



Gateway Distriparks Limited

Standard Operating Procedure

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Process Name:	Procurement	Process Name:	P&P
Process Objective:	To control & regulate the procurement system		
Process Scope:	Scope of 'Procurement Department' includes the following: <ul style="list-style-type: none"> • Interface between the Company and the Suppliers • Supplier follow-ups for ensuring timely delivery of material and tracking of consignments of critical item • Co-ordination with the Finance Department for availability of funds and to facilitate payments to the suppliers • Development of alternate and reliable sources for supply of material • Prepare & maintain all relevant documents, with a comprehensive filing system enabling easy access to all orders and documents, both by department and numerically as an internal control • Generation of relevant MIS for providing the necessary input to the top management 		
Responsible	Senior Manager – Projects & Procurement		
Accountable	Senior General Manager – Projects & Procurement		
Supported by	All HOD's		
Consult	F&A		
Inform	President – CFS and Rail Vertical		

POLICY OBJECTIVES

To control and regulate the Procurement system, management must endeavour to ensure that;

1	The records in respect of procurements; <ul style="list-style-type: none"> • Are correct and in accordance with the organization's trade terms & policies,
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	<ul style="list-style-type: none"> • Capture and contain all such transactions (i.e no unrecorded purchase liabilities) • Represent good and services actually used in and received for the benefit of the business, and • Are maintained confidentially.
2	<p>All purchases represent the legitimate needs and smooth functioning of the company by</p> <ul style="list-style-type: none"> • Making purchases at the optimum cost • Ensuring material of the desired quality • Ensuring availability in the desired period • Continuous working towards improving efficiency of Procurement Procedure
3	<p>Purchases should be done only from the Authorized dealers/ regular & well-known suppliers. Development of alternate sources of material/services should be continuously pursued as an objective to reduce costs, provide requisite flexibility and improve quality.</p>
4	<p>Distinction should be made in respect of;</p> <ul style="list-style-type: none"> • Project purchases, which would generally cover purchases, related to development of the company, especially in areas not handed over to operations. • Capital purchases, which refers to planned intention to acquire fixed assets. As the amount requested for capital purchase can be substantial, it is important that this area of budgeting be carried out prudently, as it is necessary to allocate the limited capital funds to meet the most appropriate requirements. <p>Purchase for operations would involve expense for procuring various items to carry on day-to-day operations, which are charged off as a revenue expense in the accounts.</p>

Rules / Design Principles	
1	The incidents should be generated by the Stores Department/Project Department/User Department and can also be sent on e-mails.
2	The Inventor will have to submit his indent type written. No hard written will be accepted. No addition/alteration will be generally made in the indent. In case, this becomes necessary on rare occasions, the Indenter will affix his initials on the corrections/additions made.
3	Procurement of material and services should be based on Comparative Quotes from minimum three reputed vendor for all purchases above INR 20,000. Support documents to be maintained by respective procurement/functional department.
4	Recurring Expenses: Agreements should be done with the vendors for regular/recurring above INR 60,000 per annum.
5	Onetime Procurement should be done based on Purchase order / Work Order or in exceptional cases on email approval having all the commercial terms and after evaluation of price as per market rate.
6	All approvals must be in writing. Telephonic approvals should be followed up by written approvals. Approvals mean "Prior Approval".
7	Approval as per authority matrix is mandatory for procurement of all departments.
8	The purchase of IT related supplies might be highly technical in some instances. Hence, technical specifications for items to be procured should be provided by the IT department.
9	For purchases of items less than INR 5,000 per CAPEX and INR 10,000 for OPEX, there is no need to issue PO. Quotations shall be obtained from the suppliers and after reviewing them, approvals shall be obtained as per authority matrix.
10	Procurement Officer shall keep a list of vendors who are habitual defaulters and who supply



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	substandard material and blacklist such vendors. Period vendor evaluation will be done by Procurement department.
11	The Indentor shall inspect the materials as soon as it arrives and shall normally adhere to the schedule given by him at the time of placing the indent.
12	Running contracts should be reviewed periodically (every 6/12 months) by concerned departments.
13	Procurement Department should designate persons within their team at locations to raise PO/WO after cost approval as per authority matrix.
14	All the WO/PO at HO should be signed by Procurement HOD / President (Rail/CFS).

