

1. INTRODUCTION:

M of D vide letter No. 16(2)/2004/D(QA) dt 31-3-05 has directed that Vendor development and capacity verification of vendors supplying input material to the Ordnance Factories and Defence PSUs shall be undertaken by the respective Ordnance Factory or the Defence PSUs as the case may be. DGQA registration of vendors shall not be mandatory for vendors to effect supplies to OFB or Defence PSUs.

Accordingly, the SOP for vendor development, capacity verification, vendor registration and vendor rating is enumerated in succeeding paras.

2. COMPETENT AUTHORITIES :

In respect of capacity assessment and vendor registration, the GM of the factory concerned shall be competent authority in all respects.

3. SCOPE :

This SOP is intended to give general guidelines for carrying out vendor assessment, capacity verification and vendor registration both in respect of existing sources and also for new vendors and grading them based on their assessed capabilities for initial registration and for its periodical renewal and removal. The document further lays down guidelines for rating of vendors based on their recorded

performance in respect of quality, delivery, Price and experience including various aspects of post procurement services.

4. NECESSARY BACKGROUND REQUIRED FOR VENDOR ASSESSMENT

A thorough and in depth knowledge of the requirements of quality management systems as laid down in ISO: 9001:2000 is necessary. In particular technical expertise is required in the following areas to carry out vendor assessment effectively: -

- a. **Quality of Design** - Material drawings, performance reliability and design evaluation reports.
- b. **Quality of production Processes** - Production process, Process Documentation, Machinery & Control instrumentation.
- c. **Production quality control** - Systematic quality checks, completeness, adequacy & documentation.
- d. **Quality of Vendors** - Quality Plan maintained by Vendors.
- e. **Quality of Material** - Incoming raw material testing facilities, System of material checking, maintenance of records & treatment of rejected material.
- f. **Quality of End product** - Evaluation of end product quality, maintenance of systematic record.

To ensure uniformity in vendor assessment and rating and provide comprehensive guidance for assessment terms, the competent accepting authority as indicated in para 2 will issue specific norms

/guidelines for product/technologies of their responsibility and the quality systems required.

5. DEFINITIONS :

- a. **Vendor Registration Request Form**: The form containing the information about the nature of the organisation, details of the personnel, plant and equipment , quality control facilities, nature of the products , licenced capacity for their products , financial status and stores for which registration is sought – submitted by the firm.
- b. **Vendor Quality Survey Report**: The Form containing the information for capacity assessment of Firm. The format is available in two parts. The details in the form shall be filled by visiting Capacity verification team. The form is provided with marking scheme to assist in grading of firms.
- c. **Vendor Rating**: Vendor rating is the system of rating of vendors based on performance in respect of quality of supplies, deliveries and service.
- d. **Composite Index** : The composite Index is the average of all ratings viz. Quality, Delivery, Price & Service for the same product by the vendor over a period of preceding three years This could be an index of assessing the overall quality of products and performance of a firm for procurement purposes and renewal of registration.
- e. **Established Suppliers** : A supplier who has successfully completed supply i.e. both in respect of quality reliability and timely delivery of the stores against one S.O. and supplied for minimum of 50% of intended quantity against tender shall

- qualify as established supplier for the particular item. Such firm shall qualify as established vendor for the same item to sister Ordnance Factories also on production of proof of registration.
- f. **New Source**: A supplier who intends to develop the defence stores or who attempts to indigenise a product shall be termed as a new source.
 - g. **Development Order**: Supply order placed on New Source as a result of Open Tender Enquiry for Source development.
 - h. **Registered Vendor**: A vendor who applies for registration and as a result of Capacity verification & other formalities is awarded Registration certificate by an Ordnance Factory. The Vendor shall qualify as registered vendor to a sister Ordnance Factory also for the same item.

6. **GENERAL :**

The overall procedure in this SOP comprises of the following: -

- a. Assessment, Registration, Renewal and de-registration/
Removal of suppliers
- b. Monitoring of vendor performance
- c. Suspension and Banning of business dealing with errant firms
- d. Compilation of compendium of Established Suppliers.

