing

6.11.1 Available certifications

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#### 6.12 Security Services: -

6.12.1 Assessment of agency by verifying registration of security agency

#### 6.13 Waste Management: -

6.13.1 Contractor for disposal of waste material and or scrap shall be licensed and experienced in packaging industry in similar operations

#### **6.14 Monitoring Criteria of Service providers**

- Service provider evaluation is done by doing rating on an annual basis
- Rating shall be given from 1 to 4 rating for Poor to very Good scale respectively  
(i.e. 1 = Poor, 2 = Satisfactory, 3 = Good, 4 = Very Good).
- Criteria for service providers monitoring and evaluation are as follows.

##### Pest control: -

- Adherence to schedule
- Effectiveness of pest control
- Recording of pest control activity
- Punctuality of operator
- Communication and complaint resolution activity
- Cost in comparison

##### Calibration: -


- Punctuality and time bounding of testing
- Report presentation
- Communication and complaint resolution activity
- Cost in comparison

##### Laboratory

- Punctuality and time bounding of testing
- Report presentation
- Communication and complaint resolution activity
- Cost in comparison

##### Transporters

- On time availability of vehicle
- Conditions & Cleanliness of vehicle

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- Communication and complaint resolution activity
- Cost in comparison
- On time delivery performance

Waste Management

- On time pick up of waste
- Communication and response

Security

- Availability of guards
- Competency of guards
- Incident and Activity control
- Communication and response

- The scale for service provider's rating is as follows: - 100 – 80 acceptable, 80 – 60 needs improvement and 60 – 40 not acceptable.

## 7 Records

Sr. No	Document title	Format no
1.	Vendor registration form	AFP_PUR_SOP_01-F01_010114_00
2.	PO	AFP_PUR_SOP_01-F02_010114_00
3.	Vendor audit	AFP_PUR_SOP_01-F03_010114_00
4.	Vendor Rating	AFP_PUR_SOP_01-F04_010114_00
5.	Transporter Agreement	AFP_PUR_SOP_01-F05_010114_00
6.	Approved supplier list	AFP_PUR_SOP_01-F06_010114_00
7.	List Of Approved Chemicals	AFP_PUR_SOP_01-F07_010114_00
8.	Calibration Agreement	
9.	External Testing Agreement	

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<b>REVISION HISTORY</b>		
<b>Rev</b>	<b>Description of Change</b>	<b>Effective Date</b>
New	Initial Release	1/01/2014
01	Updated as per BRC Packaging Issue – 5	01/12/2015
02	Reviewed and added 6.14 and updated	01/03/2017

Prepared by	Mr. CHITRANJAN	Approved & Reviewed by	Mr. VATSAL SHAH
Sign		Sign	
Date		Date	