Detailed Procedure - PROCUREMENT		
Sr. No.	Process Steps / Activities	By Whom (Responsible / Accountable)
1	<p><u>Preparation of Procurement Plan</u></p> <p>Indentor (as per the authority matrix) prepares the Procurement Plan and assess quantity of material to be purchased is based on the following parameters:</p> <ul style="list-style-type: none"> • Periodic review of the stock levels • Consumption Pattern • Re-order level / Stock in hand • Orders in pipeline • Delivery Schedule 	ICD Head / HOD / Concerned person as per the authority matrix
2	<p><u>Raising Indent</u></p> <ul style="list-style-type: none"> • Raise Indent as per the procurement plan for each item on the basis of calculated order quantity. (Ensure maximum possible consolidation of requirements against each item while raising indents) • The Indentor should then send the Indent to the purchase officer who will check it for correctness of details as follows: <ul style="list-style-type: none"> – They shall be thoroughly checked in order that they are strictly raised as per the purchase procedure. The approving authority should not accept indents, which are faulty or incomplete. – Purchase officer must ensure that all the financial parameters are fully complied with, before according his concurrence. 	<p>Stores: For store controlled items (periodic)</p> <p>User departments: for all other goods / services</p> <p>Project Department: For project related items</p>
3	<p><u>Selection of prospective suppliers</u></p> <p>Select prospective suppliers for each item on the basis of following informations:</p> <ul style="list-style-type: none"> • Market conditions and availability of material • Lead time of each supplier • Past performance vis a vis quality and timelines • Relevant information, either oral or written, in reasonable details 	Purchase Officer

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	<p>w.r.t. compliance to applicable laws & regulations, C-TPAT requirements, company's policies & code of business conduct/ethics.</p> <ul style="list-style-type: none"> • Technical evaluation of vendors specially involved in providing manpower and material for operations requirements, vendors for new projects comprises of past experience in similar work, min. 3 to 5 years of turnover data for financial soundness as to contract awarded to total revenue, KYC details, recommendation letters of past projects/companies with they have worked, company letter giving information regarding company / any employee not involved in fraud/financial irregularities etc. • Preference to Private / Public Limited Companies • Income Tax & GST Filing be adherence • Company / Concern not be under RBI / Bank Defaulters List • Retention Money: 5% of contracted amount be held as security • For projects/material value greater than INR 50lakh, vendor/company turnover for last 3 years should be more than 25% of project cost. 	
4	<p><u>Floating Enquiries / Request for Quotation</u></p> <p>Float/send Enquiries to the short listed suppliers:</p> <ul style="list-style-type: none"> • Prepare summary of all enquiries sent against each Indent on a blank Comparative Statement sheet. • Clearly mention the specifications / norms of item, Time frame within which material required and mention Last Date by which Supplier is expected to respond • Specify following information in enquiry, which supplier is expected to send: <ul style="list-style-type: none"> ✓ Unit Rate and Terms of Price ✓ Validity period of the estimate ✓ Quantity/Trade discount, if any ✓ Delivery Schedules ✓ Mode of Despatch ✓ Terms of Payment ✓ Applicable Taxes and other Government Levies ✓ Any other information relevant to supply of material 	Purchase Officer
5	<p><u>Quotations & Comparative Statement</u></p> <p>On the basis of enquiries, minimum 3 (three) quotations should be called and received from the suppliers. Enter receipt date and all relevant details in the Comparative Statement Sheet on receipt of quotations. Comparative Statement is a summary wherein per unit cost is calculated for each Supplier. It forms a basis for selection of any particular Supplier, in whose favour PO is finally prepared. For repeat purchase of any goods or services, existing cost / budget levels will be mentioned for approval purpose.</p> <p>Following information is compared in the Comparative Statement, based on quotations received:</p>	Purchase Officer