7. AGENCY TO UNDERTAKE CAPACITY ASSESSMENT AND VENDOR REGISTRATION:

Respective Ordnance factories will undertake the task of capacity assessment and vendor registration.

8. PROCEDURE FOR REGISTRATION OF VENDORS

8.1 Issue of vendor registration request forms

Vendor Registration Request Forms shall be issued to prospective vendors on request by each Ordnance Factory.

8.2 Initial Assessment of Vendors:

Based on the information furnished by the firms in the Vendor Registration Request Forms, classification of the firms will be done by a multifunctional team of group 'A' officers from production, quality control, planning, material management and finance functions. The committee will be headed by AGM/QC. Qualification of Firms shall be done as per guidelines and marking scheme given in Guide for Appendix 'I'. The firms qualifying shall be subjected to capacity verification.

8.3 Capacity verification of firms:

- a. The team for Capacity Verification shall comprise of officers from factory's QC Department and Production Department. The team shall consist of officers in gazetted Group 'A' or 'B' rank and at least one of the member should be a qualified lead auditor. If none of the member in teams is qualified lead auditor, an additional member at Sr. NG level with this qualification can be included in the team. The team will verify the facts as furnished by the firm in Vendor Registration Request Form, after visiting the firm's production units and allocate marks and rating in the vendor quality survey report (Enclosed at Appendix II).
- b. After capacity verification the grading of Firms shall be done based on guidelines and numbering scheme given in Appendix-II.

9. PROCEDURE FOR REGISTRATION OF NEW SUPPLIERS

9.1 Requirement for source development:

20% of annual requirement will be covered for developing New Sources as per present provisioning procedure.

9.2 Intent for source development:

Open Advertisement shall be made indicating intent for source development mentioning the requirement of the item. Advertisement will make it explicit that only actual manufacturers

will be considered and tender will be issued after satisfying in respect of capacity & capability after due verification. Such other conditions in regards to specific plant & machines and manufacturing capability, which the firm must possess in order to manufacture and supply the item, should also be included in the Advertisement stating that only those firms who possess these capabilities should apply. Otherwise their offers will be summarily rejected.

Also the firms will be required to quote for minimum 50% of the intended quantity against Tender (to be issued later) otherwise their offers will be treated as invalid.

9.3 Vendor Registration

The vendor registration process as mentioned in para 8.1, 8.2 & 8.3 shall be undertaken.

9.4 Issue of TE for source development:

Based on recommendation of Capacity Verification team the formal Tender Enquiry for source development shall be issued to successful Firms only.

9.5 Development Order

Supply order shall be finalized as a result of Tender Enquiry for source development following the requisite provisioning procedure by respective TPC.

In all the concluded contracts as a result of Tender Enquiry for source development, a realistic delivery schedule will be provided

after consideration of complexities of the item and all stages of advance sample manufacture and for manufacture and inspection of bulk supplies.

9.6 Qualification of New Firms as Established Suppliers:

New firms will qualify to become established suppliers after completing one supply order successfully provided they meet quality, reliability requirements and also supply 50% of intended quantity given in tender enquiry.

10. RENEWAL OF REGISTRATION OF SUPPLIERS

Registration is valid for three years unless extended. At the end of three years the renewal of registration/capacity verification falls due. The Ordnance Factory concerned shall take the information regarding validity of registration from OFB compendium (to be compiled in terms of para 15) / DGQA compendium (during transition period not extending July 2008) or a written confirmation from DGQA. Ordnance Factory shall initiate action for capacity verification and revalidation of firm's registration on receipt of request & prescribed fee from the Firm.

10.1 Application for renewal of Registration:

Ordnance Factory Board (MM Division) shall publish a general notice indicating that all vendors registered with DGQA and supplying products to ordnance factories shall apply to the concerned Ordnance factory for renewal of registration six

months prior to expiry of validity of registration. Vendors whose registration is expiring within six months of the date of publication of the notice shall apply immediately. In case vendor is supplying the same product to more than one Ordnance Factory, it needs to apply to only one Ordnance Factory.

It is mandatory that all vendors registered in the compendium of approved suppliers will apply for renewal of registration in a letter, addressed to the concerned factory GM or his designated representative in case they wish to continue as approved suppliers of the compendium. The vendor will make this application at least 180 days prior to expiry date of previous registration. Registration of firms who do not apply for renewal as prescribed above will lapse and their names may be removed from the compendium of approved suppliers. No show cause notice is required to be issued to the vendor in such cases. As and when such firms apply later assessment will be done as per procedure for initial registration and assessment fee will be charged from such firms.

The information of renewal of registration shall also be given by concerned Ordnance factory to sister Ordnance Factories producing same/ similar products.

10.2 Procedure & Charges for renewal of Registration :

The aforesaid procedure prescribed for initial registration will be followed for renewal also. The following guidelines may be

followed regarding recovery of assessment fee and the requirement of a visit to the premises of the firm: -

- a. In case the firm has applied for renewal of registration for only those items/generic group of items for which it is already registered and it has satisfactorily supplied all these items/generic group of items during the past three years without any adverse feed back, the registration of the firm may be renewed based on its satisfactory performance / vendor rating. In such cases and where there are no changes in the infrastructure, no visit will be required. In case there are infrastructural changes, it is up to the discretion of the concerned GM on whether a visit is necessary. In all such case where visit for capacity verification is not required, no assessment fee will be charged.
- b. In case other than (a) above, where the vendor applies for additional items or has not supplied all the items or a specific generic group of items for which they are registered during the past three years or the performance of the firm is not satisfactory for any or all of the items/generic group, the firm will be asked to submit all the documents afresh and a re-verification visit will be carried out. In such cases assessment fee will also be charged.
- c. Applications for general registration of additional items from existing vendors will NOT be entertained earlier than expiry of 6 months from date of last registration /visit. Similarly no firm

will be visited within a period of six months from the date of last visit.

11. SPECIAL NOTE :

- a. Firms registered with DGQA and whose supplies are satisfactory will be subjected to capacity verification in terms of para 8.1, 8.2 & 8.3 on receipt of their application for renewal as mentioned in para 10.1.
- b. The last successful suppliers will continue to be on the vendors' list till Capacity assessment indicates otherwise.
- c. In case supplies are not satisfactory, the capacity verification of such firm can be taken up by Ordnance factory on its own in the following contingencies:
 - The basis on which registration was done ceases to exist i.e. Firm has sold the machines, The management has changed the skill workmen having retired or any other such reason.
 - The Firm has performed unsatisfactorily against a contract awarded to it.
 - The Firm has indulged in unethical trade practices such as bribe, giving allurements or refuse to honour commitments etc.
 - The vendor rating of the Firm has come down below 70%.

In the above said contingencies, it shall be necessary to give the firm an opportunity of showing cause against the proposed action.

- d. All type of information regarding registration, renewal of registration, de-registration/ Removal shall be intimated by Ordnance Factory concerned to sister Ordnance Factories producing same end product.

- e. The registration done by sister Ordnance Factories shall be sufficient and separate registration will not be done in respect of same product for same firm.

12. VALIDITY OF RENEWAL :

All renewal of registration will be valid for a period of three years from date of issue of certificate. Renewal of registration, with or without a visit to the premises of the firm, will be done as due. The matter regarding charging of assessment fee in such cases will be decided in accordance with relevant para.

13. CERTIFICATE FOR RENEWAL REGISTRATION :

For renewal of registration, certificate as per specimen given at Appendix "V" will be awarded to the firm.