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	<ul style="list-style-type: none"> • Rates and other benefits (CENVAT, Local , Central Sales Tax & GST) • Other Incidental Costs (Freight, Handling, Packing etc.) • Calculation of Net Landed Cost of the item in each case. • Payment terms and associated cost/benefits (Credit, Advance, Part Advance, etc) • Delivery schedule • Recommend Supplier and mention explicit reason for recommendation. • In case of finalisation of purchase order of higher than the lowest bid or single part bid, reasons for doing so, should be clearly mentioned on the tabulation of bids. • Comparative Statement should be approved, by an appropriate authority depending upon the value of the procurement to be made, as per the authority matrix. 	
6	<p><u>Preparation of Purchase Order</u></p> <p>The PO represents formal and final approval of a purchasing transaction with the Supplier. It must contain the following;</p> <ul style="list-style-type: none"> – Supplier name & address – Material or Service ordered – Rate and total amount – Quantity / duration ordered – Delivery schedule & terms – Payment terms, taxes & duties – Any other particulars or charges like packing, transportation, insurance etc. – Discounts offered by the firm – Warranty period – Any other condition, if necessary <ul style="list-style-type: none"> • Suitable clauses like Fall Clause, Option clause for repeat order, Arbitration Clause, force-majeure Clause and Liquidated damage Clause, etc. may be incorporated in the supply order wherever applicable. • The PO should clearly specify the acceptance norms and the penal clause for non-compliance of those norms wherever necessary. • After selection of the supplier and authorization of Comparative Statement, prepare six (3) copies of PO/WO for information and record duly signed by HOD Procurement / President (Rail/CFS)/ Terminal Head as under: <ul style="list-style-type: none"> – Supplier (for intimation & placing order) – Account Department (for processing payments) – Procurement Department (for record and follow up) • Specify invariably, last date of delivery, excise duty, sales tax, packing and forwarding charges details. • All orders released should be based on Supplier’s quotation and subsequent discussion and negotiations, if any held on the initial offer. • The purchase order shall be signed in accordance with the approved 	Purchase Officer



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	<p>authority matrix or by any other officer as per the delegation of power and released in the standard purchase order format along with standard commercial terms and conditions and special terms and conditions, if any.</p> <ul style="list-style-type: none"> • PO should be amended in case any change is required. No overwriting or manual corrections should be made. PO may be amended due to Rectification of Errors, change in Rates, quantity, item specification, terms of supply or any other change. • Amendments, whether prior or after receipt of material or during transit, with respect to rates, payment terms or specification of material should be authorized as per the authority matrix. 	
7	<p><u>Follow Up, Receipt & Inspection</u></p> <ul style="list-style-type: none"> • After release of order, receipt of order acknowledgement and acceptance of the order by the supplier should be perused. • It is the duty of the Purchase Officer to ensure that the vendor supplies what has been ordered in time. • Purchase officer should maintain regular contact with the indentor and in the event of material not being received in time, he shall contact the vendor immediately and ensure that the material is received as quickly as possible. • Indentor should receive the material and a report of such receipts must be sent to the Purchase Officer. • Stores should maintain a Daily Receipt Register (DRR) centrally which should include all relevant information about the receipt of materials in a computer. A print out should be sent to the User and Procurement department immediately and a copy of the same can be retained as DRR. • Failure to inspect the material within the time schedule shall make the Indentor and the concerned department head responsible for losses, if any. • Once the inspection is complete and the Indentor certifies the inspection report, Stores should ensure that the bill containing the stock entry reference and copy of the inspection report is sent to Purchase Officer within 3 (three) working days after the inspection is over. • The Purchase Officer shall send the same directly to Finance & Accounts department within 3 (three) working days for payment. 	Purchase Officer / User Department
8	<p><u>Single Source Procurement</u></p> <p>Single sourcing occurs when a procurement department / management / HOD chooses one supplier to provide all of its products, materials, parts & components and services even when there are other suppliers that can provide the same goods/services.</p> <p>Under these circumstances, a procurement department may review several suppliers and then decide on one. Common criteria for single sourcing decision include:</p>	Purchase Officer



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	<ul style="list-style-type: none"> • Unit Pricing • Quality • Delivery benefits • Operating terms and conditions • Contractual discounts • Reputation • Brand partnership benefits • Business commitments • Existing relationship between the company and supplier • Expertise 	
9	<p><u>Scrap / Asset Disposal Procedure</u></p> <p>Collected scrap shall be segregated as Iron drums, plastic barrels, rejected plastic cans, Waste Oil, Metal Scrap, Tyres, Electrical waste etc shall be stored at designated location for disposal or sale. Restricted material as declared by Local Government authority, to be sold to Govt. approved vendor only and comply with Government norms.</p> <ul style="list-style-type: none"> • Scrap generation department informs terminal head for permission to scrap the material. Local team comprises of Operation, Admin, Engineering, IT and Accounts validate the same. • 3 quotes been arranged by the concerned department. • Procurement team get involved for final negotiation with vendors along with CFO/Nomited finance person and terminal head. • Approval on Final Negotiated highest price should be taken as per authority matrix. • All asset disposal information should share with Joint Managing Director. • 100 % advance payment should be taken from selected vendor before disposal of scrap material out from GDL premises. Concern department shall keep all the data or records related to scrap disposal. 	Purchase Officer / User Department
10	<p><u>New / Renewal of AMC of services</u></p> <p>AMC ensures that the equipment is regularly inspected and serviced so it can run properly and efficiently, it reduces the variability in maintenance budget, which can help avoid overruns or shortfalls. Input data for spend to be provided by the users and procurement team will analyse the data and cost and compare the service cost by as per market rate , accordingly decision will be taken.</p> <p>AMC will include the scope of services, responsibilities of both parties, payment terms, Termination clauses, price of contract, penalties for breaking the contract. Renewal of AMC of services can be done with same vendor by comparing the cost as per market rate at that time and approval as per authority matrix.</p>	Purchase Officer
11	<p><u>New / Renewal of ARC of material, parts and components</u></p> <p>Annual rate contract or ARC is intended to provide stability needed to protect us from an unexpected price increase and purchase quality product from reputed vendors. Indenter has to provide data and cost</p>	Purchase Officer



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	<p>incurred previously to procurement team, procurement team will evaluate the cost by taking quote from reputed vendors . Procurement team will negotiate the price for items with suppliers and fix the price with vendors for supplying the material for fixed duration.</p> <p>Renewal of ARC of material can be done with same vendor by comparing the cost as per market rate at that time and approval as per authority matrix.</p>	
Detailed Procedure – REJECTIONS/NON CONFORMANCE		
Sr. No.	Process Steps / Activities	By Whom (Responsible / Accountable)
1	<p><u>Information from Stores/ User department</u></p> <ul style="list-style-type: none"> • The material, on receipt, is checked at the User/Stores Department. • In case, it is not found to be of the desired quality (as per PO/Quality check), the same is rejected or marked as non – confirming and information of the fact is forwarded to the Procurement Department. • All documents along with relevant SRN/MRN and Quality check Report (details on e-mail will suffice) should be sent to Procurement Department. 	Stores / User departments / Project Department
2	<p><u>Intimation to Supplier</u></p> <p>Intimate the Supplier that the material has been rejected or found non-confirming. Prepare intimation in duplicate for Supplier and obtain an acknowledgement of the intimation on duplicate copy for own record. Mention clearly in the intimation:</p> <ul style="list-style-type: none"> • Reasons for Rejection or type of non-conformance. • Statement to the effect that “material is lying in the company premises at the risk of the Supplier”, should be written in rejection memo / e-mail. • Statement to the effect that the Supplier should make proper arrangements to rectify/lift the material at the earliest. • On the basis of the joint inspection, if done, User Department should take a decision whether the material is usable at all or not. If the material can be used, it may be accepted. 	Purchase Officer
3	<p><u>Consideration of Commercial Implications</u></p> <ul style="list-style-type: none"> • Ascertain commercial implications based on intimation from the User Department (For e.g. Deduction in the payment, realizing any advance paid, realizing any other cost incurred in this regard, etc.). • Accordingly, where the deduction is to be made or any advance has to be realized, the accounts department should be informed. • Make relevant noting of facts / information on the face of SRN/MRN. • The decision of acceptance or complete rejection should be intimated to the stores & accounts Department for acceptance / return dispatch of material. 	Purchase Officer