14. CATEGORISATION FOR REGISTRATION:

In addition to grading, vendors will be assessed for categorisation depending on their infrastructure and capabilities for one or more type of activities like design, development & production. The firms will, therefore also be categorised as under :-

- (a) Design, Development & Production (DDP) : Firms who have design capability and infrastructure for Research & Development apart from manufacturing capability covering all requirements of a quality system will be registered for all three capabilities and categorised "DDP".
- (b) Development & Production : Such firms will have capability for development and bulk manufacture only. Such firms will obviously not have infrastructure for

design i.e. conversion of a concept into an engineering design. Accordingly these firms will be categorised as “DP”.

- (c) Production (P) : All other firms having only production facilities for converting defence design into hardware or end stores or those capable of specified process such as fabrication, casting, machining etc. will be categorised as “P”.
- (d) Authorised dealer/ Stockist/ Trader (S): Authorised dealer/ Sole Selling Agent/ Stockist / Trader etc. shall be categorised as “S”.

15. COMPENDIUM :

For the purposes of registration of firms in the compendium of approved suppliers, comprehensive gradation of the firm will be indicated viz. classification of the vendor as an industry (Large, Medium or small scale), category as per para 14 above and grading as per para 8.3 above. For example a medium scale industry having all facilities obtaining Grade II grading will be designated as M/s..... (MS-DDP-Grade II) in the compendium of approved suppliers as well as in the Registration Certificate.

15.1 Agency responsible for maintaining and updating of Compendium:

Each Factory shall submit computerized data in prescribed format given at Appendix – III to operating division of Ordnance

Factory Board/AVHQ/OEFHQ as applicable. The operating division shall be responsible for maintaining compendium of suppliers for their division in computerized format.

QCS Division of OFB shall be responsible for integrating the compendium for whole organisation.

16. VENDOR'S CODE :

28-digit Vendor code shall be allotted as per following Table :

Char	Description	Type	Entry	Remarks
1	Major Code for Material	Num	02	As per DGOF codification Manual
2				
3	Vendors Name	Alpha	XY	Abbreviation e.g. BF for Bharat Forge
4				
5	Pin	Num	208001	Postal Pin code
6				
7				
8				
9				
10				
11	Fy. Code	Num	107	
12				
13				
14	Grade	Num	2	1,2,3 for I,II,III
15	Class(Large/Med./Small)	Alpha	L	L/M/S
16	Categorisation (as per para 14)	Num	2	1 for DDP 2 for DP 3 for P 4 for Supply (Trader)
17	Fy. Reg. Sl. No.	Num	0026	Running Sl. No. 0026 means 25 firms have been registered before this
18				
19				
20				
21	Vendor's TAN No.	AN	c-1234-d	
22				
23				
24				
25				
26				
27				
28				

17. ISSUE OF REGISTRATION CERTIFICATE :

After vendor assessment and approval of recommendations to register a firm in the compendium of approved suppliers by the Accepting Authorities, a registration certificate as per specimen given at Appendix "IV" attached will be issued by the Accepting Authority or his authorised representative. Registration of firms will not be issued /intimated in any other format except the certificate as per specimen mentioned above.

Copies of the registration certificate will be endorsed to the following where required: -

- (a) The firm concerned
- (b) OFB
- (c) Sister OF producing same end product.

18. CONTENTS OF REGISTRATION CERTIFICATE :

In respect of items for which registration is accorded, the contents of the registration certificate should be prepared as per the following guidelines: -

- (a) A combination of generic and specific description of the stores/processes should be included.
- (b) The range of dimensions/weight /tolerance limits should be specified where applicable.
- (c) Specific technology may be mentioned.

- (d) In case of process such as machining, casting, forging etc mention may be made of components / subassemblies / assemblies (as examples) which the vendor is capable of manufacturing.
- (e) Where possible necessary specifications and /or drawings may be indicated.
- (f) Vendor Registration shall be for a particular item or a group of items or for a process. The registration certificate issued to the Vendor after carrying out Capacity Verification shall indicate the list of items or the process for which they are granted registration.
- (g) The vendor code as mentioned in para 16 shall be mentioned in the certificate.
- (h) The Certificate must be electronically generated from computer system to facilitate track of records and search. Following fields must be recorded in the computer system

Vendor code	28	Alphanumeric
Date of Registration	8	Date
Date of Expiry	8	Date
Firms name	15	Char
Technology	15	Char
Item 1	20	Char
Item 2	20	Char
Item 3	20	Char
Item 4	20	Char

In case list is exhaustive only major items and Technology shall be recorded as above in database files for quick access & retrieval.

19. VALIDITY OF REGISTRATION :

The registration will be valid for a period of three years.

20. ACTION ON REJECTION FOR REGISTRATION :

In case it is not possible to register a vendor due to deficiencies noted during assessment, the details of the deficiencies noted will be intimated to the firm as an advice by the Accepting Authority /Authorised representative indicating that the firm may apply for registration afresh within a prescribed time frame. Normally reassessment of such firms will be taken up only after one year and on payment of fresh assessment, charges for initial registration. However, re-assessment may be taken up earlier at the discretion of the Accepting Authority for reasons to be recorded in writing depending on the nature of deficiencies noted earlier and merits of the case.

To avoid the possibility of vendors for a particular item who may have been rejected for registration by one Authority seeking to get registered through some other Authority dealing with similar items, it will be incumbent on the initiating authorities to obtain all information regarding previous application for assessment from the vendor prior to taking up any assessment.

Whenever an Ordnance Factory during the exercise of capacity verification decides not to register a firm due to reasons of insufficient capacity/ capability, it shall inform all sister Ordnance factories producing the same/ similar products.

21. ASSESSMENT FEE :

The charges for registration shall be as under: -

- | | | |
|-----|---------------------------------|------------|
| (a) | Large & Medium Scale Industries | Rs. 5000/- |
| (c) | Small Scale firms | Rs. 2000/- |

The assessment fee will be recovered in the following contingencies: -

- (a) All initial assessment.
- (b) Established sources registered with DGQA and required to be registered for first time with Ordnance Factory on renewal date.
- (c) For additional items involving new Technology/Design at any stage after initial registration /renewal requiring capacity verification.
- (d) Change of location/premises of firm involving fresh visit.
- (e) In case firms already registered fail to apply for renewal within prescribed period of six months before expiry, considered as fresh assessment.

The assessment fee will NOT be charged in the following contingencies: -

- (a) Renewal of registration in normal manner during prescribed period.

- (b) Registration for additional item/s of similar technology/design for which firm is already registered and visit for capacity verification is not required.
- (c) Change in status of firm e.g. from proprietary to partnership or private limited etc.

22. REMOVAL OF VENDORS FROM COMPENDIUM OF REGISTERED SUPPLIERS :

Removal of vendors from the compendium of registered suppliers may be ordered on the following grounds: -

- (a) If a firm fails to execute a contract.
- (b) If the composite Index of vendor rating falls below 70%.
- (c) If a firm is declared bankrupt or insolvent and in case of a limited company, it is wound up or taken into liquidation.

In the above said contingencies, except under (c) it shall be necessary to give the firm an opportunity of showing cause against the proposed action. Orders removing the firm from the compendium should be communicated to it along with reasons. Orders regarding removal for reasons mentioned in (c) above shall apply for all items for which the firm is registered.

23. APPELLATE AUTHORITY :

The decision of GM i.e. acceptance authority for registration of firms shall be final. However, in case of dispute between firm and factory, Member/TS, OF Board shall be the appellate authority.

24. MONITORING THE PERFORMANCE OF ESTABLISHED SUPPLIERS:

The performance of successful established suppliers after their short-listing by Capacity Verification Team will be monitored regularly against every completed order based on Vendor Rating System. The system shall be used for deciding criterion for input material inspection and subsequently shall be used for vendor selection. Following parameters shall be used for Vendor Rating System:

- (i) Quality Rating
- (ii) Delivery Rating
- (iii) Price Rating
- (iii) Service Rating.