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Detailed Procedure – REVIEW & CONTROL

Sr. No.	Process Steps / Activities
1	<p><u>Pending Indent List</u></p> <ul style="list-style-type: none"> • Prepare a list of indents against which PO have not been raised on monthly basis. Divide the list into groups according to the functional areas defined within the organization. • Procurement department should review and discuss the subject list with departmental/functional heads in review meetings. • Cancel indent if it is so decided in review meeting or found to be pending for 6 months or more from the date of indent. • Send the cancelled indent back to the user department along with reasons for non - processing (for e.g. Non availability of material, no response to inquiries raised, item of exact specification not available etc.) • The user department should review the indent and decide upon the requirement of the material. In appropriate cases, it should give out alternate description of the material. • A summary report giving age wise break up of pending indents should be prepared for various stake holders and to aid decision making.
2	<p><u>Pending PO List</u></p> <ul style="list-style-type: none"> • Prepare an ageing report of PO against which material has not been received on a monthly basis, divided into groups according to the functional areas defined within the organization. • The list should cover all PO against which delivery has not been made and the last date of delivery has passed. • Take proper follow up with supplier if any PO is found to be pending for 25 days or more from the last date of delivery. • Cancel PO if it is found to be pending for 3 months or more from the last date of delivery and intimate supplier about its cancellation. • Send a copy of PO cancellation to the User Department, which had raised the relevant Indent, along with reasons for such cancellation. • Procurement department should review and discuss the subject report with departmental / functional heads in review meetings.
3	<p><u>Reconciliation and Review of Outstanding Balances</u></p> <ul style="list-style-type: none"> • Accounts department shall generate a list, on monthly basis, for the debit balances in the suppliers account, stating the name of the supplier, debit balances outstanding and the reason for such balances, whether advance, due to debit note and reason for such debit note etc. • Such list shall be sent to the User/Procurement department for a review and appropriate comments and action. • Similarly, the accounts statement of creditors for supplies should be reviewed and reconciled, periodically, in tune with the accounts department's policies. All un-reconciled and disputed accounts should be resolved, by proper follow up with the suppliers, within a reasonable period.

Exception / Failure scenarios with process controls



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1	<p><u>Any change in material requirement due to change in plan</u></p> <p>It should be immediately conveyed by Stores / User Department to Procurement Department for corrective action to take place.</p>
2	<p><u>If adequate numbers of quotations, as may be considered necessary to arrive at a decision, are not received by the last date specified in enquiry</u></p> <p>In such circumstances, fresh enquiry may be floated. In circumstances where re-floating of enquiries, is not considered fit by the sanctioning authorities, the respective authority may decide over the received enquiries.</p>

A. DOCUMENTS FLOW	
Documents referred / Process Inputs / Data Inputs / Data Inflow / Data Required	
1	Quotations
2	Vendor Invoice

Documents created / updated / Process Outputs / Data outflow	
1	Indent
2	Purchase Order / LOI
3	MRN / SRN
4	Daily Receipt Register

System used / IT enablement required	
1	MS Office
2	Navision

B. PEOPLE FLOW

Responsibilities of Indenting Department	
Primary	Additional/Secondary
To provide correct and detailed specification of the Item, including summary of its function / use and detailed specifications including whether the requirement is fresh or additional or replacement.	Coordinate with Procurement department for timely receipt of indented item
Information regarding the useful Life of equipment, availability of spares, arrangement for maintenance, past performance, probable sources of supply, estimated cost and last purchase price, if any, should be mentioned	Preliminary verification on receipt to ensure desired quality, quantity and any other required characteristics.
To take approval for placing indent from the appropriate authority, as per authority matrix.	



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List of Annexures	
1	Indent
2	Purchase Order
3	Material Receipt Note
4	Approval format for procurement above 10lacs