Suggested formula of different parameters is as under:

24.1 QUALITY RATING

$$VRQ = (Q1 + 0.7 * Q2 + 0.3 * Q3 + 0 * Q4) / Q$$

Where

Q1 = Quantity Accepted Conforming to Specification,

Q2 = Quantity accepted with deviation

Q3 = Quantity accepted after rectification

Q4 = Quantity rejected and

Q = Total quantity offered for inspection (Q1 + Q2 + Q3 + Q4)

24.2 DELIVERY RATING:

$$VRD = (Qa / Qc) + \{ Qb /Qc\} * \{Tc /Ta\} * 0.5,$$

Where

Qa = Quantity Supplied on Time,

Qc = Quantity Ordered,

Qb = Quantity supplied late beyond delivery period

Tc = Delivery period as per supply order in days,

Ta = Total Time taken to complete the supplies, including late deliveries in number of days.

24.3 PRICE RATING:

$$VRP = P_L / P_Q$$

where P_L = Price quoted by the supplier

P_Q = Lowest Price quoted by any supplier against that tender.

24.4 SERVICE RATING:

The Index/Score for performance with respect to service will have to be determined jointly by the production/user and the materials management Department.

SERVICE RATING BREAK-UP AS PER IS 12040:2001	
PARAMETER	MAXIMUM SCORE
Co-operativeness and readiness to help in emergencies	30
Readiness to replace rejected material	20
Providing support documents in time	10
Promptness in reply	10
Co-operation in delivering and implementing measures or avoiding recurrence of defects/complaints	30
TOTAL	100

24.5 COMPOSITE INDEX FOR PERFORMANCE OR OVERALL RATING.

$VRI = A * VRQ + B * VRD + C * VRP + D * VRS$, Where

A, B, C, D are the weightage for parameters of quality, delivery, Price and service respectively, the values of which are given in succeeding paragraph.

For a particular item, the average vendor rating, AVR, for a supplier over a period of three years will be evaluated by applying the formula:

$$AVR = (VR1 + VR2 + \dots + VRn) / n$$

Where

'n' is the number of orders received by the supplier during the given period for that particular item.

In case an established source fails to secure any order in the last three years, it shall continue to be an established supplier subject to its renewal of registration.

24.6 WEIGHTAGE FACTORS FOR DIFFERENT RATING PARAMETERS:

Following weightage factor is suggested for different parameters as under:

Weightage for Quality - 60%

Weightage for Delivery - 25%

Weightage for Price - 10%

Weightage for Service - 05%

The overall rating of selected established suppliers will be worked out using the above formulae against the orders placed on the firm. The firms getting average overall rating of less than 70% against orders completed in last three years shall not be considered for issue of LTE thereafter for a period of one year. After the reinstatement, their rating will be monitored afresh as above. Second such occasion of rating falling below 70% will permanently disqualify a firm from the status of established suppliers.

25. INSPECTION CATEGORISATION:

Self-Certification category inspection status shall be awarded to Firms securing more than 95% vendor rating apart from other requirements mentioned in SOP for input material Inspection. This categorisation shall be valid for a period of one year. After the expiry of validity period it shall be reviewed again.

For “Inspection at Firm premises” category inspection status, Firm should secure more than 85% marks in vendor rating apart from other requirements mentioned in SOP for input material Inspection.

“Inspection on receipt” category inspection shall be applied to the firms securing 70% to 85% marks in vendor rating apart from other requirements mentioned in SOP for input material Inspection.

Note: Vendor Rating system shall be stream lined in all the Factories on PPC ONLINE system as per above formulae and shall come in to force with immediate effect. However selection procedure for category of inspection through vendor rating shall be introduced after streamling of vendor Rating through ONLINE PPC system. Till such time the selection of inspection categorisation shall be done as per procedure /criterion given in S.O.P for input material inspection. Separate directives shall be issued by OFB subsequently for the selection of inspection categorisation through vendor Rating system.